

**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 March 31, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-40931

**Stronghold Digital Mining, Inc.**  
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

595 Madison Avenue, 28th Floor  
New York, New York  
(Address of principal executive offices)

86-2759890

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

10022

(Zip Code)

(845) 579-5992

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock	SDIG	The Nasdaq Stock Market LLC

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 type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" 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 April 30, 2024, the registrant had outstanding 12,965,392 shares of Class A common stock, par value \$0.0001 per share, 5,990 shares of Series C convertible preferred stock, par value \$0.0001 per share, 0 shares of Series D convertible preferred stock, par value \$0.0001 per share, and 2,405,760 shares of Class V common stock, par value \$0.0001 per share. On May 15, 2023, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

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## Part I - Financial Information

### Item 1. Financial Statements

#### STRONGHOLD DIGITAL MINING, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2024	December 31, 2023
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 7,537,607	\$ 4,214,613
Digital currencies	2,704	3,175,595
Accounts receivable	1,739,187	507,029
Inventory	4,085,923	4,196,812
Prepaid insurance	2,391,206	3,787,048
Due from related parties	97,288	97,288
Other current assets	2,215,805	1,675,084
Total current assets	18,069,720	17,653,469
Equipment deposits	—	8,000,643
Property, plant and equipment, net	144,269,680	144,642,771
Operating lease right-of-use assets	1,283,338	1,472,747
Land	1,748,440	1,748,440
Road bond	299,738	299,738
Security deposits	348,888	348,888
Other noncurrent assets	170,488	170,488
<b>TOTAL ASSETS</b>	<b>\$ 166,190,292</b>	<b>\$ 174,337,184</b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 11,510,296	\$ 11,857,052
Accrued liabilities	9,599,950	10,787,895
Financed insurance premiums	1,513,704	2,927,508
Current portion of long-term debt, net of discounts and issuance fees	12,058,049	7,936,147
Current portion of operating lease liabilities	729,821	788,706
Due to related parties	619,947	718,838
Total current liabilities	36,031,767	35,016,146
Asset retirement obligation	1,089,471	1,075,728
Warrant liabilities	13,532,709	25,210,429
Long-term debt, net of discounts and issuance fees	43,153,392	48,203,762
Long-term operating lease liabilities	639,586	776,079
Contract liabilities	67,244	241,420
Total liabilities	94,514,169	110,523,564
<b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
<b>REDEEMABLE COMMON STOCK:</b>		
Common Stock – Class V; \$0.0001 par value; 34,560,000 shares authorized; 2,405,760 shares issued and outstanding as of March 31, 2024, and December 31, 2023.	9,704,926	20,416,116
Total redeemable common stock	9,704,926	20,416,116
<b>STOCKHOLDERS' EQUITY:</b>		
Common Stock – Class A; \$0.0001 par value; 685,440,000 shares authorized; 12,900,076 and 11,115,561 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively.	1,290	1,112
Series C convertible preferred stock; \$0.0001 par value; 23,102 shares authorized; 5,990 shares issued and outstanding as of March 31, 2024, and December 31, 2023.	1	1
Series D convertible preferred stock; \$0.0001 par value; 15,582 shares authorized; 0 and 7,610 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively.	—	1
Accumulated deficits	(314,994,985)	(331,647,755)
Additional paid-in capital	376,964,891	375,044,145
Total stockholders' equity	61,971,197	43,397,504
Total redeemable common stock and stockholders' equity	71,676,123	63,813,620
<b>TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY</b>	<b>\$ 166,190,292</b>	<b>\$ 174,337,184</b>

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

**STRONGHOLD DIGITAL MINING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b>OPERATING REVENUES:</b>		
Cryptocurrency mining	\$ 21,291,058	\$ 11,297,298
Cryptocurrency hosting	5,457,529	2,325,996
Energy	700,067	2,730,986
Capacity	—	859,510
Other	73,531	52,425
Total operating revenues	27,522,185	17,266,215
<b>OPERATING EXPENSES:</b>		
Fuel	7,410,828	7,414,014
Operations and maintenance	8,241,725	8,440,923
General and administrative	6,598,346	8,468,755
Depreciation and amortization	9,514,654	7,722,841
Loss on disposal of fixed assets	—	91,086
Realized gain on sale of digital currencies	(624,107)	(326,768)
Unrealized gain on digital currencies	(1,227)	—
Realized gain on sale of miner assets	(36,012)	—
Impairments on digital currencies	—	71,477
Total operating expenses	31,104,207	31,882,328
<b>NET OPERATING LOSS</b>	(3,582,022)	(14,616,113)
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(2,263,409)	(2,383,913)
Loss on debt extinguishment	—	(28,960,947)
Changes in fair value of warrant liabilities	11,677,720	(714,589)
Other	10,000	15,000
Total other income (expense)	9,424,311	(32,044,449)
<b>NET INCOME (LOSS)</b>	\$ 5,842,289	\$ (46,660,562)
<b>NET INCOME (LOSS) attributable to noncontrolling interest</b>	918,287	(18,119,131)
<b>NET INCOME (LOSS) attributable to Stronghold Digital Mining, Inc.</b>	\$ 4,924,002	\$ (28,541,431)
<b>NET INCOME (LOSS) attributable to Class A common shareholders:</b>		
Basic	\$ 0.35	\$ (6.52)
Diluted	\$ 0.35	\$ (6.52)
<b>Weighted average number of Class A common shares outstanding:</b>		
Basic	13,989,820	4,375,614
Diluted	13,989,820	4,375,614

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

**STRONGHOLD DIGITAL MINING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

**Three Months Ended March 31, 2024**

	Convertible Preferred		Convertible Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series D Shares	Amount	Shares	Amount			
<b>Balance – January 1, 2024</b>	5,990	\$ 1	7,610	\$ 1	11,115,561	\$ 1,112	\$ (331,647,755)	\$ 375,044,145	\$ 43,397,504
Impact of Adoption of ASU 2023-08 (Note 1)	—	—	—	—	—	—	99,292	—	99,292
Net income attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	4,924,002	—	4,924,002
Net income attributable to noncontrolling interest	—	—	—	—	—	—	918,287	—	918,287
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	10,711,189	—	10,711,189
Stock-based compensation	—	—	—	—	—	—	—	1,939,120	1,939,120
Vesting of restricted stock units	—	—	—	—	370,398	37	—	(37)	—
Conversion of Series D preferred stock	—	—	(7,610)	(1)	1,414,117	141	—	(18,337)	(18,197)
<b>Balance – March 31, 2024</b>	5,990	\$ 1	—	\$ —	12,900,076	\$ 1,290	\$ (314,994,985)	\$ 376,964,891	\$ 61,971,197

**Three Months Ended March 31, 2023**

	Convertible Preferred		Convertible Preferred		Common A		Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity
	Series C Shares	Amount	Series D Shares	Amount	Shares	Amount			
<b>Balance – January 1, 2023</b>	—	\$ —	—	—	31,710,217	\$ 3,171	\$ (240,443,302)	\$ 323,465,275	\$ 83,025,144
Net loss attributable to Stronghold Digital Mining, Inc.	—	—	—	—	—	—	(28,541,431)	—	(28,541,431)
Net loss attributable to noncontrolling interest	—	—	—	—	—	—	(18,119,131)	—	(18,119,131)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	(3,744,632)	—	(3,744,632)
Stock-based compensation	—	—	—	—	—	—	—	2,449,324	2,449,324
Vesting of restricted stock units	—	—	—	—	508,319	51	—	(51)	—
Warrants issued and outstanding	—	—	—	—	—	—	—	1,739,882	1,739,882
Exercised warrants	—	—	—	—	5,002,650	501	—	(228)	273
Issuance of Series C convertible preferred stock	23,102	2	—	—	—	—	—	45,386,944	45,386,946
Conversion of Series C preferred stock	(1,530)	—	—	—	3,825,000	382	—	(382)	—
<b>Balance – March 31, 2023</b>	21,572	\$ 2	—	\$ —	41,046,186	\$ 4,105	\$ (290,848,496)	\$ 373,040,764	\$ 82,196,375

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

**STRONGHOLD DIGITAL MINING, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 5,842,289	\$ (46,660,562)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	9,514,654	7,722,841
Accretion of asset retirement obligation	13,743	13,051
Loss on disposal of fixed assets	—	91,086
Realized gain on sale of miner assets	(36,012)	—
Change in value of accounts receivable	213,040	1,002,750
Amortization of debt issuance costs	51,473	34,517
Stock-based compensation	1,939,120	2,449,324
Loss on debt extinguishment	—	28,960,947
Changes in fair value of warrant liabilities	(11,677,720)	714,589
Other	199,844	(12,139)
(Increase) decrease in digital currencies:		
Mining revenue	(25,114,221)	(12,921,075)
Net proceeds from sale of digital currencies	28,387,631	12,286,573
Unrealized gain on digital currencies	(1,227)	—
Impairments on digital currencies	—	71,477
(Increase) decrease in assets:		
Accounts receivable	(1,445,198)	4,959,865
Prepaid insurance	1,395,842	1,336,037
Due from related parties	—	(68,436)
Inventory	110,889	(229,175)
Other assets	(1,092,745)	(296,265)
Increase (decrease) in liabilities:		
Accounts payable	(400,907)	(1,390,895)
Due to related parties	(98,891)	237,466
Accrued liabilities	(1,637,806)	(1,518,296)
Other liabilities, including contract liabilities	(302,388)	(125,146)
<b>NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>5,861,410</b>	<b>(3,341,466)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(244,605)	(13,738)
Proceeds from sale of property, plant and equipment, including CIP	180,000	—
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(64,605)</b>	<b>(13,738)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of debt	(1,060,008)	(1,836,925)
Repayments of financed insurance premiums	(1,413,803)	(1,750,874)
Proceeds from exercise of warrants	—	273
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(2,473,811)</b>	<b>(3,587,526)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,322,994</b>	<b>(6,942,730)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>4,214,613</b>	<b>13,296,703</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 7,537,607</b>	<b>\$ 6,353,973</b>

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

**STRONGHOLD DIGITAL MINING, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NATURE OF OPERATIONS**

Stronghold Digital Mining, Inc. ("Stronghold Inc." or the "Company") is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

Stronghold Inc. operates in two business segments – the *Energy Operations* segment and the *Cryptocurrency Operations* segment. This segment presentation is consistent with how the Company's chief operating decision maker evaluates financial performance and makes resource allocation and strategic decisions about the business.

*Energy Operations*

The Company operates as a qualifying cogeneration facility ("Facility") under the provisions of the Public Utilities Regulatory Policies Act of 1978 and sells its electricity into the PJM Interconnection Merchant Market ("PJM") under a Professional Services Agreement ("PSA") with Customized Energy Solutions ("CES"), effective July 27, 2022. Under the PSA, CES agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily marketing, energy scheduling, telemetry, capacity management, reporting, and other related services for the Plants. The initial term of the agreement is two years, and then will extend automatically on an annual basis unless terminated by either party with 60 days written (or electronic) notice prior to the current term end. The Company's primary fuel source is waste coal which is provided by various third parties. Waste coal tax credits are earned by the Company by generating electricity utilizing coal refuse.

*Cryptocurrency Operations*

The Company is also a vertically-integrated digital currency mining business. The Company buys and maintains a fleet of Bitcoin miners as well as the required infrastructure and provides power to third-party digital currency miners under hosting agreements. The digital currency mining operations are in their early stages, and digital currencies and energy pricing mining economics are volatile and subject to uncertainty. The Company's current strategy will continue to expose it to the numerous risks and volatility associated with the digital mining and power generation sectors, including fluctuating Bitcoin-to-U.S.-Dollar prices, the costs and availability of miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations, and regulatory changes.

**NOTE 1 – BASIS OF PRESENTATION**

The unaudited condensed consolidated balance sheet as of March 31, 2024, the unaudited condensed consolidated statements of operations, stockholders' equity and cash flows for the three months ended March 31, 2024, and 2023, have been prepared by the Company. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the operating results expected for the full year.

The condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in the annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), have been condensed or omitted. Certain reclassifications of amounts previously reported have been made to the accompanying condensed consolidated financial statements in order to conform to current presentation.

Additionally, since there are no differences between net income (loss) and comprehensive income (loss), all references to comprehensive income (loss) have been excluded from the condensed consolidated financial statements.

On May 15, 2023, following approval by the Board of Directors (the "Board") and stockholders of the Company, the Company effected a 1-for-10 reverse stock split ("Reverse Stock Split") of its Class A common stock, par value \$0.0001 per share, and Class V common stock, par value \$0.0001 per share. The par values of the Company's Class A and Class V common stock were not adjusted as a result of the Reverse Stock Split. All share and per share amounts and related stockholders' equity balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split.

#### Recently Implemented Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses*, which adds a new impairment model, known as the current expected credit loss ("CECL") model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for its estimate of expected credit losses at the initial recognition of an in-scope financial instrument and applies it to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments. The CECL model does not have a minimum threshold for recognition of impairment losses, and entities will need to measure expected credit losses on assets that have a low risk of loss. Since the Company is a smaller reporting company, as defined by the U.S. Securities and Exchange Commission (the "SEC"), the new guidance became effective on January 1, 2023. The Company adopted ASU 2016-13 effective January 1, 2023, but the adoption of ASU 2016-13 did not have an impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other - Crypto Assets (Subtopic 350-60)*, which requires all entities holding crypto assets that meet certain requirements to subsequently measure those in-scope crypto assets at fair value, with the remeasurement recorded in net income. Among other things, the new guidance also requires separate presentation of (i) the gain or loss associated with remeasurement of crypto assets on the income statement and (ii) crypto assets from other intangible assets on the balance sheet. Before this new guidance, crypto assets were generally accounted for as indefinite-lived intangible assets, which follow a cost-less-impairment accounting model that only reflects decreases, but not increases, in the fair value of crypto assets holdings until sold. Although early adoption is permitted, the new guidance becomes effective on January 1, 2025, and should be applied using a modified retrospective transition method with a cumulative-effect adjustment recorded to the opening balance of retained earnings as of the beginning of the year of adoption. The Company adopted ASU 2023-08 as of January 1, 2024, and the cumulative adjustment increased the opening balance of retained earnings by \$99,292. See *Note 2 – Digital Currencies* for more information.

#### Recently Issued Accounting Pronouncements

During the first quarter of 2024, there have been no recently issued accounting pronouncements applicable to the Company. However, the Company continues to evaluate the impact of the following accounting pronouncements issued during the preceding quarter.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, which requires public entities to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, public entities with a single reportable segment will be required to provide the new disclosures and all the disclosures required under ASC 280, *Segment Reporting*. Although early adoption is permitted, this new guidance becomes effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. The Company is currently evaluating the impact of adopting this new guidance on its interim and annual consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance the transparency and decision-usefulness of income tax disclosures, particularly in the rate reconciliation table and disclosures about income taxes paid. Although early adoption is permitted, this new guidance becomes effective for annual periods beginning after December 15, 2024, on a prospective basis. The Company is currently evaluating the impact of adopting this new guidance on its interim and annual consolidated financial statements and related disclosures.

## NOTE 2 – DIGITAL CURRENCIES

As of March 31, 2024, the Company held an aggregate amount of \$2,704 in digital currencies comprised of unrestricted Bitcoin. Changes in digital currencies consisted of the following for the three months ended March 31, 2024, and 2023:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Digital currencies at beginning of period	\$ 3,175,595	\$ 109,827
Additions of digital currencies <sup>(1)</sup>	25,114,221	12,921,075
Realized gain on sale of digital currencies	624,107	326,768
Unrealized gain (loss) on digital currencies	1,227	—
Impairment losses	—	(71,477)
Proceeds from sale of digital currencies	(29,011,738)	(12,613,341)
Impact of ASU 2023-08 as of January 1, 2024	99,292	—
Digital currencies at end of period	<u>\$ 2,704</u>	<u>\$ 672,852</u>

<sup>(1)</sup> Additions of digital currencies were related to mining activities.

<sup>2</sup> See Note 1 – Basis of Presentation for more details regarding the Company's adoption of ASU 2023-08 as of January 1, 2024.

As previously disclosed, the Company adopted ASU 2023-08 effective January 1, 2024, using a modified retrospective transition method, with a cumulative-effect adjustment of \$99,292 recorded to the opening balance of retained earnings. Following the adoption of ASU 2023-08, realized gains (net of realized losses) on the sale of digital currencies were \$624,107 and unrealized gains (net of unrealized losses) on digital currencies were \$1,227 for the three months ended March 31, 2024. Furthermore, with the adoption of ASU 2023-08, the Company no longer accounts for digital currencies as indefinite-lived intangible assets, and therefore, no impairment losses have been recognized in the current year period.

As of March 31, 2024, the Company's crypto asset holdings were immaterial. As of December 31, 2023, the Company's crypto asset holdings consisted of approximately 76.7 Bitcoin with a carrying value was \$3,175,595 and fair value of \$3,274,887.

## NOTE 3 – INVENTORY

Inventory consisted of the following components as of March 31, 2024, and December 31, 2023:

	March 31, 2024	December 31, 2023
Waste coal	\$ 3,984,245	\$ 4,066,201
Fuel oil	57,847	72,969
Limestone	43,831	57,642
Inventory	<u>\$ 4,085,923</u>	<u>\$ 4,196,812</u>

## NOTE 4 – EQUIPMENT DEPOSITS

Equipment deposits represent contractual agreements with vendors to deliver and install miners at future dates. The following details the vendor, miner model, miner count, and expected delivery month(s).

The total equipment deposits of \$8,000,643 as of December 31, 2023, represent cash paid for the following 5,000 miner assets: (i) 1,100 MicroBT Whatsminer M50 miners; (ii) 2,800 Bitmain Antminer S19k Pro miners; and (iii) 1,100 Canaan Avalon A1346 miners. These miner assets were all delivered to the Company during the first quarter of 2024, resulting in an equipment deposits balance of \$0 as of March 31, 2024.

## NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of March 31, 2024, and December 31, 2023:

	Useful Lives (Years)	March 31, 2024	December 31, 2023
Electric plant	10 - 60	\$ 67,083,864	\$ 67,063,626
Strongboxes and power transformers	8 - 30	54,588,284	54,588,284
Karbolith	30	493,626	—
Machinery and equipment	5 - 20	16,222,214	16,222,214
Rolling stock	5 - 7	261,000	261,000
Cryptocurrency machines and powering supplies	2 - 3	97,426,973	88,445,931
Computer hardware and software	2 - 5	100,536	100,536
Vehicles and trailers	2 - 7	658,500	658,500
Leasehold improvements	2 - 3	2,992,845	2,992,845
Construction in progress	Not Depreciable	11,155,827	11,562,170
Asset retirement cost	10 - 30	580,452	580,452
		251,564,121	242,475,558
Accumulated depreciation and amortization		(107,294,441)	(97,832,787)
Property, plant and equipment, net		\$ 144,269,680	\$ 144,642,771

Construction in progress consists of various projects to build out the cryptocurrency machine power infrastructure and is not depreciable until the asset is considered in service and successfully powers and runs the attached cryptocurrency machines. Completion of these projects will have various rollouts of energized transformed containers and are designed to calibrate power from the plant to the container that houses multiple cryptocurrency machines. Currently, the balance of \$11,155,827 as of March 31, 2024, represents open contracts for future projects.

Depreciation and amortization expense charged to operations was \$9,514,654 and \$7,722,841 for the three months ended March 31, 2024, and 2023, respectively, including depreciation of assets under finance leases of \$103,736 and \$133,382 for the three months ended March 31, 2024, and 2023, respectively.

The gross value of assets under finance leases and the related accumulated amortization approximated \$2,797,265 and \$1,524,472 as of March 31, 2024, respectively, and \$2,797,265 and \$1,420,736 as of December 31, 2023, respectively.

## NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of March 31, 2024, and December 31, 2023:

	March 31, 2024	December 31, 2023
Accrued legal and professional fees	\$ 734,445	\$ 733,115
Accrued interest	2,992	22,101
Accrued sales and use tax	6,088,271	5,660,028
Accrued plant utilities and fuel	1,565,020	3,505,203
Other	1,209,222	867,448
Accrued liabilities	\$ 9,599,950	\$ 10,787,895

## NOTE 7 – DEBT

Total debt consisted of the following as of March 31, 2024, and December 31, 2023:

	March 31, 2024	December 31, 2023
\$499,520 loan, with interest at 2.74%, due February 2024.	\$ —	\$ 26,522
\$517,465 loan, with interest at 4.79%, due November 2024.	121,576	158,027
\$119,000 loan, with interest at 7.40%, due December 2026.	110,058	119,000
\$585,476 loan, with interest at 4.99%, due November 2025.	302,428	345,665
\$431,825 loan, with interest at 7.60%, due April 2024.	7,956	31,525
\$58,149,411 Credit Agreement, with interest at 10.00% plus SOFR, due October 2025.	50,932,368	51,060,896
\$92,381 loan, with interest at 1.49%, due April 2026.	50,722	56,470
\$64,136 loan, with interest at 11.85%, due May 2024.	7,000	13,795
\$196,909 loan, with interest at 6.49%, due October 2025.	121,818	134,845
\$60,679 loan, with interest at 7.60%, due March 2025.	44,516	48,672
\$3,500,000 Promissory Note, with interest at 7.50%, due October 2025.	3,000,000	3,000,000
\$1,184,935 Promissory Note, due June 2024.	236,987	592,468
\$552,024 Promissory Note, due July 2024.	276,012	552,024
Total outstanding borrowings	\$ 55,211,441	\$ 56,139,909
Current portion of long-term debt, net of discounts and issuance fees	12,058,049	7,936,147
Long-term debt, net of discounts and issuance fees	\$ 43,153,392	\$ 48,203,762

### WhiteHawk Refinancing Agreement

On October 27, 2022, the Company entered into a secured credit agreement (the “Credit Agreement”) with WhiteHawk Finance LLC (“WhiteHawk”) to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the “WhiteHawk Financing Agreement”). Upon closing, the Credit Agreement consisted of \$35.1 million in term loans and \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the “WhiteHawk Refinancing Agreement”) was entered into by Stronghold Digital Mining Holdings, LLC (“Stronghold LLC”), as Borrower (in such capacity, the “Borrower”), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital Partners LP (“WhiteHawk Capital”), as collateral agent and administrative agent, and the other lenders thereto, entered into an amendment to the Credit Agreement (the “First Amendment”) in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five-month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. Consistent with the First Amendment, the Company made a loan prepayment of \$180,000 during the three months ended March 31, 2024. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000. On February 15, 2024, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into a Third Amendment to the Credit Agreement (the “Third Amendment”) which, among other items, amended the the Company’s minimum liquidity requirement to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of March 31, 2024.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate (“SOFR”) plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5% and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk

Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.50% and 14.46% for the three months ended March 31, 2024, and 2023, respectively.

#### Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of approximately \$28,960,947 during the first quarter of 2023.

#### Bruce & Merrilees Promissory Note

On March 28, 2023, the Company and Stronghold LLC entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released ten (10) 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims. Simultaneous with the B&M Settlement, the Company and each of its subsidiaries entered into a subordination agreement with B&M and WhiteHawk Capital pursuant to which all obligations, liabilities and indebtedness of every nature of the Company and each of its subsidiaries owed to B&M shall be subordinate and subject in right and time of payment, to the prior payment of full of the Company's obligation to WhiteHawk Capital pursuant to the Credit Agreement. This subordination agreement became effective on March 28, 2023, with the Second Amendment to the Credit Agreement.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default has occurred or is occurring under the WhiteHawk Credit Agreement and (ii) no PIK Option (as such term is defined in the WhiteHawk Refinancing Agreement) has been elected by the Company. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of March 31, 2024, the Company paid \$500,000 of principal pursuant to the B&M Note.

#### Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of March 31, 2024, the Company paid \$947,948 of the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant. As of March 31, 2024, the Company paid \$276,012 of the promissory note due to Canaan.

## **NOTE 8 – RELATED PARTY TRANSACTIONS**

### Waste Coal Agreement

The Company is obligated under a Waste Coal Agreement (the “WCA”) to take minimum annual delivery of 200,000 tons of waste coal as long as there is a sufficient quantity of waste coal that meets the Average Quality Characteristics (as defined in the WCA). Under the terms of the WCA, the Company is not charged for the waste coal itself but is charged a \$6.07 per ton base handling fee as it is obligated to mine, process, load, and otherwise handle the waste coal for itself and also for other customers of Coal Valley Sales, LLC (“CVS”) from the Company's Russellton site specifically. The Company is also obligated to unload and properly dispose of ash at its Russellton site. The Company is charged a reduced handling fee of \$1.00 per ton for any tons in excess of the minimum take of 200,000 tons. The Company is the designated operator of the Russellton site, and therefore, is responsible for complying with all state and federal requirements and regulations.

The Company purchases coal from Coal Valley Properties, LLC, a single-member limited liability company which is entirely owned by one individual who has ownership in Q Power LLC (“Q Power”), and from CVS. CVS is a single-member limited liability company which is owned by a coal reclamation partnership of which an owner of Q Power has a direct and an indirect interest in the partnership of 16.26%.

The Company expensed \$379,442 and \$150,000 for the three months ended March 31, 2024, and 2023, respectively, associated with coal purchases from CVS, which is included in fuel expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

### Fuel Service and Beneficial Use Agreement

The Company has a Fuel Service and Beneficial Use Agreement (“FBUA”) with Northampton Fuel Supply Company, Inc. (“NFS”), a wholly owned subsidiary of Olympus Power. The Company buys fuel from and sends ash to NFS, for the mutual benefit of both facilities, under the terms and rates established in the FBUA. The FBUA expired on December 31, 2023. The Company expensed \$621,509 and \$1,157,927 for the three months ended March 31, 2024, and 2023, respectively, which is included in fuel expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Northampton is no longer a related party entity as of March 31, 2024.

### Fuel Management Agreements

#### *Panther Creek Fuel Services LLC*

Effective August 1, 2012, the Company entered into the Fuel Management Agreement (the “Panther Creek Fuel Agreement”) with Panther Creek Fuel Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Panther Creek Fuel Agreement, Panther Creek Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company expensed \$0 and \$478,621 for the three months ended March 31, 2024, and 2023, respectively, which is included in operations and maintenance expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Panther Creek Fuel Services LLC is no longer a related party entity as of March 31, 2024.

#### *Scrubgrass Fuel Services, LLC*

Effective February 1, 2022, the Company entered into the Fuel Management Agreement (the “Scrubgrass Fuel Agreement”) with Scrubgrass Fuel Services LLC, a wholly owned subsidiary of Olympus Services LLC, which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Scrubgrass Fuel Agreement, Scrubgrass Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company expensed \$0 and \$276,119 for the three months ended March 31, 2024, and 2023, respectively, which is included in operations and maintenance expense in the condensed consolidated statements of operations. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Scrubgrass Fuel Services, LLC is no longer a related party entity as of March 31, 2024.

#### O&M Agreements

##### *Olympus Power LLC*

On November 2, 2021, Stronghold LLC entered into an Operations, Maintenance and Ancillary Services Agreement (the “Omnibus Services Agreement”) with Olympus Stronghold Services, LLC (“Olympus Stronghold Services”), whereby Olympus Stronghold Services provided certain operations and maintenance services to Stronghold LLC and employed certain personnel to operate the Plants. Stronghold LLC reimbursed Olympus Stronghold Services for those costs incurred by Olympus Stronghold Services and approved by Stronghold LLC in the course of providing services under the Omnibus Services Agreement, including payroll and benefits costs and insurance costs. The material costs incurred by Olympus Stronghold Services were to be approved by Stronghold LLC. From November 2, 2021, until October 1, 2023, Stronghold LLC also agreed to pay Olympus Stronghold Services a management fee at the rate of \$1,000,000 per year, payable monthly for services provided at each of the Plants, and an additional one-time mobilization fee of \$150,000 upon the effective date of the Omnibus Services Agreement, which was deferred. Effective October 1, 2022, Stronghold LLC began paying Olympus Stronghold Services a management fee for the Panther Creek Plant in the amount of \$500,000 per year, payable monthly for services provided at the Panther Creek Plant. This was a reduction of \$500,000 from the \$1,000,000 per year management fee that the Company was previously scheduled to pay Olympus Stronghold Services. The Company expensed \$30,000 and \$235,376 for the three months ended March 31, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the “Termination and Release”) whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

As disclosed above, effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Olympus Power LLC is no longer a related party entity as of March 31, 2024.

##### *Panther Creek Energy Services LLC*

Effective August 2, 2021, the Company entered into the Operations and Maintenance Agreement (the “O&M Agreement”) with Panther Creek Energy Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the O&M Agreement, Panther Creek Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary date of the effective date. The Company expensed \$0 and \$910,394 for the three months ended March 31, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

In connection with the equity contribution agreement, effective July 9, 2021 (the “Equity Contribution Agreement”), the Company entered into the Amended and Restated Operations and Maintenance Agreement (the “Amended O&M Agreement”) with Panther Creek Energy Services LLC. Under the Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Amended O&M Agreement was the closing date of the Equity Contribution Agreement. Effective November 1, 2023, Stronghold LLC no longer pays Olympus Stronghold Services a management fee for the Panther Creek Plant.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Panther Creek Energy Services LLC is no longer a related party entity as of March 31, 2024.

##### *Scrubgrass Energy Services, LLC*

Effective February 1, 2022, the Company entered into the Operations and Maintenance Agreement (the “Scrubgrass O&M Agreement”) with Scrubgrass Energy Services LLC, a wholly owned subsidiary of Olympus Services LLC which, in turn, is a wholly owned subsidiary of Olympus Power LLC. Under the Scrubgrass O&M Agreement, Scrubgrass Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company also agreed to pay a management

fee of \$175,000 per operating year, which is payable monthly, and is adjusted by the consumer price index on each anniversary date of the effective date. The Company expensed \$0 and \$1,724,112 for the three months ended March 31, 2024, and 2023, respectively, which includes the monthly management fees plus reimbursable costs incurred by Olympus Stronghold Services for payroll, benefits and insurance. See the composition of the due to related parties balance as of March 31, 2024, and December 31, 2023, below.

In connection with the Equity Contribution Agreement effective July 9, 2021, the Company entered into the Amended and Restated Operations and Maintenance Agreement (the "Scrubgrass Amended O&M Agreement") with Scrubgrass Energy Services LLC. Under the Scrubgrass Amended O&M Agreement, the management fee is \$250,000 for the twelve-month period following the effective date and \$325,000 per year thereafter. The effective date of the Scrubgrass Amended O&M Agreement is the closing date of the Equity Contribution Agreement. Effective October 1, 2022, Stronghold LLC no longer pays Olympus Stronghold Services a management fee for the Scrubgrass Plant.

Effective February 13, 2024, the Company terminated its Omnibus Services Agreement with Olympus Power, and therefore, Scrubgrass Energy Services, LLC is no longer a related party entity as of March 31, 2024.

#### Management Services Agreement

On April 19, 2023, pursuant to an independent consulting agreement the Company entered into with William Spence in connection with his departure from the Board (the "Spence Consulting Agreement"), Mr. Spence's annualized management fee of \$600,000 decreased to the greater of \$200,000 or 10% of any economic benefits derived from the sale of beneficial use ash, carbon sequestration efforts or alternative fuel arrangements, in each case, arranged by Mr. Spence. The previous consulting and advisory agreement with Mr. Spence was terminated in connection with entry into the Spence Consulting Agreement.

In April 2023, as part of the compensation pursuant to the Spence Consulting Agreement, Mr. Spence also received a one-time grant of 250,000 fully vested shares of the Company's Class A common stock, which was recorded as stock-based compensation in the second quarter of 2023.

#### Warrants

On September 13, 2022, the Company entered into a Securities Purchase Agreement with Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 60,241 shares of Class A common stock and warrants to purchase 60,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share, subsequently amended to \$10.10 per share and then \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

Additionally, on April 20, 2023, Mr. Beard invested \$1.0 million in exchange for 100,000 shares of Class A common stock and 100,000 pre-funded warrants. Refer to *Note 15 – Equity Issuances* for additional details.

Amounts due to related parties as of March 31, 2024, and December 31, 2023, were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Coal Valley Sales, LLC	\$ 503,670	\$ 433,195
Panther Creek Operating LLC	—	14,511
Northampton Generating Fuel Supply Company, Inc.	—	226,951
Olympus Power LLC and other subsidiaries	32,944	44,181
William Spence	83,333	—
Due to related parties	<u>\$ 619,947</u>	<u>\$ 718,838</u>

#### **NOTE 9 – CONCENTRATIONS**

Credit risk is the risk of loss the Company would incur if counterparties fail to perform their contractual obligations (including accounts receivable). The Company primarily conducts business with counterparties in the cryptocurrency mining and energy industry. This concentration of counterparties may impact the Company's overall exposure to credit risk, either positively or negatively, in that its counterparties may be similarly affected by changes in economic, regulatory or other conditions. The Company mitigates potential credit losses by dealing, where practical, with counterparties that are rated at investment grade by a major credit agency or have a history of reliable performance within the cryptocurrency mining and energy industry.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents customarily exceed federally insured limits. For

accounts receivable, the Company's significant credit risk is primarily concentrated with CES. CES accounted for approximately 90% and 99% of the Company's *Energy Operations* segment revenues for the three months ended March 31, 2024 and 2023, respectively.

Additionally, approximately 19% and 13% of the Company's total revenue for the three months ended March 31, 2024 and March 31, 2023, respectively, was derived from services provided to two customers.

For the three months ended March 31, 2024, and 2023, the Company purchased 55% and 60% of waste coal, respectively, from two suppliers. See *Note 8 – Related Party Transactions* for further information.

## **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

### **Commitments:**

As discussed in *Note 4 – Equipment Deposits*, the Company has entered into various equipment contracts to purchase miners. Most of these contracts required a percentage of deposits upfront and subsequent payments to cover the contracted purchase price of the equipment. Details of the outstanding purchase agreement with MinerVa are summarized below.

#### *MinerVa Semiconductor Corp*

On April 2, 2021, the Company entered into a purchase agreement (the "MinerVa Purchase Agreement") with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miners with a total terahash to be delivered equal to 1.5 million terahash. The price per miner was \$4,892.50 for an aggregate purchase price of \$73,387,500 to be paid in installments. The first installment equal to 60% of the purchase price, or \$44,032,500, was paid on April 2, 2021, and an additional payment of 20% of the purchase price, or \$14,677,500, was paid on June 2, 2021. As of March 31, 2024, there were no remaining deposits owed.

In December 2021, the Company extended the deadline for delivery of the MinerVa miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and had only delivered approximately 3,200 of the 15,000 miners. As a result, an impairment totaling \$12,228,742 was recorded in the first quarter of 2022. Furthermore, in the fourth quarter of 2022, the difference between the fair value of the MinerVa equipment deposits and the carrying value resulted in the Company recording an additional impairment charge of \$5,120,000.

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been reached, the Company could end discussions, declare an impasse, and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. As the 60-day period has expired, the Company is evaluating all available remedies under the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

As of March 31, 2024, MinerVa had delivered, refunded cash or swapped into deliveries of industry-leading miners of equivalent value to approximately 12,700 of the 15,000 miners. As disclosed below, the Company is pursuing legal action through the dispute resolution process, and as a result, the Company no longer expects equipment deliveries.

### **Contingencies:**

#### **Legal Proceedings**

The Company experiences litigation in the normal course of business. Management is of the belief that none of this routine litigation will have a material adverse effect on the Company's financial position or results of operations.

#### *McClymonds Supply & Transit Company, Inc. and DTA, L.P. vs. Scrubgrass Generating Company, L.P.*

On January 31, 2020, McClymonds Supply and Transit Company, Inc. ("McClymonds") made a Demand for Arbitration, as required by the terms of the Transportation Agreement between McClymonds and Scrubgrass Generating Company, L.P. ("Scrubgrass") dated April 8, 2013 (the "Agreement"). In its demand, McClymonds alleged damages in the amount of \$5,042,350 for failure to pay McClymonds for services. On February 18, 2020, Scrubgrass submitted its answering statement denying the claim of McClymonds in its entirety. On March 31, 2020, Scrubgrass submitted its counterclaim against McClymonds in the amount of \$6,747,328 as the result of McClymonds' failure to deliver fuel as required under

the terms of the Agreement. Hearings were held from January 31, 2022, to February 3, 2022. On May 9, 2022, an award in the amount of \$5.0 million plus interest of approximately \$0.8 million was issued in favor of McClymonds. The two managing members of Q Power have executed a binding document to pay the full amount of the award and have begun to pay the full amount of the award, such that there will be no effect on the financial condition of the Company. McClymonds shall have no recourse to the Company with respect to the award.

*Allegheny Mineral Corporation v. Scrubgrass Generating Company, L.P., Butler County Court of Common Pleas, No. AD 19-11039*

In November 2019, Allegheny Mineral Corporation ("Allegheny Mineral") filed suit against the Company seeking payment of approximately \$1,200,000 in outstanding invoices. In response, the Company filed counterclaims against Allegheny Mineral asserting breach of contract, breach of express and implied warranties, and fraud in the amount of \$1,300,000. After unsuccessful mediation in August 2020, the parties again attempted to mediate the case on October 26, 2022, which led to a mutual agreement to settlement terms of a \$300,000 cash payment, and a supply agreement for limestone. Subject to completion of the settlement terms, this matter has been stayed in Butler County Court, and the outstanding litigation has been terminated.

*Federal Energy Regulatory Commission ("FERC") Matters*

On November 19, 2021, Scrubgrass received a notice of breach from PJM Interconnection, LLC alleging that Scrubgrass breached Interconnection Service Agreement – No. 1795 (the "ISA") by failing to provide advance notice to PJM Interconnection, LLC and Mid-Atlantic Interstate Transmission, LLC pursuant to ISA, Appendix 2, section 3, of modifications made to the Scrubgrass Plant. On December 16, 2021, Scrubgrass responded to the notice of breach and respectfully disagreed that the ISA had been breached. On January 7, 2022, Scrubgrass participated in an information gathering meeting with representatives from PJM regarding the notice of breach and continued to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, the Company sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, the Company executed a necessary study agreement with respect to the Panther Creek Plant.

PJM's investigation and discussions with the Company regarding the notice of breach at the Scrubgrass Plant and the Panther Creek Plant are ongoing, including with respect to interim procedures, until the Company receives revised Interconnect Service Agreements for the Scrubgrass Plant and the Panther Creek Plant. Stronghold does not expect to make any material payments related to any resettlements of prior billing statements. The Company continues to expect to source electricity for its computational load banks from the Scrubgrass and Panther Creek Plants; however, Stronghold expects that, until the revised Interconnect Service Agreements are finalized and potentially thereafter, the Company will pay retail rates for electricity that is imported from the grid should it be unable to fully supply power to the computational load banks.

On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement ("OE") informed the Company that the OE was conducting a non-public preliminary investigation concerning Scrubgrass' compliance with various aspects of the PJM tariff. The OE requested that the Company provide certain information and documents concerning Scrubgrass' operations by June 10, 2022. On July 13, 2022, after being granted an extension to respond by the OE, the Company submitted a formal response to the OE's request. Since the Company submitted its formal response to the OE's request, the Company has had further discussions with the OE regarding the Company's formal response. The OE's investigation, and discussions between the OE and the Company, regarding potential instances of non-compliance is continuing. The Company does not believe that the PJM notice of breach, the Panther Creek necessary study agreement, discussions regarding other potential issues related to the computational load bank, including power consumption and potential resettlements of billing statements for certain prior months, or the preliminary investigation by the OE will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with certainty the final outcome of these proceedings.

*Shareholder Securities and Derivative Lawsuits*

On April 14, 2022, the Company, and certain of our current and former directors, officers and underwriters were named in a putative class action complaint filed in the United States District Court for the Southern District of New York (Winter v. Stronghold Digital Mining, Case No. 1:22-cv-3088). On August 4, 2022, co-lead plaintiffs were appointed. On October 18, 2022, the plaintiffs filed an amended complaint, alleging that the Company made misleading statements and/or failed to disclose material facts in violation of Section 11 of the Securities Act, 15 U.S.C. §77k and Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), about the Company's business, operations, and prospects in the Company's registration statement on Form S-1 related to its initial public offering, and when subsequent disclosures were made

regarding these operational issues when the Company announced its fourth quarter and full year 2021 financial results, the Company's stock price fell, causing significant losses and damages. As relief, the plaintiffs are seeking, among other things, compensatory damages. The amended complaint also alleged violations of Section 12 of the Securities Act based on alleged false or misleading statements in the Company's prospectus related to its initial public offering. On December 19, 2022, the Company filed a motion to dismiss, which the court largely denied on August 10, 2023. On September 8, 2023, the Court entered a Case Management Order, which set a number of case deadlines, including the completion of all discovery by April 21, 2025. On January 19, 2024, the Court granted the motion of one co-lead plaintiff to withdraw from the case, leaving one plaintiff remaining. Plaintiff filed a motion for class certification on February 19, 2024 and defendants' response to that motion is due on June 10, 2024. The defendants continue to believe the allegations in the complaint are without merit and intend to defend these suits vigorously.

On September 5, 2023, and September 15, 2023, respectively, purported shareholders of the Company filed two derivative actions in the United States District Court for the Southern District of New York (*Wilson v. Beard*, Case No. 1:23-cv-7840, and *Navarro v. Beard*, Case No. 1:23-cv-08714) against certain of our current and former directors and officers, and the Company as a nominal defendant. The shareholders generally allege that the individual defendants breached their fiduciary duties by making or failing to prevent the misrepresentations alleged in the putative Winter securities class action, and assert claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, corporate waste, and for contribution under Section 11 of the Securities Act and Section 21D of the Securities Exchange Act of 1934. The two cases were consolidated on October 24, 2023 under the case name *In Re Stronghold Digital Mining, Inc., Stockholder Derivative Litigation* (the "Consolidated Derivative Action"). On November 21, 2023 the Court entered an order staying the Consolidated Derivative Action pending a ruling on the motion for class certification in the putative Winter securities class action. The defendants believe the allegations in the Consolidated Derivative Action are without merit and intend to defend the suits vigorously.

On November 14, 2023, and February 4, 2024, respectfully, purported shareholders of the Company filed two additional derivative actions in the United States District Court for the Southern District of New York (*Parker v. Beard*, Case No. 23 Civ. 10028 and *Bruno v. Beard*, Case No. 24 Civ. 798) against certain of our current and former directors and officers, and the Company as a nominal defendant. These lawsuits assert substantially the same claims and allegations as the *Wilson* and *Navarro* complaints. Plaintiff in the *Bruno* action had previously served a books and records demand, as well as an investigation/litigation demand, on the Company making similar allegations. On April 24, 2024, the *Parker* and *Bruno* cases were consolidated with the Consolidated Derivative Action by agreement of the parties. As a result, the *Parker* and *Bruno* cases are also stayed pending further proceedings in the putative Winter securities class action.

*Mark Grams v. Treis Blockchain, LLC, Chain Enterprises, LLC, Cevon Technologies, LLC, Stronghold Digital Mining, LLC, David Pence, Michael Bolick, Senter Smith, Brian Lambretti and John Chain*

On May 4, 2023, Stronghold Digital Mining, LLC, a subsidiary of the Company ("Stronghold"), was named as one of several defendants in a complaint filed in the United States District Court for the Middle District of Alabama Eastern Division (the "Grams Complaint"). The Grams Complaint alleges that certain Bitcoin miners the Company purchased from Treis Blockchain, LLC ("Treis") in December 2021 contained firmware that is alleged to have constituted "trade secrets" owned by Grams. Principally, the Grams Complaint included allegations of misappropriation of these alleged trade secrets.

The Company believes that the allegations against it and its subsidiaries in the Grams Complaint are without merit and intends to vigorously defend the suit. To that end, the Company has entered into a joint defense agreement with Treis and the other named defendants. The Company has also entered into a tolling agreement with Treis. The Company filed a motion to dismiss the case for lack of personal jurisdiction on June 23, 2023. On October 6, 2023, Grams filed an Amended Complaint, to which the Company filed a renewed Motion to Dismiss for Lack of Personal Jurisdiction, or in the Alternative to Transfer the Case to the District of South Carolina, in addition to a renewed Motion to Dismiss several causes of action alleged in the Amended Complaint. On December 8, 2023, the Company filed its reply to Plaintiff's response to the Company's Motion to Transfer or Alternatively to Dismiss pursuant to Rule 12(b)(2). On April 12, 2024, Grams filed an opposition to the Company's previously filed motion to dismiss. On April 22, 2024, the Company filed a reply in support of its motion to dismiss. A ruling on the pending motions is expected to be forthcoming in the foreseeable future. The Company does not believe the Grams Complaint will have a material adverse effect on the Company's reported financial position or results of operations.

#### *MinerVa Purchase Agreement*

On July 18, 2022, the Company provided written notice of dispute to MinerVa pursuant to the MinerVa Purchase Agreement. Under the MinerVa Purchase Agreement, the Company and MinerVa were required to work together in good faith towards a resolution for a period of sixty (60) days following this notice, after which, if no settlement had been

reached, the Company could end discussions, declare an impasse and adhere to the dispute resolution provisions of the MinerVa Purchase Agreement. On October 30, 2023, the Company sent MinerVa a Notice of Impasse. On October 31, 2023, the Company filed a Statement of Claim in Calgary, Alberta against MinerVa for breach of contract related to the MinerVa Purchase Agreement.

*John W. Krynock v. Panther Creek Fuel Services, LLC c/o Olympus Power*

On June 2, 2023, Panther Creek Fuel Services, LLC, an affiliate of the Company was named as a defendant in a Federal Black Lung Case under Title IV of the Federal Coal Mine Health and Safety Act of 1969. The Plaintiff previously settled a state law claim with a predecessor in interest of the Company. The Company denies any liability in connection with the claim and intends to defend the suit vigorously. The Company does not believe that the claim will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with any certainty the outcome of these proceedings.

*Department of Environmental Protection*

On November 9, 2023, the Company entered into a Consent Order and Agreement ("COA") with the Commonwealth of Pennsylvania, Department of Environmental Protection ("DEP"). Pursuant to the COA, the DEP found that a July 5, 2022, inspection of the Company's Scrubgrass Plant observed that coal ash at the Scrubgrass Plant exceeded the capacity of the permitted ash conditioning area as approved by the DEP on September 12, 2007. The COA found that the Scrubgrass Plant's storage of excess waste coal ash violated certain provisions of the Solid Waste Management Act and Pennsylvania Code, among other items. Pursuant to the COA, Scrubgrass must pay a civil penalty in the amount of \$28,800, in two equal installments within ninety (90) days of entry into the COA. The Company made the first payment to the DEP on November 10, 2023. The terms of the COA also require the Company to remove (i) a minimum of 80,000 tons of excess waste coal ash by November 9, 2024, (ii) 160,000 aggregate tons of excess waste coal ash by November 9, 2025, (iii) 220,000 aggregate tons of excess waste coal ash by November 9, 2026, and (iv) all remaining excess waste coal ash by November 9, 2027, such that the ash conditioning area is consistent with the specifications accepted by the DEP on September 7, 2007. Beginning on January 24, 2024, the Company is to provide quarterly progress reports to the DEP. In connection with the COA, the Company has had preliminary discussions with the Pennsylvania Public Utilities Commission ("PUC") and the DEP regarding potential resettlement or forfeiture of Pennsylvania Tier II Alternative Energy Credits during any period of non-compliance, expected to be limited to July 5-22, 2022. In February of 2024, the Company retired 25,968 Alternative Energy Credits reflective of the amount of credits generated during the period of non-compliance from July 5-22, 2022. On December 15, 2023, the Scrubgrass Creek Watershed Association filed a Notice of Appeal to the Environmental Hearing Board regarding the COA (the "COA Appeal"). The Company does not believe the COA, COA Appeal or discussions with the PUC will have a material adverse effect on the Company's reported financial position or results of operations.

*Save Carbon County*

On March 26, 2024, the Company, Panther Creek Power Operating, LLC, Stronghold and Stronghold LLC were named as defendants (collectively, the "Stronghold Defendants") in a complaint filed in the Court of Common Pleas in Philadelphia County by Save Carbon County (the "Complaint"). In addition to the Stronghold Defendants, Josh Shapiro in his capacity as the Governor of the Commonwealth of Pennsylvania, the Pennsylvania Department of Environmental Protection, Jessica Shirley in her capacity as the Interim Secretary for the Pennsylvania Department of Environmental Protection, and the Pennsylvania Public Utility Commission were named as defendants. Pursuant to the Complaint, Save Carbon County alleges certain public nuisance, private nuisance, products liability, and negligence claims against the Stronghold Defendants and demands compensatory and punitive damages, together with costs of suit, interest, and attorney's fees. The Company believes the Complaint is without merit. The Company does not believe that the claim will have a material adverse effect on the Company's reported financial position or results of operations, although the Company cannot predict with any certainty the outcome of these proceedings.

**NOTE 11 – REDEEMABLE COMMON STOCK**

Class V common stock represented 15.7% and 17.8% ownership of Stronghold LLC, as of March 31, 2024, and December 31, 2023, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters

to be voted on by the Company's stockholders generally, and a redemption right into Class A shares. Refer to *Note 12 – Noncontrolling Interests* for more details.

The Company classifies its Class V common stock as redeemable common stock in the accompanying condensed consolidated balance sheets as, pursuant to the Stronghold LLC Agreement, the redemption rights of each unit held by Q Power for either shares of Class A common stock or an equivalent amount of cash is not solely within the Company's control. This is due to the holders of the Class V common stock collectively owning a majority of the voting stock of the Company, which allows the holders of Class V common stock to elect the members of the Board, including those directors who determine whether to make a cash payment upon a Stronghold LLC unit holder's exercise of its redemption rights. Redeemable common stock is recorded at the greater of the book value or redemption amount from the date of the issuance, April 1, 2021, and the reporting date as of March 31, 2024.

The Company recorded redeemable common stock as presented in the table below.

	Common - Class V	
	Shares	Amount
<b>Balance - December 31, 2023</b>	<b>2,405,760</b>	<b>\$ 20,416,116</b>
Net income attributable to noncontrolling interest	—	918,287
Maximum redemption right valuation	—	(11,629,477)
<b>Balance - March 31, 2024</b>	<b>2,405,760</b>	<b>\$ 9,704,926</b>

## NOTE 12 – NONCONTROLLING INTERESTS

The Company is the sole managing member of Stronghold LLC and, as a result, consolidates the financial results of Stronghold LLC and reports a noncontrolling interest representing the common units of Stronghold LLC held by Q Power. Changes in the Company's ownership interest in Stronghold LLC, while the Company retains its controlling interest, are accounted for as redeemable common stock transactions. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the continuing equity owners will result in changes to the amount recorded as noncontrolling interest. Refer to *Note 11 – Redeemable Common Stock* which describes the redemption rights of the noncontrolling interest.

Class V common stock represented 15.7% and 17.8% ownership of Stronghold LLC as of March 31, 2024, and December 31, 2023, respectively, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by the Company's stockholders generally, and a redemption right into shares of Class A common stock.

The following summarizes the redeemable common stock adjustments pertaining to the noncontrolling interest as of and for the three months ended March 31, 2024:

	Class V Common Stock Outstanding	Fair Value Price	Redeemable Common Stock Adjustments
<b>Balance - December 31, 2023</b>	<b>2,405,760</b>	<b>\$ 8.49</b>	<b>\$ 20,416,116</b>
Net income attributable to noncontrolling interest	—		918,287
Adjustment of redeemable common stock to redemption amount <sup>(1)</sup>	—		(11,629,477)
<b>Balance - March 31, 2024</b>	<b>2,405,760</b>	<b>\$ 4.03</b>	<b>\$ 9,704,926</b>

<sup>(1)</sup> Redeemable common stock adjustment based on Class V common stock outstanding at fair value price at each quarter end, using a 10-day variable weighted average price ("VWAP") of trading dates including the closing date.

## NOTE 13 – STOCK-BASED COMPENSATION

Stock-based compensation expense was \$1,939,120 and \$2,449,324 for the three months ended March 31, 2024, and 2023, respectively, and is included in general and administrative expense in the condensed consolidated statements of operations. There was no income tax benefit related to stock-based compensation expense due to the Company having a full valuation allowance recorded against its deferred income tax assets.

On January 22, 2024, the Company entered into award agreements with certain executive officers. In total, the executive officers were granted 135,000 restricted stock units. Similarly, on March 15, 2023, the Company entered into award agreements with certain executive officers. In total, the executive officers were granted 272,500 restricted stock units in exchange for the cancellation of 98,669 stock options and 25,000 performance share units previously granted to the

executive officers. All restricted stock units were granted under the Company's previously adopted Omnibus Incentive Plan, dated October 19, 2021.

## NOTE 14 – WARRANTS

The following table summarizes outstanding warrants as of March 31, 2024.

	Number of Warrants
<b>Outstanding as of December 31, 2023</b>	<b>5,277,985</b>
Issued	—
Exercised	—
<b>Outstanding as of March 31, 2024</b>	<b>5,277,985</b>

### *September 2022 Private Placement*

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice Capital Master Fund Ltd. ("Armistice") and Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of 227,435 and 60,241 shares of Class A common stock, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share. Refer to *Note 15 – Equity Issuances* for additional details and information regarding subsequent amendments. As part of the transaction, Armistice purchased the pre-funded warrants for 272,565 shares of Class A common stock at a purchase price of \$16.00 per warrant. The pre-funded warrants have an exercise price of \$0.001 per warrant share.

In April 2023, the Company, Armistice and Mr. Beard entered into amendments to, among other things, adjust the strike price of the remaining outstanding warrants from \$17.50 per share to \$10.10 per share. In December 2023, the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

As of March 31, 2024, 560,241 warrants issued in connection with the September 2022 Private Placement remain outstanding.

### *April 2023 Private Placement*

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and Greg Beard, the Company's chairman and chief executive officer, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (the "April 2023 Private Placement"). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock. Refer to *Note 15 – Equity Issuances* for additional details.

In January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$11.00 per share to \$7.51 per share. Refer to *Note 15 – Equity Issuances* for additional details.

As of March 31, 2024, warrants exercisable for a total of 1,000,000 shares of Class A common stock remain outstanding.

### *December 2023 Private Placement*

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share. Pursuant to the Securities Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$6.71 per share equivalent. Further, the institutional

investor received warrants exercisable for 2,300,000 shares of Class A common stock. Refer to *Note 15 – Equity Issuances* for additional details.

As of March 31, 2024, warrants exercisable for a total of 3,600,000 shares of Class A common stock remain outstanding.

## **NOTE 15 – EQUITY ISSUANCES**

### *Series C Convertible Preferred Stock*

On December 30, 2022, the Company entered into the Exchange Agreement with the Purchasers of the Amended May 2022 Notes whereby the Amended May 2022 Notes were to be exchanged for shares of Series C Preferred Stock that, among other things, will convert into shares of Class A common stock or pre-funded warrants that may be exercised for shares of Class A common stock, at a conversion rate equal to the stated value of \$1,000 per share plus cash in lieu of fractional shares, divided by a conversion price of \$4.00 per share of Class A common stock. Upon the fifth anniversary of the Series C Preferred Stock, each outstanding share of Series C Preferred Stock will automatically and immediately convert into Class A common stock or pre-funded warrants. In the event of a liquidation, the Purchasers shall be entitled to receive an amount per share of Series C Preferred Stock equal to its stated value of \$1,000 per share. The Exchange Agreement closed on February 20, 2023.

Pursuant to the Exchange Agreement, the Purchasers received an aggregate 23,102 shares of the Series C Preferred Stock, in exchange for the cancellation of an aggregate \$17,893,750 of principal and accrued interest, representing all of the amounts owed to the Purchasers under the May 2022 Notes. On February 20, 2023, one Purchaser converted 1,530 shares of the Series C Preferred Stock to 382,500 shares of the Company's Class A common stock. The rights and preferences of the Series C Preferred Stock are designated in a certificate of designation, and the Company provided certain registration rights to the Purchasers. As of March 31, 2024, 5,990 shares of the Series C Preferred Stock remain outstanding following the Series D Exchange Agreement described below.

### *Series D Exchange Agreement*

On November 13, 2023, the Company consummated a transaction (the "Series D Exchange Transaction") pursuant to an exchange agreement, dated November 13, 2023 (the "Series D Exchange Agreement") with Adage Capital Partners, LP (the "Holder") whereby the Company issued to the Holder an aggregate of 15,582 shares of a newly created series of preferred stock, the Series D Convertible Preferred Stock, par value \$0.0001 per share (the "Series D Preferred Stock"), in exchange for 15,582 shares of Series C Preferred Stock held by the Holder, which represented all of the shares of Series C Preferred Stock held by the Holder. The Series D Preferred Stock contains substantially similar terms as the Series C Preferred Stock except with respect to a higher conversion price. The Series D Exchange Agreement contains representations, warranties, covenants, releases, and indemnities customary for transactions of this type, as well as certain trading volume restrictions. As a result of the Series D Exchange Transaction, the Company recorded a deemed contribution of \$20,492,568 resulting from the extinguishment of 15,582 shares of Series C Preferred Stock associated with the Series D Exchange Transaction. The deemed contribution represented the difference between the carrying value of the existing Series C Preferred Stock and the estimated fair value of the newly-issued Series D Preferred Stock. During the first quarter of 2024, the remaining 7,610 shares of Series D Convertible Preferred Stock were converted to 1,414,117 shares of Class A common stock.

During the three months ended March 31, 2024, the Company incurred \$18,197 of final offering costs which has been capitalized within additional paid-in capital in the condensed consolidated balance sheet.

### *September 2022 Private Placement*

On September 13, 2022, the Company entered into Securities Purchase Agreements with Armistice and Greg Beard, the Company's chairman and chief executive officer (together with Armistice, the "September 2022 Private Placement Purchasers"), for the purchase and sale of 227,435 and 60,241 shares, respectively, of Class A common stock, par value \$0.0001 per share at a purchase price of \$16.00 and \$16.60, respectively, and warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an initial exercise price of \$17.50 per share (subject to certain adjustments). Subject to certain ownership limitations, such warrants are exercisable upon issuance and will be exercisable for five and a half years commencing upon the date of issuance. Armistice also purchased the pre-funded warrants to purchase 272,565 shares of Class A common stock at a purchase price of \$16.00 per pre-funded warrant. The pre-funded warrants have an exercise price of \$0.001 per warrant share. The transaction closed on September 19, 2022. The gross proceeds from the sale of such securities, before deducting offering expenses, were approximately \$9.0 million.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of March 31, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>March 31, 2024</u>
Expected volatility	129.6 %
Expected life (in years)	5.75
Risk-free interest rate	4.2 %
Expected dividend yield	0.00 %
Fair value	<u><u>\$ 1,970,318</u></u>

In connection with the closing of the December 2023 Private Placement (discussed below), the Company and Armistice entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.00 per share and extend the expiration date through December 31, 2029. Furthermore, in January 2024, the Company and Mr. Beard entered into an amendment to, among other things, adjust the strike price of the remaining outstanding warrants from \$10.10 per share to \$7.51 per share.

#### *April 2023 Private Placement*

On April 20, 2023, the Company entered into Securities Purchase Agreements with an institutional investor and the Company's chairman and chief executive officer, Greg Beard, for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$10.00 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$11.00 per share (subject to certain adjustments in accordance with the terms thereof). Pursuant to the Securities Purchase Agreements, the institutional investor invested \$9.0 million in exchange for an aggregate of 900,000 shares of Class A common stock and pre-funded warrants, and Mr. Beard invested \$1.0 million in exchange for an aggregate of 100,000 shares of Class A common stock, in each case at a price of \$10.00 per share equivalent. Further, the institutional investor and Mr. Beard received warrants exercisable for 900,000 shares and 100,000 shares, respectively, of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the April 2023 Private Placement, before deducting offering expenses, were approximately \$10.0 million. The April 2023 Private Placement closed on April 21, 2023.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of March 31, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>March 31, 2024</u>
Expected volatility	129.6 %
Expected life (in years)	5.75
Risk-free interest rate	4.2 %
Expected dividend yield	0.00 %
Fair value	<u><u>\$ 3,540,238</u></u>

Additionally, as previously disclosed, the Company entered into Securities Purchase Agreements with the September 2022 Private Placement Purchasers for, in part, warrants to purchase an aggregate of 560,241 shares of Class A common stock, at an exercise price of \$17.50 per share. On April 20, 2023, the Company and the September 2022 Private Placement Purchasers entered into amendments to, among other things, adjust the strike price of the warrants from \$17.50 per share to \$10.10 per share.

Pursuant to Greg Beard's employment agreement with the Company dated September 6, 2023, Mr. Beard is eligible for an annual bonus if the applicable targets to achieve such annual bonus are met. For Mr. Beard's 2023 annual bonus, on January 29, 2024, the Compensation Committee of the Company amended Mr. Beard's warrants under the September 2022 Private Placement (described above) and the April 2023 Private Placement such that the exercise price of the warrants was adjusted to \$7.51.

### December 2023 Private Placement

On December 21, 2023, the Company entered into a Securities Purchase Agreement with an institutional investor for the purchase and sale of shares of Class A common stock, par value \$0.0001 per share at a purchase price of \$6.71 per share, and warrants to purchase shares of Class A common stock, at an initial exercise price of \$7.00 per share (the "December 2023 Private Placement"). Pursuant to the Securities Purchase Agreement, the institutional investor invested \$15.4 million in exchange for an aggregate of 2,300,000 shares of Class A common stock and pre-funded warrants at a price of \$6.71 per share equivalent. Further, the institutional investor received warrants exercisable for 2,300,000 shares of Class A common stock.

Subject to certain ownership limitations, the warrants are exercisable six months after issuance. The warrants are exercisable for five and a half years commencing upon the date of issuance, subject to certain ownership limitations. The pre-funded warrants have an exercise price of \$0.001 per warrant share and are immediately exercisable, subject to certain ownership limitations. The gross proceeds from the December 2023 Private Placement, before deducting offering expenses, were approximately \$15.4 million. The December 2023 Private Placement closed on December 21, 2023.

The warrant liabilities are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as "changes in fair value of warrant liabilities" in the condensed consolidated statements of operations. The fair value of the warrant liabilities was estimated as of March 31, 2024, using a Black-Scholes model with significant inputs as follows:

	<u>March 31, 2024</u>
Expected volatility	129.6 %
Expected life (in years)	5.25
Risk-free interest rate	4.2 %
Expected dividend yield	0.00 %
Fair value	<u>\$ 8,022,153</u>

### ATM Agreement

On May 23, 2023, the Company entered into an at-the-market offering agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW") to sell shares of its Class A common stock having aggregate sales proceeds of up to \$15.0 million (the "ATM Shares"), from time to time, through an "at the market" equity offering program under which HCW acts as sales agent and/or principal.

Pursuant to the ATM Agreement, the ATM Shares may be offered and sold through HCW in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on The Nasdaq Stock Market LLC or sales made to or through a market maker other than on an exchange or in negotiated transactions. Under the ATM Agreement, HCW is entitled to compensation equal to 3.0% of the gross proceeds from the sale of the ATM Shares sold through HCW. The Company has no obligation to sell any of the ATM Shares under the ATM Agreement and may at any time suspend solicitations and offers under the ATM Agreement. The Company and HCW may each terminate the ATM Agreement at any time upon specified prior written notice.

The ATM Shares have been and are being issued pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-271671), filed with the SEC on May 5, 2023, as amended by Amendment No. 1 to the registration statement filed with the SEC on May 23, 2023 (as amended, the "ATM Registration Statement"). Pursuant to the ATM Agreement, no sales may be made until 30 days following the date on which the ATM Registration Statement is declared effective. The ATM Registration Statement was declared effective on May 25, 2023.

During the three months ended March 31, 2024, the Company sold zero ATM Shares.

## NOTE 16 – SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and assess performance. The Company's CEO is the chief operating decision maker. The Company functions in two operating segments, *Energy Operations* and *Cryptocurrency Operations*, about which separate financial information is presented below.

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b>OPERATING REVENUES:</b>		
Energy Operations	\$ 773,598	\$ 3,642,921
Cryptocurrency Operations	26,748,587	13,623,294
Total operating revenues	<u>\$ 27,522,185</u>	<u>\$ 17,266,215</u>
<b>NET OPERATING LOSS:</b>		
Energy Operations	\$ (8,203,180)	\$ (10,601,025)
Cryptocurrency Operations	4,621,158	(4,015,088)
Total net operating loss	<u>\$ (3,582,022)</u>	<u>\$ (14,616,113)</u>
<b>OTHER INCOME (EXPENSE) <sup>(1)</sup></b>	<u>9,424,311</u>	<u>(32,044,449)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 5,842,289</u>	<u>\$ (46,660,562)</u>
<b>DEPRECIATION AND AMORTIZATION:</b>		
Energy Operations	\$ (1,325,667)	\$ (1,332,873)
Cryptocurrency Operations	(8,188,987)	(6,389,968)
Total depreciation and amortization	<u>\$ (9,514,654)</u>	<u>\$ (7,722,841)</u>
<b>INTEREST EXPENSE:</b>		
Energy Operations	\$ (24,449)	\$ (159,287)
Cryptocurrency Operations	(2,238,960)	(2,224,626)
Total interest expense	<u>\$ (2,263,409)</u>	<u>\$ (2,383,913)</u>

<sup>(1)</sup> The Company does not allocate other income (expense) for segment reporting purposes. Amount is shown as a reconciling item between net operating income (loss) and consolidated net income (loss). Refer to the accompanying condensed consolidated statements of operations for further details.

For the three months ended March 31, 2024, and 2023, the loss on disposal of fixed assets, realized gain on sale of digital currencies, unrealized gain on digital currencies, realized gain on sale of miner assets, and impairments on digital currencies recorded in the condensed consolidated statements of operations were entirely attributable to the *Cryptocurrency Operations* segment.

## NOTE 17 – EARNINGS (LOSS) PER SHARE

Basic EPS is computed by dividing the Company's net income (loss) by the weighted average number of Class A shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if 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.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net income (loss) per share of Class A common stock for the three months ended March 31, 2024, and 2023.

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b><u>Numerator:</u></b>		
Net income (loss)	\$ 5,842,289	\$ (46,660,562)
Less: net income (loss) attributable to noncontrolling interest	918,287	(18,119,131)
Net income (loss) attributable to Stronghold Digital Mining, Inc.	<u>\$ 4,924,002</u>	<u>\$ (28,541,431)</u>
<b><u>Denominator:</u></b>		
Weighted average number of Class A common shares outstanding	13,989,820	4,375,614
Basic net income (loss) per share	\$ 0.35	\$ (6.52)
Diluted net income (loss) per share	\$ 0.35	\$ (6.52)

Securities that could potentially dilute earnings (loss) per share in the future were not included in the computation of diluted net income (loss) per share for the three months ended March 31, 2024, and 2023, because their inclusion would be anti-dilutive. As of March 31, 2024, the potentially dilutive impact of Series C Preferred Stock not yet exchanged for shares of Class A common stock was 1,497,500, and the potentially dilutive impact of Class V shares not yet exchanged for shares of Class A common stock was 2,405,760.

## **NOTE 18 – INCOME TAXES**

### Tax Receivable Agreement

The Company entered into a Tax Receivable Agreement (“TRA”) with Q Power and an agent named by Q Power on April 1, 2021 (to which an additional holder was subsequently joined as an additional "TRA Holder" on March 14, 2023), pursuant to which the Company will pay the TRA Holders 85% of the realized (or, in certain circumstances, deemed to be realized) cash tax savings attributable to the tax basis step-ups arising from taxable exchanges of units and certain other items.

During 2022 and 2023, taxable exchanges of Stronghold LLC units, together with a corresponding number of Class V common shares by Q Power for Class A common stock of the Company, resulted in adjustments to the tax basis of Stronghold LLC’s assets. Such step-ups in tax basis, which were allocated to Stronghold Inc., are expected to increase Stronghold Inc.’s tax depreciation, amortization and/or other cost recovery deductions, which may reduce the amount of tax Stronghold Inc. would otherwise be required to pay in the future. No cash tax savings have been realized by Stronghold Inc. with respect to these basis adjustments due to the Company’s estimated taxable losses, and the realization of cash tax savings in the future is dependent, in part, on estimates of sufficient future taxable income. As such, a deferred income tax asset has not been recorded due to maintaining a valuation allowance on the Company’s deferred income tax assets, and no liability has been recorded with respect to the TRA in light of the applicable criteria for accrual.

Estimating the amount and timing of Stronghold Inc.’s realization of income tax benefits subject to the TRA is imprecise and unknown at this time and will vary based on a number of factors, including when future redemptions actually occur. Accordingly, the Company has not recorded any deferred income tax asset or liability associated with the TRA.

### Provision for Income Taxes

The provision for income taxes for the three months ended March 31, 2024, and 2023, was zero, resulting in an effective income tax rate of zero. The difference between the statutory income tax rate of 21% and the Company’s effective tax rate for the three months ended March 31, 2024, and 2023, was primarily due to pre-tax losses attributable to the noncontrolling interest and due to maintaining a valuation allowance against the Company’s deferred income tax assets.

The determination to record a valuation allowance was based on management’s assessment of all available evidence, both positive and negative, supporting realizability of the Company’s net operating losses and other deferred income tax assets, as required by ASC 740, *Income Taxes*. In light of the criteria under ASC 740 for recognizing the tax benefit of deferred income tax assets, the Company maintained a valuation allowance against its federal and state deferred income tax assets as of March 31, 2024, and December 31, 2023.

## NOTE 19 – SUPPLEMENTAL CASH AND NON-CASH INFORMATION

Supplemental disclosures of cash flow information for the three months ended March 31, 2024, and 2023, were as follows:

	March 31, 2024	March 31, 2023
Income tax payments	\$ —	\$ —
Interest payments	\$ 2,238,634	\$ 2,222,350

Supplementary non-cash investing and financing activities consisted of the following for the three months ended March 31, 2024, and 2023:

	March 31, 2024	March 31, 2023
Purchases of property, plant and equipment included in accounts payable or accrued liabilities	\$ —	\$ 3,716
Reclassifications from deposits to property, plant and equipment	8,000,643	4,658,970
Convertible Note Exchange for Series C Convertible Preferred Stock:		
Extinguishment of convertible note	—	16,812,500
Extinguishment of accrued interest	—	655,500
Issuance of Series C convertible preferred stock, net of issuance costs	—	45,386,944
B&M Settlement:		
Warrants – B&M	—	1,739,882
Return of transformers to settle outstanding payable	—	6,007,500
Issuance of B&M Note	—	3,500,000
Elimination of accounts payable	—	11,426,720

## NOTE 20 – FAIR VALUE

In addition to assets and liabilities that are measured at fair value on a recurring basis, such as digital currencies pursuant to ASU 2023-08 as described above in *Note 1 – Basis of Presentation* and *Note 2 – Digital Currencies*, the Company also measures certain assets and liabilities at fair value on a nonrecurring basis. The Company's non-financial assets, including operating lease right-of-use assets, and property, plant and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized.

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, contract liabilities, and accrued expenses approximate their carrying values because of the short-term nature of these instruments.

Adverse changes in business climate, including decreases in the price of Bitcoin and resulting decreases in the market price of miners, may indicate that an impairment triggering event has occurred. If the testing performed indicates the estimated fair value of the Company's miners to be less than their net carrying value, an impairment charge will be recognized, decreasing the net carrying value of the Company's miners to their estimated fair value.

## NOTE 21 – SUBSEQUENT EVENTS

On April 26, 2024, the Company executed a Distributed Energy Resource and Peak Saver Agreement with Voltus, Inc. ("Voltus") pursuant to which Voltus will assist the Company in registering for certain demand response and sync reserve programs in PJM that the Company believes will allow it to capture additional revenue.

## Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act")), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, statements pertaining to our trends, liquidity, capital resources, and future performance, among others, contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all).

Forward-looking statements may include statements about:

- the hybrid nature of our business model, which is highly dependent on the price of Bitcoin;
- our dependence on the level of demand and financial performance of the crypto asset industry;
- our substantial indebtedness and its effect on our results of operations and our financial condition;
- our ability to manage our growth, business, financial results and results of operations;
- uncertainty regarding our evolving business model;
- our ability to raise capital to fund our business and growth;
- our ability to maintain sufficient liquidity to fund operations, growth and acquisitions;
- uncertainty regarding the outcomes of any investigations or proceedings;
- our ability to retain management and key personnel and the integration of new management;
- our ability to enter into purchase agreements, acquisitions and financing transactions;
- our ability to maintain our relationships with our third-party brokers and our dependence on their performance;
- our ability to procure crypto asset mining equipment from foreign-based suppliers;
- developments and changes in laws and regulations, including increased regulation of the crypto asset industry through legislative action and revised rules and standards applied by The Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act and the Investment Company Act;
- the future acceptance and/or widespread use of, and demand for, Bitcoin and other crypto assets;
- our ability to respond to price fluctuations and rapidly changing technology;
- our ability to operate our coal refuse power generation facilities as planned;
- our ability to develop and monetize our carbon capture project to generate meaningful revenue, on a timely basis or at all;
- our ability to avail ourselves of tax credits for the clean-up of coal refuse piles;
- legislative or regulatory changes, and liability under, or any future inability to comply with, existing or future energy regulations or requirements;
- our ability to timely complete a strategic review process and to consummate a transaction in connection with such process, in part or at all; and
- our ability to register for certain demand response and sync reserve programs in PJM.

We caution you that the forward-looking statements contained in this Form 10-Q are subject to a variety of risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, decline in demand for our products and services, the seasonality and volatility of the crypto asset industry, our acquisition strategies, the inability to comply with developments and changes in regulation, cash flow and access to capital, maintenance of third-party relationships, and the other risks described under the heading "Item 1A.Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 8, 2024, and in any subsequently filed Quarterly Reports on Form 10-Q, including this Form 10-Q. Should one or more of the risks or uncertainties described in the Annual Report on Form 10-K or in any subsequently filed Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

*Any forward-looking statement that we make in this Form 10-Q speaks only as of the date of such statement. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Form 10-Q.*

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

*Except as otherwise indicated or required by the context, all references to the "Company," "we," "us" or "our" relate to Stronghold Digital Mining, Inc. ("Stronghold Inc.") and its consolidated subsidiaries.*

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in this Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans, expectations and strategy for our business, and operations, includes forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see section above entitled "Cautionary Statement Regarding Forward-Looking Statements." Certain risks may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion and analysis. Factors that may cause actual results to differ materially from current expectations include, among other things, those described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 8, 2024 (the "2023 Form 10-K"), and in this Form 10-Q. Except as set forth in Item 1A. "Risk Factors" below, there have been no material changes to the risk factors previously disclosed in the 2023 Form 10-K.*

### Overview of the Business

Stronghold Digital Mining, Inc. ("Stronghold Inc.," the "Company," "we," "us," or "our") was incorporated as a Delaware corporation on March 19, 2021. The Company is a low-cost, environmentally beneficial, vertically integrated crypto asset mining company focused on mining Bitcoin and environmental remediation and reclamation services. The Company wholly owns and operates two coal refuse power generation facilities that it has upgraded: (i) the Company's first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which the Company acquired the remaining interest of in April 2021, and has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant"); and (ii) a facility located near Nesquehoning, Pennsylvania, which the Company acquired in November 2021, and has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant," and collectively with the Scrubgrass Plant, the "Plants"). Both facilities qualify as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). The Company is committed to generating energy and managing its assets sustainably, and the Company believes that it is one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations.

We believe that our integrated model of owning our own power plants and Bitcoin mining data center operations helps us to produce Bitcoin at a cost that is attractive versus the price of Bitcoin, and generally below the prevailing market price of power that many of our peers must pay and may have to pay in the future during periods of uncertain or elevated power pricing. Due to the environmental benefit resulting from the remediation of the sites from which the waste coal utilized by our two power generation facilities is removed, we also qualify for Tier II renewable energy tax credits ("RECs") in Pennsylvania. These RECs are currently valued at approximately \$28 per megawatt hour ("MWh") and help reduce our net cost of power. We believe that our ability to utilize RECs in reducing our net cost of power further differentiates us from our public company peers that purchase power from third-party sources or import power from the grid and that do not have access to RECs or other similar tax credits. Should power prices weaken to a level that is below the Company's cost to produce power, we have the ability to purchase power from the PJM Interconnection Merchant Market ("PJM") grid pursuant to Electricity Sales and Purchase Agreements (collectively, the "ESPAs") at each of our Plants with Champion Energy Services LLC ("Champion") to ensure that we are producing Bitcoin at the lowest possible cost. Conversely, we are able to sell power to the PJM grid instead of using the power to produce Bitcoin, as we have recently done, on an opportunistic basis, when revenue from power sales exceeds Bitcoin mining revenue. We operate as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. Our ability to sell energy in the wholesale generation market in the PJM RTO provides us with the ability to optimize between selling power to the grid and mining for Bitcoin. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors.

### Carbon Capture Initiative

On November 10, 2023, the Company launched the first phase of its carbon capture project with the deployment of the first unit of carbon capture technology at the Scrubgrass Plant. The design and process follow four months of third-party laboratory tests, utilizing a variety of testing methodologies. The Company's beneficial use ash naturally contains reactive calcium oxide as a result of including limestone in the fuel mix to reduce sulfur dioxide emissions, given the high sulfur

content in mining waste. Calcium oxide can, under the right conditions, bond with carbon dioxide to form calcium carbonate, effectively absorbing carbon dioxide out of ambient air and permanently storing it in a geologically stable solid. Lab results have demonstrated that the Company's beneficial use ash can potentially capture carbon dioxide at a capacity of approximately 14% by weight of starting ash. The Company expects that development of the project will be iterative, as the Company works to optimize processes around ash movement, composition, rate of capture, time to capture and cost, among other variables. Actual carbon dioxide absorption rates, and timing thereof, may vary, including by site across the Scrubgrass Plant and Panther Creek Plant, type of ash between fly and bottom ash, arrangement of ash in the field, and weather conditions, among other variables. The cost of equipment for the first phase is expected to be less than \$100,000, and the Company believes that the scaled project will cost approximately \$50 to \$125 per annual ton of carbon dioxide capture capacity, assuming the laboratory results are validated. Assumptions included in the estimated \$50 to \$125 per annual ton of carbon dioxide capture capacity include, but are not limited to, (i) expected costs of equipment, taking into account the cost of the equipment used to construct the first unit at the Scrubgrass Plant, (ii) incremental labor costs related to the construction of the project, and (iii) the expected deployment of a combined 100 to 150 carbon capture units across the Scrubgrass Plant and Panther Creek Plant.

The Company's Scrubgrass Plant and Panther Creek Plant produce approximately 800,000 to 900,000 combined tons of beneficial use ash per year at baseload capacity utilization. Extrapolating the potential 14% carbon dioxide capture capacity from the Scrubgrass Plant's ash lab tests would imply potential to capture approximately 115,000 tons of carbon dioxide per year. The Company intends to monetize any credits generated from its carbon capture initiatives in private markets, which may be possible as early as 2024, and the Company expects such monetization in the private markets in earnest in 2025. In February 2024, the carbon capture initiative at the Scrubgrass Plant was registered on the Puro Carbon Registry ("Puro"), and the Company is now in the audit process with Puro, with the goal of accreditation at the Scrubgrass Plant as early as the end of the second quarter of 2024. The Company is also exploring whether its carbon capture initiatives are eligible to qualify for tax credits under Section 45Q of the Internal Revenue Code of 1986, as amended (such credits, "Section 45Q tax credits"). The earliest the Company would be in a position to qualify for Section 45Q tax credits is in 2025, or more likely, in 2026, if the Company is able to qualify for Section 45Q tax credits at all. See *Item 1A "Risk Factors"* in our 2023 Form 10-K for risks associated with the Company's carbon capture initiative and Section 45Q tax credits.

### ***Bitcoin Mining***

As of April 30, 2024, we own or host more than 44,000 Bitcoin miners with hash rate capacity exceeding 4.4 EH/s, of which 4.1 EH/s is currently in operation. Based on the capacity of our data centers, which have more than 40,000 energized slots, we actively operate approximately 30,000 wholly owned Bitcoin miners, with hash rate capacity of nearly 3.1 EH/s, and host more than 10,000 Bitcoin miners, with hash rate capacity exceeding 1.0 EH/s. As of April 30, 2024, we do not have any outstanding orders where the receipt of Bitcoin miners is expected. We believe we have potential to expand our current hash rate capacity to beyond 7 EH/s through high-grading our fleet with current-generation Bitcoin miners and to expand our 130 MW of existing Bitcoin mining capacity to over 400 MW.

### ***Bitcoin***

Bitcoin was introduced in 2008 with the goal of serving as a digital means of exchanging and storing value. Bitcoin is a form of digital currency that depends upon a consensus-based network and a public ledger called a "blockchain," which contains a record of every Bitcoin transaction ever processed. The Bitcoin network is the first decentralized peer-to-peer payment network, powered by users participating in the consensus protocol with no central authority or middlemen, that has wide network participation. The authenticity of each Bitcoin transaction is protected through digital signatures that correspond with addresses of users that send and receive Bitcoin. Users have full control over remitting Bitcoin from their own sending addresses. All transactions on the Bitcoin blockchain are transparent, allowing those running the appropriate software to confirm the validity of each transaction. To be recorded on the blockchain, each Bitcoin transaction is validated through a proof-of-work consensus method, which entails solving complex mathematical problems to validate transactions and post them on the blockchain. This process is called mining. Miners are rewarded with Bitcoin, both in the form of newly created Bitcoin and fees in Bitcoin, for successfully solving the mathematical problems and providing computing power to the network. A company's computing power, measured in hash rate, is generally considered to be one of the most important metrics for evaluating Bitcoin mining companies.

We receive Bitcoin as a result of our mining operations, and we sell Bitcoin, from time to time, to support our operations and strategic growth. We do not currently plan to engage in regular trading of Bitcoin (other than as necessary to convert our Bitcoin to U.S. dollars) or hedging activities related to our holding of Bitcoin; however, our decisions to hold or sell Bitcoin at any given time may be impacted by the Bitcoin market, which has been historically characterized by significant volatility. Currently, we do not use a formula or specific methodology to determine whether or when we will sell Bitcoin

that we hold or the number of Bitcoin we will sell. We assess our fiat currency needs on an ongoing basis, incorporating market conditions, our financial forecasts, and scenarios analyses. We safeguard and keep private our digital assets by utilizing storage solutions provided by Anchorage Digital Bank (“Anchorage”), which require multi-factor authentication and utilize cold and hot storage. While we are confident in the security of our digital assets, we are evaluating additional measures to provide additional protection.

### ***Strategic Review Process***

On May 2, 2024, we announced that the Company and its Board have initiated a formal strategic review process with the assistance of outside financial and legal advisors. The Company is considering a wide range of alternatives to maximize shareholder value, including, but not limited to, the sale of all, or part, of the Company, or another strategic transaction involving some, or all, of the assets of the Company. There is no deadline or definitive timetable set for the completion of the strategic alternatives process, and there can be no assurance any proposal will be made or accepted, any agreement will be executed, or any transaction will be consummated in connection with this review. We do not intend to make further announcements regarding the review process unless and until the Board approves a specific transaction or otherwise determines that further disclosure is appropriate. We retained Cohen and Company Capital Markets, a division of J.V.B. Financial Group, LLC, as financial advisor and Vinson & Elkins LLP as legal advisor to support our management team and Board during the review process.

### **Recent Developments**

#### *Champion Electricity Sales and Purchase Agreements and Transaction Addendums*

On February 29, 2024, each of the Company's wholly owned subsidiaries, Scrubgrass Reclamation Company, L.P. and Panther Creek Power Operating, LLC entered into ESPAs and Transaction Addendums (collectively, the “Addendums”) with Champion. Pursuant to the ESPAs and Addendums, Champion will provide retail electricity to the Scrubgrass Plant and Panther Creek Plant at a competitive contract price that includes wholesale real-time power prices, ancillary and delivery services charges, and applicable taxes. To effectuate the Addendums, Scrubgrass and Panther Creek each delivered to Champion a deposit in the amount of \$425,000 on March 4, 2024. The Addendums are in existence through March of 2027, subject to the terms and conditions stated in the ESPAs and Addendums.

#### *Third Amendment to the WhiteHawk Credit Agreement*

On February 15, 2024, the Company, Stronghold LLC, as borrower, their subsidiaries and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into a Third Amendment to the Credit Agreement (the “Third Amendment”). Pursuant to the Third Amendment, among other items, the Company’s minimum liquidity requirement was amended to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000.

#### *Termination of Olympus Omnibus Services Agreement*

On November 2, 2021, Stronghold LLC and Olympus Stronghold Services, LLC (“Olympus Services”) entered into an Operations, Maintenance and Ancillary Services Agreement (the “Omnibus Services Agreement”), whereby Olympus Services was to provide certain operations, personnel and maintenance services to the Company and its affiliates. On February 13, 2024, Stronghold LLC and Olympus Services entered into a Termination and Release Agreement (the “Termination and Release”) whereby the Omnibus Services Agreement was terminated. The Termination and Release contained a mutual customary release. The Company expects to continue to pay Olympus Power LLC \$10,000 per month for ongoing assistance at each of the Scrubgrass Plant and Panther Creek Plant.

#### *Strategic Review Process*

Stronghold and its Board have initiated a formal strategic review process with the assistance of outside financial and legal advisors. The Company is considering a wide range of alternatives to maximize stockholder value, including, but not limited to, the sale of all, or part, of the Company, or another strategic transaction involving some, or all, of the assets of the Company. There is no deadline or definitive timetable set for the completion of the strategic alternatives process, and there can be no assurance any proposal will be made or accepted, any agreement will be executed, or any transaction will be consummated in connection with this review. Stronghold does not intend to make further announcements regarding the review process unless and until the Board approves a specific transaction or otherwise determines that further disclosure is appropriate. The Company retained Cohen and Company Capital Markets, a division of J.V.B. Financial Group, LLC, as

financial advisor and Vinson & Elkins LLP as legal advisor to support its management team and Board during the review process.

## **Trends and Other Factors Impacting Our Performance**

### ***General Digital Asset Market Conditions***

During 2022 and more recently in 2023, a number of companies in the crypto assets industry have declared bankruptcy, including, but not limited to, Core Scientific, Celsius Network LLC ("Celsius"), Voyager Digital, Three Arrows Capital, BlockFi, FTX Trading Ltd. ("FTX"), and Genesis Holdco. Such bankruptcies have contributed, at least in part, to the volatility in the price of our shares as well as the price of Bitcoin, and some loss of confidence in the participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. To date, aside from the general decrease in the price of Bitcoin and in our and our peers stock price that may be indirectly attributable to the bankruptcies in the crypto assets industry, we have not been indirectly or directly materially impacted by such bankruptcies. As of the date hereof, we have no direct or material contractual relationship with any company in the crypto assets industry that has experienced a bankruptcy. Additionally, there has been no impact on our hosting agreement or relationship with Foundry Digital, LLC ("Foundry"), our institutional custody agreement or relationship with Anchorage, or our institutional custody and trading relationship with Coinbase Inc. The hosting agreement with Foundry is performing in line with our expectations, and on February 6, 2023, we entered into a new hosting agreement to replace the existing hosting agreement with Foundry which, among other things, extended the agreement term to two years with no unilateral early termination option and made amendments to certain profit-sharing components. The bankruptcy of Genesis Holdco, which is affiliated with the parent entity of Foundry, has not materially impacted the original or currently existing hosting arrangement. Additionally, we have had no direct exposure to Celsius, First Republic Bank, FTX, Signature Bank, Silicon Valley Bank, or Silvergate Capital Corporation. We continue to conduct diligence, including into liquidity or insolvency issues, on third parties in the crypto asset space with whom we have potential or ongoing relationships. While we have not been materially impacted by any liquidity or insolvency issues with such third parties to date, there is no guarantee that our counterparties will not experience liquidity or insolvency issues in the future.

We safeguard and keep private our digital assets, including the Bitcoin that we mine, by utilizing storage solutions provided by Anchorage, which requires multi-factor authentication. While we are confident in the security of our digital assets held by Anchorage, given the broader market conditions, there can be no assurance that other crypto asset market participants, including Anchorage as our custodian, will not ultimately be impacted. Further, given the current conditions in the digital assets ecosystem, we are liquidating our mined Bitcoin often, and generally at multiple points every week through Anchorage. We continue to monitor the digital assets industry as a whole, although it is not possible at this time to predict all of the risks stemming from these events that may result to us, our service providers, our counterparties, and the broader industry as a whole. We cannot provide any assurance that we will not be materially impacted in the future by bankruptcies of participants in the crypto asset space. See "*Risk Factors—Crypto Asset Mining Related Risks—Our crypto assets may be subject to loss, damage, theft or restriction on access. Further, digital asset exchanges on which crypto assets trade are relatively new and largely unregulated, and thus may be exposed to fraud and failure. Incorrect or fraudulent cryptocurrency transactions may be irreversible—*" in our 2023 Form 10-K for additional information.

### ***Bitcoin Price Volatility***

The market price of Bitcoin has historically and recently been volatile. For example, the price of Bitcoin ranged from a low of approximately \$17,000 in January 2023 to over \$73,000 in March 2024. After our initial public offering, the price of Bitcoin dropped over 75%, resulting in an adverse effect on our results of operations, liquidity and strategy, and resulting in increased credit pressures on the cryptocurrency industry. Since then, Bitcoin has recovered to over \$73,000 during certain times in 2024, and traded between \$55,000 and \$70,000 over the past month. Our operating results depend on the value of Bitcoin because it is the only crypto asset we currently mine. We cannot accurately predict the future market price of Bitcoin and, as such, we cannot accurately predict potential adverse effects, including whether we will record unrealized or realized losses on the value of our Bitcoin assets. The future value of Bitcoin will affect the revenue from our operations, and any future decline in the value of the Bitcoin we mine would impact our consolidated financial statements and results of operations, which could have a material adverse effect on the market price for our securities.

### ***Bitcoin Adoption and Network Hash Rate***

Since its introduction in 2008, Bitcoin has become the leading cryptocurrency based on several measures of adoption: total value of coins in circulation, transactions, and computing power devoted to its protocol. The total value of Bitcoin in circulation was approximately \$1.276 trillion as of April 26, 2024, nearly three times that of Ethereum at \$386 billion, the

second largest cryptocurrency. Bitcoin cumulative transactions have increased from one transaction on January 7, 2009, to 995 million transactions through April 26, 2024. As the adoption of Bitcoin has progressed, the computing power devoted to mining for it has also increased. This collective computing power is referred to as "network hash rate". Bitcoin network hash rate has risen from nearly zero at inception to a seven-day average of 639 EH/s as of April 26, 2024, as Bitcoin price has risen from its initial trading price of \$0.0008 in July 2010 to approximately \$63,000 as of April 26, 2024. The actual number of mining computers hashing at any given time cannot be known; therefore, the network hash rate, at any given time, is approximated by using "mining difficulty."

The term difficulty refers to the complexity of the mathematical problems that the miners solve and is adjusted up or down automatically after 2,016 blocks (an "epoch") have been mined on the network. Difficulty on April 26, 2024, was 88.1 trillion, and it has ranged from one to 88.1 trillion. Generally speaking, if network hash rate has moved up during the current epoch, it is likely that difficulty will increase in the next epoch, which reduces the award per unit of hash rate during that epoch, all else equal, and vice versa. Deriving network hash rate from difficulty requires the following equation: network hash rate is the product of a) blocks solved over the last 24 hours divided by 144, b) difficulty, c)  $2^{32}$ , divided by 600 seconds.

Embedded in the Bitcoin source code is an upper limit of 21 million for the quantity of Bitcoin that can ever be mined or in circulation, which means that the currency is finite, unlike fiat currencies. Through April 26, 2024, approximately 19.7 million Bitcoin have been mined, leaving approximately 1.3 million left to be mined. The year in which the last Bitcoin is expected to be mined is 2140. Every four years there is an event called a halving where the coins awarded per block is cut in half. While the reward for adding a block to the blockchain between May 11, 2020, and April 19, 2024, was 6.25 Bitcoin, the halving occurred on April 19, 2024, and the mining award per block is now 3.125 Bitcoin instead of 6.25 previously. Each day there are approximately 144 blocks awarded to the entirety of the global Bitcoin network. While network hash rate has been somewhat cyclical over short periods of time, since the creation of Bitcoin, as network hash rate has increased over time through a combination of an increased number of network participants, an increased quantity of miners hashing, and more efficient miners with faster processing speeds hashing, competition for block awards has increased.

### **Hash Price**

There are three critical drivers of revenue per unit of hash rate in the Bitcoin mining industry (using terahash as the unit of hash rate): Bitcoin price, difficulty, and Bitcoin transaction fees. Hash price is the nexus of those terms and is equivalent to revenue per terahash per day. Hash price was \$0.057 on April 26, 2024, compared to the 2024 average year-to-date hash price of \$0.094, and compared to the five-year, one year, 2023, and 2022 average hash prices of \$0.164, \$0.081, \$0.075, and \$0.124, respectively. The five-year high price was May 5, 2018, when hash price was at \$0.62. The five-year low hash price was November 21, 2022, ten days after the bankruptcy filing of FTX and certain of its subsidiaries, when hash price reached \$0.056. We estimate that the average global Bitcoin network breakeven hash price required to cover operating costs is currently between \$0.045 to \$0.08, which assumes variable operating expenses of \$60 to \$70 per MWh, annual fixed operating expenses of \$1 to \$5 per TH/s, and average network efficiency of 30 to 40 J/TH.

In addition to mining for new Bitcoin, we are also paid transaction fees in the form of Bitcoin for processing and validating transactions. During 2022, average transaction fees were 1.6% of block subsidies, and, during the first quarter of 2023, transaction fees were 2.3%. In April 2023, transaction fees and volume rose sharply on the Bitcoin network, and transaction fees averaged 8.2% from April 1, 2023, to June 30, 2023. During the third and fourth quarters of 2023, transaction fees averaged 2.8% and 14.6%, respectively, with the latter representing the highest quarterly average since Bitcoin was founded. Transaction fees have remained elevated during 2024, with an 11.5% year-to-date average through April 26, 2024. Transaction fees are volatile and there are no assurances that transaction fees will continue at recent levels in the future.

### **Critical Accounting Policies and Significant Estimates**

The Company's critical accounting policies and significant estimates, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2023, remain unchanged.

### **Post IPO Taxation and Public Company Costs**

Stronghold LLC is and has been organized as a pass-through entity for U.S. federal income tax purposes and is therefore not subject to entity-level U.S. federal income taxes. Stronghold Inc. was incorporated as a Delaware corporation on March 19, 2021, and is therefore subject to U.S. federal income taxes and state and local taxes at the prevailing corporate income

tax rates, including with respect to its allocable share of any taxable income of Stronghold LLC. In addition to tax expenses, Stronghold Inc. also incurs expenses related to its operations, plus payment obligations under the Tax Receivable Agreement entered into between the Company, Q Power LLC (“Q Power”) and an agent named by Q Power, dated April 1, 2021 (the “TRA”), which are expected to be significant. Additionally, on March 14, 2023, we executed a joinder agreement with an additional holder (together with Q Power, the “TRA Holders”) who thereby became a party to the TRA. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fifth Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the “Stronghold LLC Agreement”) requires Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc. and Q Power, in an amount sufficient to allow Stronghold Inc. to pay its taxes and to make payments under the TRA. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-pro rata payments to Stronghold Inc. to reimburse it for its corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. See “Tax Receivable Agreement” herein for additional information.

In addition, we have incurred, and expect to continue to incur incremental, non-recurring costs related to our transition to a publicly traded corporation, including the costs of the IPO and the costs associated with the initial implementation of our internal control reviews and testing pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). We have also incurred, and expect to continue to incur additional significant and recurring expenses as a publicly traded corporation, including costs associated with compliance under the Securities Exchange Act, of 1934, as amended, annual and quarterly reports to common stockholders, registrar and transfer agent fees, national stock exchange fees, audit fees, incremental director and officer liability insurance costs, and director and officer compensation. Our financial statements following the IPO will continue to reflect the impact of these expenses.

### **Factors Affecting Comparability of Our Future Results of Operations to Our Historical Results of Operations**

Our historical financial results discussed below may not be comparable to our future financial results for the reasons described below.

Stronghold Inc. is subject to U.S. federal, state and local income taxes as a corporation. Our accounting predecessor was treated as a partnership for U.S. federal income tax purposes and, as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income was passed through to its members. Accordingly, the financial data attributable to our predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality. Due to cumulative and current losses as well as an evaluation of other sources of income as outlined in ASC 740, *Income Taxes*, management has determined that the utilization of our deferred income tax assets is not more likely than not, and therefore, we have recorded a valuation allowance against our net deferred income tax assets. Management continues to evaluate the likelihood of the Company utilizing its deferred taxes, and while the valuation allowance remains in place, we expect to record no deferred income tax expense or benefit. Should the valuation allowance no longer be required, the 21% statutory federal income tax rate, as well as state and local income taxes at their respective rates, will apply to income allocated to Stronghold Inc.

As we further implement controls, processes and infrastructure applicable to companies with publicly traded equity securities, it is likely that we will incur additional selling, general and administrative expenses relative to historical periods. Our future results will depend on our ability to efficiently manage our consolidated operations and execute our business strategy.

As we continue to acquire miners and utilize our power generating assets to power such miners, we anticipate that a greater proportion of our revenue and expenses will relate to crypto asset mining.

As previously discussed in the “Critical Accounting Policies” section in our 2023 Form 10-K, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with revenue recognition, property, plant and equipment (including the useful lives and recoverability of long-lived assets), investments, intangible assets, stock-based compensation, and business combinations. The Company’s financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company’s financial statements, one must have a clear understanding of the accounting policies employed.

## Consolidated Results of Operations

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b>OPERATING REVENUES:</b>		
Cryptocurrency mining	\$ 21,291,058	\$ 11,297,298
Cryptocurrency hosting	5,457,529	2,325,996
Energy	700,067	2,730,986
Capacity	—	859,510
Other	73,531	52,425
Total operating revenues	27,522,185	17,266,215
<b>OPERATING EXPENSES:</b>		
Fuel	7,410,828	7,414,014
Operations and maintenance	8,241,725	8,440,923
General and administrative	6,598,346	8,468,755
Depreciation and amortization	9,514,654	7,722,841
Loss on disposal of fixed assets	—	91,086
Realized gain on sale of digital currencies	(624,107)	(326,768)
Unrealized gain on digital currencies	(1,227)	—
Realized gain on sale of miner assets	(36,012)	—
Impairments on digital currencies	—	71,477
Total operating expenses	31,104,207	31,882,328
<b>NET OPERATING LOSS</b>	<b>(3,582,022)</b>	<b>(4,616,113)</b>
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(2,263,409)	(2,383,913)
Loss on debt extinguishment	—	(28,960,947)
Changes in fair value of warrant liabilities	11,677,720	(714,589)
Other	10,000	15,000
Total other income (expense)	9,424,311	(32,044,449)
<b>NET INCOME (LOSS)</b>	<b>\$ 5,842,289</b>	<b>\$ (46,660,562)</b>

Highlights of our consolidated results of operations for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, include:

### *Operating Revenues*

Revenues increased by \$10.3 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to a \$10.0 million increase in cryptocurrency mining revenues driven by improved Bitcoin mining economics (e.g., hash price and Bitcoin price) and increased hash rate driven by the purchase of additional Bitcoin miners throughout 2023. Cryptocurrency hosting revenues increased by \$3.1 million primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023. These increases were partially offset by a \$2.0 million decrease in energy revenues driven by lower prevailing market prices and increased consumption of self-generated electricity due to the expansion of our cryptocurrency operations. Capacity revenues decreased by \$0.9 million due to both plants strategically reducing exposure to the capacity markets and the resulting cost-capping and operational requirements in the day ahead market by PJM.

### *Operating Expenses*

Total operating expenses decreased by \$0.8 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily driven by (i) a \$1.9 million decrease in general and administrative expenses driven by an accounts receivable write down in the first quarter of 2023, and lower insurance and stock-based compensation, (ii) a \$0.3 million increase in realized gains on the sale of digital currencies driven by improved Bitcoin pricing, and (iii) a \$0.2 million decrease in operations and maintenance expenses due to a decrease in plant payroll expenses and professional services. These decreases were partially offset by a \$1.8 million increase in depreciation and amortization due to the purchase of additional Bitcoin miners throughout 2023.

## Other Income (Expense)

Total other income (expense) increased by \$41.5 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily driven by a \$29.0 million loss on debt extinguishment in the first quarter of 2023 and a \$12.4 million increase in other income resulting from changes in the fair value of warrant liabilities.

## Segment Results

The below presents summarized results for our operations for the two reporting segments: *Energy Operations* and *Cryptocurrency Operations*.

	Three Months Ended	
	March 31, 2024	March 31, 2023
<b>OPERATING REVENUES:</b>		
Energy Operations	\$ 773,598	\$ 3,642,921
Cryptocurrency Operations	26,748,587	13,623,294
Total operating revenues	\$ 27,522,185	\$ 17,266,215
<b>NET OPERATING LOSS:</b>		
Energy Operations	\$ (8,203,180)	\$ (10,601,025)
Cryptocurrency Operations	4,621,158	(4,015,088)
Total net operating loss	(3,582,022)	(14,616,113)
<b>OTHER INCOME (EXPENSE) <sup>(1)</sup></b>	9,424,311	(32,044,449)
<b>NET INCOME (LOSS)</b>	\$ 5,842,289	\$ (46,660,562)
<b>DEPRECIATION AND AMORTIZATION:</b>		
Energy Operations	\$ (1,325,667)	\$ (1,332,873)
Cryptocurrency Operations	(8,188,987)	(6,389,968)
Total depreciation and amortization	\$ (9,514,654)	\$ (7,722,841)
<b>INTEREST EXPENSE:</b>		
Energy Operations	\$ (24,449)	\$ (159,287)
Cryptocurrency Operations	(2,238,960)	(2,224,626)
Total interest expense	\$ (2,263,409)	\$ (2,383,913)

<sup>(1)</sup> We do not allocate other income (expense) for segment reporting purposes. Amount is shown as a reconciling item between net operating income (loss) and consolidated net income (loss). Refer to our accompanying condensed consolidated statements of operations for further details.

## Energy Operations Segment

	Three Months Ended		
	March 31, 2024	March 31, 2023	Change
<b>OPERATING REVENUES:</b>			
Energy	\$ 700,067	\$ 2,730,986	\$ (2,030,919)
Capacity	—	859,510	(859,510)
Other	73,531	52,425	21,106
Total operating revenues	773,598	3,642,921	(2,869,323)
<b>OPERATING EXPENSES:</b>			
Fuel - net of crypto segment subsidy <sup>(1)</sup>	406,804	2,716,047	(2,309,243)
Operations and maintenance	6,581,663	7,278,230	(696,567)
General and administrative	492,110	1,447,473	(955,363)
Depreciation and amortization	1,325,667	1,332,873	(7,206)
Total operating expenses	8,806,244	12,774,623	(3,968,379)
<b>NET OPERATING LOSS (EXCLUDING CORPORATE OVERHEAD)</b>	\$ (8,032,646)	\$ (9,131,702)	\$ 1,099,056
Corporate overhead	170,534	1,469,323	(1,298,789)
<b>NET OPERATING LOSS</b>	\$ (8,203,180)	\$ (10,601,025)	\$ 2,397,845
<b>INTEREST EXPENSE</b>			
	\$ (24,449)	\$ (159,287)	\$ 134,838

<sup>(1)</sup>The *Cryptocurrency Operations* segment consumed \$7.0 million of electricity supplied by the *Energy Operations* segment for the three months ended March 31, 2024, and \$4.7 million for the three months ended March 31, 2023. For segment reporting, this intercompany electric charge is recorded as a contra-expense to offset fuel costs within the *Energy Operations* segment.

### ***Operating Revenues***

Total operating revenues decreased by \$2.9 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to a \$2.0 million decrease in energy revenues driven by lower prevailing market prices and increased consumption of self-generated electricity due to the expansion of our cryptocurrency operations. Capacity revenues decreased by \$0.9 million.

Effective June 1, 2022, through May 31, 2024, both plants strategically reduced their exposure to the capacity markets and the resulting cost-capping and operational requirements in the day ahead market by PJM. The Company chose to be an energy resource after achieving its RegA certification, which reduced monthly capacity revenue and the frequency with which the plants will be mandated to sell power at non-market rates, in exchange for the opportunity to sell power to the grid at prevailing market rates, which management expects will more than make up for lost capacity revenue. This also gives the plants the ability to provide fast response energy to the grid in the real time market when needed without having to comply with day ahead power commitments. When high power prices call for more electricity to be supplied by the Company's plants, and those prices are in excess of Bitcoin-equivalent power prices, the Company may shut off its data center Bitcoin mining load in order to sell power to the grid. The Company believes that this integration should allow it to optimize for both revenue as well as grid support over time.

Full plant power utilization is optimal for our revenue growth as it also drives a higher volume of Tier II RECs, waste coal tax credits, and beneficial use ash sales, as well as the increased electricity supply for the crypto asset operations.

### ***Operating Expenses***

Total operating expenses decreased by \$4.0 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to (i) a \$2.3 million decrease in fuel expenses due to increased fuel cost allocations to the cryptocurrency operations segment due to the expansion of cryptocurrency operations, (ii) a \$1.0 million decrease in general and administrative expenses primarily related to a first quarter 2023 decrease in the value of accounts receivable, and (iii) a \$0.7 million decrease in operations and maintenance expenses due to a decrease in plant payroll expenses and professional services. REC sales of \$6.5 million and \$4.9 million were recognized as contra-expenses to offset fuel expenses for the three months ended March 31, 2024, and 2023, respectively.

Corporate overhead allocated to the *Energy Operations* segment decreased by \$1.3 million for the three months ended March 31, 2024, primarily driven by a decrease in *Energy Operations* segment revenues and a decrease in insurance expenses and stock-based compensation. Corporate overhead has been allocated to the two segments using a "fair-share" of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

## Cryptocurrency Operations Segment

	Three Months Ended		
	March 31, 2024	March 31, 2023	Change
<b>OPERATING REVENUES:</b>			
Cryptocurrency mining	\$ 21,291,058	\$ 11,297,298	\$ 9,993,760
Cryptocurrency hosting	5,457,529	2,325,996	3,131,533
Total operating revenues	26,748,587	13,623,294	13,125,293
<b>OPERATING EXPENSES:</b>			
Electricity - purchased from energy segment	7,004,024	4,697,967	2,306,057
Operations and maintenance	1,660,062	1,162,693	497,369
General and administrative	39,187	57,186	(17,999)
Impairments on digital currencies <sup>(1)</sup>	—	71,477	(71,477)
Realized gain on sale of digital currencies	(624,107)	(326,768)	(297,339)
Unrealized gain on digital currencies	(1,227)	—	(1,227)
Loss on disposal of fixed assets	—	91,086	(91,086)
Realized gain on sale of miner assets	(36,012)	—	(36,012)
Depreciation and amortization	8,188,987	6,389,968	1,799,019
Total operating expenses	16,230,914	12,143,609	4,087,305
<b>NET OPERATING INCOME (EXCLUDING CORPORATE OVERHEAD)</b>			
	\$ 10,517,673	\$ 1,479,685	\$ 9,037,988
Corporate overhead	5,896,515	5,494,773	401,742
<b>NET OPERATING INCOME (LOSS)</b>			
	\$ 4,621,158	\$ (4,015,088)	\$ 8,636,246
<b>INTEREST EXPENSE</b>			
	\$ (2,238,960)	\$ (2,224,626)	\$ (14,334)

<sup>1</sup> The Company adopted ASU 2023-08 effective January 1, 2024, using a modified retrospective transition method. For more information, see Note 1 – Basis of Presentation.

### Operating Revenues

Total operating revenues increased by \$13.1 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to a \$10.0 million increase in cryptocurrency mining revenues driven by improved Bitcoin mining economics (e.g., hash price and Bitcoin price) and increased hash rate driven by the purchase of additional Bitcoin miners throughout 2023. Cryptocurrency hosting revenues increased by \$3.1 million primarily driven by the Canaan Bitcoin Mining Agreement, which began in the second quarter of 2023.

### Operating Expenses

Total operating expenses increased by \$4.1 million for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to (i) a \$2.3 million increase in intercompany electric charges related to the expansion of our cryptocurrency mining operations, (ii) a \$1.8 million increase in depreciation and amortization driven by the purchases of additional Bitcoin miners throughout 2023, and (iii) a \$0.5 million increase in operations and maintenance expenses driven by higher professional services charges. These increases were partially offset by a \$0.3 million increase in realized gains on the sale of digital currencies driven by improved Bitcoin pricing.

Corporate overhead allocated to the Cryptocurrency Operations segment increased by \$0.4 million for the three months ended March 31, 2024, primarily driven by an increase in *Cryptocurrency Operations* segment revenues relative to total combined revenue. Corporate overhead has been allocated to the two segments using a “fair-share” of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

### Impairments on Digital Currencies

Impairments on digital currencies of \$0.1 million were recognized for the three months ended March 31, 2023, as a result of the negative impacts from Bitcoin spot market declines in the prior year period. As of March 31, 2024, we held approximately 0 Bitcoin on our consolidated balance sheet at fair value. The spot market price of Bitcoin was \$71,028 as of March 31, 2024, per Coinbase. Effective January 1, 2024, the Company adopted ASU 2023-08 which requires cryptocurrency assets to be recorded at fair value. As such, the Company no longer accounts for digital currencies as indefinite-life intangible assets, and therefore, no impairment losses have been recognized in the current year period.

## ***Interest Expense***

Interest expense was comparable for the three months ended March 31, 2024, and 2023.

## **Liquidity and Capital Resources**

### ***Overview***

Stronghold Inc. is a holding company with no operations and is the sole managing member of Stronghold LLC. Our principal asset consists of units of Stronghold LLC. Our earnings and cash flows and ability to meet any debt obligations depend on the cash flows resulting from the operations of our operating subsidiaries and the payment of distributions to us by such subsidiaries.

Our cash needs are primarily for growth through acquisitions, capital expenditures, working capital to support equipment financing, and the purchase of additional miners and general operating expenses. We have incurred, and may continue to incur, significant expenses in servicing and maintaining our power generation facilities. If we were to acquire additional facilities in the future, capital expenditures may include improvements, maintenance and build out costs associated with equipping such facilities to house Bitcoin miners. We may also incur additional expenses and capital expenditures to develop our carbon capture system, which is currently in pilot testing.

We have historically relied on funds from equity issuances, equipment financings and revenues from sales of Bitcoin and power generated at our power plants to provide for our liquidity needs. During 2023, we received approximately \$10.0 million pursuant to the April 2023 Private Placement and approximately \$15.4 million pursuant to the December 2023 Private Placement. During the year ended December 31, 2023, we sold 1,794,587 ATM Shares at approximately \$6.47 per share under the ATM Agreement for gross proceeds of approximately \$11.6 million, less sales commissions of approximately \$0.4 million for net proceeds of approximately \$11.2 million. During the three months ended March 31, 2024, the Company sold zero ATM Shares.

As of March 31, 2024, and April 30, 2024, we had approximately \$7.5 million and \$8.0 million, respectively, of cash and cash equivalents and Bitcoin on our consolidated balance sheet, which included approximately 0 Bitcoin and 26 Bitcoin, respectively. As of March 31, 2024, and April 30, 2024, we had principal amount outstanding indebtedness of approximately \$55.5 million and \$55.3 million, respectively.

If our cash flows from operations continue to fall short of uses of capital, we may need to seek additional sources of capital to fund our short-term and long-term capital needs. We may further sell assets or seek potential additional debt or equity financing to fund our short-term and long-term needs. Further, the terms of the Credit Agreement, and December 2023 Private Placement contain certain restrictions, including maintenance of certain financial and liquidity ratios and minimums, and certain restrictions on future issuances of equity and debt. In connection with the December 2023 Private Placement, the Company entered into a Registration Rights Agreement with the institutional investor (the "December Registration Rights Agreement") whereby it agreed, among other things, to file a resale registration statement (the "December Resale Registration Statement") with the SEC covering all shares of common stock sold to the institutional investor and the shares of common stock issuable upon exercise of the warrants and the prefunded warrants purchased by the institutional investor, and to cause the December Resale Registration Statement to become effective within the timeframes specified in the December Registration Rights Agreement; failure to do so will result in certain penalties specified in the December Registration Rights Agreement (and we made one of such payments on April 22, 2024). In particular, we are prohibited from certain equity issuances (including sales under the ATM Agreement) until 30 days after the December Resale Registration Statement is effective, and there is no guarantee when that will be. We have received comments from the staff of the SEC's Division of Corporation Finance during fiscal year 2023 related to the accounting of our Bitcoin-related operations, among other things, and have been informed that we will be unable to take the December Resale Registration Statement effective until such comments are resolved. Beginning with the third quarter of 2023, we may be required to make monthly prepayments pursuant to the WhiteHawk Refinancing Agreement if we maintain cash balance above a certain amount. If we are unable to raise additional capital, there is a risk that we could default on our obligations and could be required to discontinue or significantly reduce the scope of our operations, including through the sale of our assets, if no other means of financing options are available.

Operations have not yet established a consistent record of covering our operating expenses, and while we recorded net income of \$5.8 million for the three months ended March 31, 2024, our accumulated deficit was \$315.0 million as of March 31, 2024.

Taking into account the available proceeds from the ATM Agreement, and continued expansion of our cryptocurrency mining operations, we believe our liquidity position, combined with expected improvements in operating cash flows, will be sufficient to meet our existing commitments and fund our operations for the next twelve months.

We have no material off balance sheet arrangements.

### ***Analysis of Changes in Cash Flows***

	Three Months Ended		
	March 31, 2024	March 31, 2023	Change
Net cash flows provided by (used in) operating activities	\$ 5,861,410	\$ (3,341,466)	\$ 9,202,876
Net cash flows used in investing activities	(64,605)	(13,738)	(50,867)
Net cash flows used in financing activities	(2,473,811)	(3,587,526)	1,113,715
Net increase (decrease) in cash and cash equivalents	<u>\$ 3,322,994</u>	<u>\$ (6,942,730)</u>	<u>\$ 10,265,724</u>

*Operating Activities.* Net cash flows provided by operating activities was \$5.9 million for the three months ended March 31, 2024, compared to \$3.3 million used in operating activities for the three months ended March 31, 2023. The \$9.2 million net increase in cash flows from operating activities was primarily due to improved Bitcoin mining economics and higher hash rate on installed miners, which generated higher and more profitable revenues.

*Investing Activities.* Net cash flows used in investing activities was \$0.1 million for the three months ended March 31, 2024, compared to approximately \$0.0 million used in investing activities for the three months ended March 31, 2023. The \$0.1 million net increase in cash flows used in investing activities was primarily due to investments in carbon capture technology.

*Financing Activities.* Net cash flows used in financing activities was \$2.5 million for the three months ended March 31, 2024, compared to \$3.6 million for the three months ended March 31, 2023. The \$1.1 million net decrease in cash flows used in financing activities was primarily due to a decrease in debt repayments for the WhiteHawk Refinancing Agreement and a decrease in repayments of financed insurance premiums for the three months ended March 31, 2024.

### **Debt Agreements**

We have entered into various debt agreements used to purchase equipment to operate our business. Total net obligations under all debt agreements as of March 31, 2024, were \$55.2 million (excluding financed insurance premiums).

#### **WhiteHawk Refinancing Agreement**

On October 27, 2022, the Company entered into a secured credit agreement (the "Credit Agreement") with WhiteHawk Finance LLC ("WhiteHawk") to refinance an existing equipment financing agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk (the "WhiteHawk Financing Agreement"). Upon closing, the Credit Agreement consisted of approximately \$35.1 million in term loans and approximately \$23.0 million in additional commitments.

The financing pursuant to the Credit Agreement (such financing, the "WhiteHawk Refinancing Agreement") was entered into by Stronghold Digital Mining Holdings, LLC ("Stronghold LLC"), as Borrower (in such capacity, the "Borrower"), and is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company and each of its material subsidiaries. The WhiteHawk Refinancing Agreement requires equal monthly amortization payments resulting in full amortization at maturity. The WhiteHawk Refinancing Agreement has customary representations, warranties and covenants including restrictions on indebtedness, liens, restricted payments and dividends, investments, asset sales and similar covenants and contains customary events of default.

On February 6, 2023, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into the First Amendment in order to modify certain covenants and remove certain prepayment requirements contained therein. As a result of the First Amendment, amortization payments for the period from February 2023 through July 2024 are not required, with monthly amortization resuming July 31, 2024. Beginning June 30, 2023, following a five-month holiday, Stronghold LLC will make monthly prepayments of the loan in an amount equal to 50% of its average daily cash balance (including cryptocurrencies) in excess of \$7,500,000 for such month. The First Amendment also modified the financial covenants to (i) in the case of the requirement of the Company to maintain a leverage ratio no greater than 4.0:1.00, such covenant will not be tested until the fiscal quarter ending September 30, 2024, and (ii) in the case of the minimum liquidity covenant, modified to require minimum liquidity at any time to be not less than: (A) until

March 31, 2024, \$2,500,000; (B) during the period beginning April 1, 2024, through and including December 31, 2024, \$5,000,000; and (C) from and after January 1, 2025, \$7,500,000. On February 15, 2024, the Company and WhiteHawk Capital, as collateral agent and administrative agent, and the other lenders thereto, entered into the Third Amendment which, among other items, amended the the Company's minimum liquidity requirement to not be less than: (A) until June 30, 2025, \$2,500,000 and (B) from and after July 1, 2025, \$5,000,000. The Company was in compliance with all applicable covenants under the WhiteHawk Refinancing Agreement as of March 31, 2024.

The borrowings under the WhiteHawk Refinancing Agreement mature on October 26, 2025, and bear interest at a rate of either (i) the Secured Overnight Financing Rate ("SOFR") plus 10% or (ii) a reference rate equal to the greater of (x) 3%, (y) the federal funds rate plus 0.5%, and (z) the term SOFR rate plus 1%, plus 9%. Borrowings under the WhiteHawk Refinancing Agreement may also be accelerated in certain circumstances. The average interest rate for borrowings under the WhiteHawk Refinancing Agreement approximated 15.50% for the three months ended March 31, 2024.

#### Convertible Note Exchange

On December 30, 2022, the Company entered into an exchange agreement with the holders (the "Purchasers") of the Company's Amended and Restated 10% Notes (the "Amended May 2022 Notes"), providing for the exchange of the Amended May 2022 Notes (the "Exchange Agreement") for shares of the Company's newly-created Series C Convertible Preferred Stock, par value \$0.0001 per share (the "Series C Preferred Stock"). On February 20, 2023, the transactions contemplated under the Exchange Agreement were consummated, and the Amended May 2022 Notes were deemed paid in full. Approximately \$16.9 million of principal amount of debt was extinguished in exchange for the issuance of the shares of Series C Preferred Stock. As a result of this transaction, the Company incurred a loss on debt extinguishment of \$28,960,947 during the first quarter of 2023.

#### Bruce & Merrilees Promissory Note

On March 28, 2023, the Company entered into a settlement agreement (the "B&M Settlement") with its electrical contractor, Bruce & Merrilees Electric Co. ("B&M"). Pursuant to the B&M Settlement, B&M agreed to eliminate an approximately \$11.4 million outstanding payable in exchange for a promissory note in the amount of \$3,500,000 (the "B&M Note") and a stock purchase warrant for the right to purchase from the Company 300,000 shares of Class A common stock (the "B&M Warrant"). The B&M Note has no definitive payment schedule or term. Pursuant to the B&M Settlement, B&M released 10 3000kva transformers to the Company and fully cancelled ninety (90) transformers remaining under a pre-existing order with a third-party supplier. The terms of the B&M Settlement included a mutual release of all claims.

Pursuant to the B&M Note, the first \$500,000 of the principal amount of the loan was payable in four equal monthly installments of \$125,000 beginning on April 30, 2023, so long as (i) no default or event of default has occurred or is occurring under the Credit Agreement and (ii) no PIK Option (as such term is defined in the Credit Agreement) had been elected. The principal amount under the B&M Note bears interest at seven and one-half percent (7.5%). As of March 31, 2024, the Company paid \$500,000 of principal pursuant to the B&M Note.

#### Canaan Promissory Notes

On July 19, 2023, the Company entered into a Sales and Purchase Contract with Canaan Inc. ("Canaan") whereby the Company purchased 2,000 A1346 Bitcoin miners for a total purchase price of \$2,962,337. The purchase price was payable to Canaan via an upfront payment of \$1,777,402 on or before August 1, 2023, which the Company paid on July 25, 2023, and a promissory note of \$1,184,935 due to Canaan in ten (10) equal, interest-free installments on the first day of each consecutive month thereafter until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the third quarter of 2023 at the Company's Panther Creek Plant. As of March 31, 2024, the Company paid \$947,948 of the promissory note due to Canaan.

On December 26, 2023, the Company entered into a second Sales and Purchase Contract with Canaan whereby the Company purchased 1,100 A1346 Bitcoin miners for a total purchase price of \$1,380,060. The purchase price was payable to Canaan via an upfront payment of \$828,036 on or before December 26, 2023, which the Company paid on December 26, 2023, and a promissory note of \$552,024 due to Canaan in six (6) equal, interest-free installments on the first day of each consecutive month thereafter, beginning in 2024, until the remaining promissory note balance is fully repaid. The miners were delivered and installed during the first quarter of 2024 at the Company's Scrubgrass Plant. As of March 31, 2024, the Company paid \$276,012 of the promissory note due to Canaan.

## **Tax Receivable Agreement**

The TRA generally provides for the payment by Stronghold Inc. to the TRA Holders of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using the estimated impact of state and local taxes) that Stronghold Inc. actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis that occur as a result of Stronghold Inc.'s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such holder's Stronghold LLC Units pursuant to an exercise of the Redemption Right or the Call Right (each defined in the TRA) and (ii) imputed interest deemed to be paid by Stronghold Inc. as a result of, and additional tax basis arising from, any payments Stronghold Inc. makes under the TRA. Stronghold Inc. will retain the remaining net cash savings, if any. The TRA generally provides for payments to be made as Stronghold Inc. realizes actual cash tax savings from the tax benefits covered by the TRA. However, the TRA provides that if Stronghold Inc. elects to terminate the TRA early (or it is terminated early due to Stronghold Inc.'s failure to honor a material obligation thereunder or due to certain mergers, asset sales, other forms of business combinations or other changes of control), Stronghold Inc. is required to make an immediate payment equal to the present value of the future payments it would be required to make if it realized deemed tax savings pursuant to the TRA (determined by applying a discount rate equal to one-year LIBOR (or an agreed successor rate, if applicable) plus 100 basis points, and using numerous assumptions to determine deemed tax savings), and such early termination payment is expected to be substantial and may exceed the future tax benefits realized by Stronghold Inc.

The actual timing and amount of any payments that may be made under the TRA are unknown at this time and will vary based on a number of factors. However, Stronghold Inc. expects that the payments that it will be required to make to the TRA Holders (or their permitted assignees) in connection with the TRA will be substantial. Any payments made by Stronghold Inc. to the TRA Holders (or their permitted assignees) under the TRA will generally reduce the amount of cash that might have otherwise been available to Stronghold Inc. or Stronghold LLC. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt or other agreements, the Stronghold LLC Agreement will require Stronghold LLC to make cash distributions to holders of Stronghold LLC Units, including Stronghold Inc., in an amount sufficient to allow Stronghold Inc. and Q Power to pay its taxes and to make payments under the TRA. Stronghold Inc. generally expects Stronghold LLC to fund such distributions out of available cash. However, except in cases where Stronghold Inc. elects to terminate the TRA early, the TRA is terminated early due to certain mergers or other changes of control or Stronghold Inc. has available cash but fails to make payments when due, generally Stronghold Inc. may defer payments due under the TRA if it does not have available cash to satisfy its payment obligations under the TRA or if its contractual obligations limit its ability to make these payments. Any such deferred payments under the TRA generally will accrue interest at the rate provided for in the TRA, and such interest may significantly exceed Stronghold Inc.'s other costs of capital. If Stronghold Inc. experiences a change of control (as defined under the TRA, which includes certain mergers, asset sales and other forms of business combinations), and in certain other circumstances, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, Stronghold Inc. realizes in respect of the tax attributes subject to the TRA. In the case of such an acceleration in connection with a change of control, where applicable, Stronghold Inc. generally expects the accelerated payments due under the TRA to be funded out of the proceeds of the change of control transaction giving rise to such acceleration, which could have a significant impact on our ability to consummate a change of control or reduce the proceeds received by our stockholders in connection with a change of control. However, Stronghold Inc. may be required to fund such payment from other sources, and as a result, any early termination of the TRA could have a substantial negative impact on our liquidity or financial condition.

## **Recent Accounting Pronouncements**

For information with respect to recent accounting pronouncements, see *Note 1 – Basis of Presentation* in the notes to the Condensed Consolidated Financial Statements.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files or submits 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 management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that its disclosure controls and procedures were effective as of March 31, 2024.

### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Part II - Other Information**

### **Item 1. Legal Proceedings**

Information regarding this Item is contained in *Note 10 – Commitments and Contingencies* in the notes to the Condensed Consolidated Financial Statements.

### **Item 1A. Risk Factors**

Except as set forth below, there are no material changes to the Risk Factors contained in Item 1A to Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed on March 8, 2024.

***Our strategic review process may not result in entering into or completing a transaction, and the process of reviewing strategic alternatives or its conclusion could adversely affect our stock price.***

We have initiated a process to review strategic alternatives with the assistance of outside financial and legal advisors. The Company is considering a wide range of alternatives to maximize stockholder value, including, but not limited to, the sale of all or part of the Company, or another strategic transaction involving some or all of the assets of the Company. We are actively working with a financial advisor in this review process.

There can be no guarantee that the process of evaluating strategic alternatives will result in the Company entering into or completing a potential transaction within the anticipated timing or at all. Any potential transaction would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, the interest of third parties in a potential transaction with us, obtaining stockholder approval and the availability of financing to us or third parties in a potential transaction with us on reasonable terms. The process of reviewing strategic alternatives may be time consuming and may involve the dedication of significant resources and may require us to incur significant costs and expenses. It could negatively impact our ability to attract, retain and motivate employees, and expose us to potential litigation in connection with this process or any resulting transaction. If we are unable to effectively manage the process, our financial condition and results of operations could be adversely affected. In addition, speculation regarding any developments related to the review of strategic alternatives and perceived uncertainties related to the future of the Company could cause our stock price to fluctuate significantly. Further, any strategic alternative that may be pursued and completed ultimately may not deliver the anticipated benefits or maximize stockholder value.

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

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

None.

## Item 6. Exhibits

Exhibit Number	Description
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).</a>
3.2	<a href="#">Amended and Restated Bylaws of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).</a>
3.3	<a href="#">Certificate of Designations of the Series C Convertible Preferred Stock of Stronghold Digital Mining, Inc., effective February 20, 2023, filed with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 24, 2023).</a>
3.4	<a href="#">Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on May 19, 2023).</a>
3.5	<a href="#">Certificate of Designation of the Series D Convertible Preferred Stock of Stronghold Digital Mining, Inc., filed with the Secretary of State of the State of Delaware and effective November 13, 2023 (incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-40931) filed on November 14, 2023).</a>
10.1	<a href="#">Third Amendment to Credit Agreement, dated as of February 15, 2024, by and among Stronghold Digital Mining, Inc., Stronghold Digital Mining Holdings, LLC as Borrower, each subsidiary of the Borrower listed as a Guarantor therein, WhiteHawk Finance LLC and/or its affiliates or designees and the other lenders from time-to-time party thereto as Lenders and WhiteHawk Capital Partners LP, as Collateral Agent and Administrative Agent (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 16, 2024).</a>
10.2	<a href="#">Termination and Release Agreement, dated as of February 13, 2024, by and among Stronghold Digital Mining Holdings, LLC and Olympus Stronghold Services, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 16, 2024).</a>
10.3 **	<a href="#">Electricity Sales and Purchase Agreement, dated as of February 27, 2024, by and between Panther Creek Power Operating, LLC and Champion Energy Services, LLC.</a>
10.4 **	<a href="#">Electricity Sales and Purchase Agreement, dated as of February 27, 2024, by and between Scrubgrass Reclamation Company L.P. and Champion Energy Services, LLC.</a>
10.5 **	<a href="#">Transaction Addendum to the Electricity Sales and Purchase Agreement, dated as of February 29, 2024, by and between Panther Creek Power Operating, LLC and Champion Energy Services, LLC.</a>
10.6 **	<a href="#">Transaction Addendum to the Electricity Sales and Purchase Agreement, dated as of February 29, 2024, by and between Scrubgrass Reclamation Company L.P. and Champion Energy Services, LLC.</a>
31.1 *	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</a>
31.2 *	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</a>
32.1 **	<a href="#">Section 1350 Certification of Chief Executive Officer.</a>
32.2 **	<a href="#">Section 1350 Certification of Chief Financial Officer.</a>
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

\* Filed herewith.

\*\* Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

# Information in this exhibit identified by brackets is confidential and has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is not material and is the type of information that the Company customarily treats as private or confidential. An unredacted copy of this exhibit will be furnished to the SEC upon request.

## SIGNATURES

Pursuant to the requirements 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.

Date: May 7, 2024 STRONGHOLD DIGITAL MINING, INC.  
(registrant)

By: /s/ Matthew J. Smith  
Matthew J. Smith  
Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

\*Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential in this case.

# Electricity Sales and Purchase Agreement

Seller: **CHAMPION ENERGY SERVICES, LLC**

Buyer: **PANTHER CREEK POWER OPERATING, LLC**

Effective Date: 02/29/2024

This Agreement is made by and between Seller and Buyer (referred to collectively as the "Parties" and individually as a "Party"). For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## **ARTICLE 1: SCOPE OF THE AGREEMENT**

**1.1 Electricity Supply.** Upon enrollment of Buyer's Facilities, Seller shall sell and deliver, or cause a third party (including Buyer's Local Utility) to deliver, and Buyer shall purchase and receive, 100% of Buyer's Electricity requirements for enrolled Buyer's Facilities at the Delivery Point(s) solely for use at Buyer's Facilities.

**1.2 Transactions.** From time to time, the Parties may, but are not obligated to, enter into one or more Transactions. Transactions will ordinarily be entered into by the execution of a Transaction Addendum. The Parties may also enter into Transactions orally or through the use of Electronic Communication, and in those cases Buyer shall execute, promptly upon Seller's request, a Transaction Addendum confirming the terms of such Transaction. The Parties agree that a Transaction Addendum may take the form of a facsimile or an Imaged Document. Notwithstanding the foregoing, the failure of either Party to execute a Transaction Addendum shall not invalidate an otherwise valid Transaction. Each Party agrees not to contest, or assert any defense to, the validity or enforceability of a Transaction entered into in accordance with this Agreement based on any Law requiring agreements to be in writing or to be signed by the Parties, or based on any lack of authority of the Party or any lack of authority of any employee of the Party to enter into a Transaction.

## **ARTICLE 2: TERM OF AGREEMENT**

**2.1 Termination.** Either Party may terminate this Agreement by providing thirty days written notice to the other Party; provided that this Agreement will remain in effect with respect to the Transaction(s) entered into prior to such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s) or such Transaction(s) have each been terminated under Articles 6 or 7 of this Agreement; provided that all obligations of the Parties which must survive such termination in order to give full force and effect to the intent of the Parties as expressed herein will survive such termination.

**2.2 No-Transaction Deliveries.** For periods during which Seller delivers and Buyer receives Electricity and there is no Transaction in effect with respect to such deliveries (including, without limitation, for any deliveries made subsequent to termination of this Agreement), Seller may terminate service by providing ten (10) days' written notice to Buyer of a date for such termination. If Seller provides such notice and Buyer does not switch to another supplier, then, to the extent permitted by applicable law, Seller may switch Buyer to a default supplier, or, if Seller is unable to switch Buyer to a default supplier, disconnect Buyer.

## **ARTICLE 3: PRICING**

**3.1 Contract Price.** The price that Buyer pays for Electricity is set forth in each Transaction. If Seller delivers and Buyer receives Electricity and there is no Transaction in effect with respect to such deliveries (including, without limitation, for any deliveries made subsequent to termination of this Agreement), then the Contract Price for such deliveries will be the Base Price.

**3.2 Taxes.** As between the Parties, Seller is responsible for all Taxes incurred up to the Delivery Point and Buyer is responsible for all Taxes incurred at and after the Delivery Point whether imposed on Buyer or Seller. Seller may recoup such Taxes as a separate line item on Seller's invoice to the extent allowed by Law. Seller will recognize a sales tax exemption of Buyer only upon receipt of proper documentation from Buyer.

## **ARTICLE 4: SERVICE OBLIGATIONS**

**4.1 Enrollment.** Buyer shall timely provide Seller with all information (including account information), documentation, and authorization required to appoint Seller as Buyer's Electricity service provider and to allow Seller to receive information from Buyer's Local Utility that is required for Seller to perform its obligations hereunder. Seller shall enroll Buyer's Facilities upon: (1) execution of a Transaction; (2) receipt of all information, documentation, and authorization required to appoint Seller as Buyer's retail supplier of electricity; and (3) a designated active switch date from Buyer's Local Utility.

**4.2 Reimbursement.** Seller shall reimburse Buyer for all costs and losses incurred by Buyer resulting from a delayed or unsuccessful enrollment or de-enrollment that is a direct result of a negligent act or omission by Seller. Buyer shall reimburse Seller for all costs and losses incurred by Seller resulting from a delayed or unsuccessful enrollment or de-enrollment that is a direct result of a negligent act or omission by Buyer.

**4.3 Operational Requirements.** Buyer shall use commercially reasonable efforts to operate Buyer's Facilities such that Electricity consumption is consistent with Buyer's Baseline. Unless otherwise specified in an Addendum, Buyer shall notify Seller as soon as practicable of: (i) any revised monthly consumption forecast; (ii) all scheduled or unscheduled outages or anticipated changes in usage; (iii) changes in Buyer's Baseline; and (iv) any removal of a Buyer's Facility from service hereunder during the effective period of an Addendum or a Transaction. Buyer shall be responsible to Seller for any additional costs and losses incurred by Seller arising from (i), (ii), (iii) or (iv); provided that Seller shall use

commercially reasonable efforts to mitigate any such costs after receipt of such notice.

**4.4 Metering.** Buyer or Buyer's Local Utility is responsible for the cost of installing meters and related equipment (including any telemetry and associated telephonic connections) at Buyer's Facilities that are required by Buyer's Local Utility for Seller to perform its obligations under this Agreement. Such meters shall measure all Electricity at Buyer's Facilities. Buyer must provide Seller with reasonable access to Buyer's Facilities to install any additional metering equipment reasonably required by Seller. Seller shall be responsible for any costs associated with such additional metering equipment.

**4.5 Delivery and Title.** As between the Parties, Seller will be in exclusive control, hold title to, and be responsible for any damage or injury caused by Electricity before the Delivery Point(s). Seller shall have no further obligation or responsibility relating to the Electricity at and after the Delivery Point(s). Buyer acknowledges that Seller does not own or control any of the transmission or distribution facilities used to deliver Electricity to the Delivery Points, has no responsibility for system reliability, and that these functions are solely the responsibility of the RTO and/or Buyer's Local Utility, and accordingly that Seller shall have no liability on account of any acts or omissions of these parties or for any interruption or failure to deliver arising therefrom.

**4.6 Demand Response and On-Site Generation.** Buyer may (i) participate in curtailment or demand response programs and/or (ii) utilize on-site generation that is capable of serving Buyer's Facilities, provided that Buyer provides prior written notice to Seller. Buyer shall be responsible for any costs incurred by Seller associated with Buyer's participation in such programs and/or utilization of such on-site generation.

#### **ARTICLE 5: BILLING, PAYMENT AND CREDIT**

**5.1 Seller Invoices.** Seller's invoices will be sent to the address set forth in the applicable Transaction Addendum or otherwise specified by Buyer in writing. Seller shall calculate the amount(s) due based upon Buyer's actual usage and other necessary information or data. Seller may reasonably estimate usage and other charges at the time of invoicing; provided that Seller shall adjust subsequent invoices to reflect actual usage and charges after such information is received by Seller.

**5.2 Payment Terms.** Subject to Article 5.4, all Seller invoices are due and payable by Buyer to Seller, without Set-off, in accordance with Seller's invoice instructions and the payment terms specified in the relevant Transaction Addendum. For any amounts that are not paid by the due date, Seller may assess a one-time late fee equal to the percentage specified in the relevant Transaction Addendum, multiplied by the past due amount. Seller may assess and collect from Buyer all costs and reasonable attorney's fees incurred by Seller in collecting any outstanding balance owed by Buyer.

**5.3 Local Utility Invoices.** Where applicable, and as further specified in a Transaction Addendum, Buyer will receive separate invoices from Seller and from Buyer's Local Utility for the services each entity provides ("Dual Billing"), or Buyer will receive a single invoice from Buyer's Local Utility that includes Seller's charges ("Consolidated Billing"). The due date of such utility-provided invoices will be determined by the Local Utility, and Buyer is responsible for timely payment of such invoices. Seller reserves the right to convert Buyer from Consolidated

Billing to Dual Billing or from Dual Billing to Consolidated Billing, if such a conversion will facilitate more timely billing, collections, and/or payment.

**5.4 Billing Disputes.** If there is a good faith dispute regarding any invoice, Buyer shall pay to Seller the undisputed amount of such invoice. If any part of the dispute is resolved in Seller's favor, Buyer shall pay the resolved amount within two (2) Business Days after such resolution and shall include interest at the Interest Rate calculated as of the due date specified in the invoice. Buyer's right to dispute an invoice will be deemed waived if not made by the earliest to occur of any of the following: (i) one (1) year after the date of invoice; (ii) the closure of the settlement date of the applicable RTO or Buyer's Local Utility; or (iii) where recovery is prohibited by other applicable Law.

**5.5 Credit.** Upon any request from time to time by Seller, Buyer shall promptly provide to Seller such financial statements and other information as Seller may reasonably require to adequately assess Buyer's creditworthiness. If Seller has reasonable grounds for insecurity regarding the performance, whether or not then due, of any obligation of Buyer under this Agreement (including, without limitation [ ] Seller may demand Adequate Assurances in an amount determined by Seller in a commercially reasonable manner, which Adequate Assurances shall be provided by Buyer within [ ] Business Days after such demand. In the event that Adequate Assurances are provided in the form of cash collateral, Buyer shall be deemed to have granted Seller a continuing first priority security interest in, lien on, and right of Set-off against such collateral.

#### **ARTICLE 6: FORCE MAJEURE**

Except for payment obligations, if either Party is rendered unable, wholly or in part, to perform its obligations under this Agreement due to Force Majeure, to the extent affected by the Force Majeure the obligations of each Party will be suspended for the duration of such Force Majeure. A Party claiming Force Majeure shall promptly notify the other Party by telephone and confirm within a reasonable period of time by a written notice describing in reasonable detail the nature and estimated duration of such Force Majeure. The Party claiming Force Majeure shall remedy the Force Majeure with all reasonable dispatch. If the duration of the Force Majeure event exceeds twenty days, the Party not claiming Force Majeure may terminate the affected portions of any Transaction upon written notice to the other Party. Any termination due to Force Majeure will not be subject to an early termination payment.

#### **ARTICLE 7: DEFAULT AND TERMINATION**

**7.1 Early Termination.** If a Default with respect to a Party shall have occurred and be continuing, the non-defaulting Party shall have the right to suspend its delivery obligations and/or designate a date upon which all outstanding Transactions will liquidate and terminate and all amounts owing will accelerate and be netted into a single amount in accordance with Article 7.3 as of such date ("Early Termination Date").

**7.2 Settlement Amount.** The non-defaulting Party shall calculate in a commercially reasonable manner a Settlement Amount for each terminated Transaction as of the Early Termination Date. For purposes of calculating such Settlement

Amount for any terminated Transaction for which the Contract Quantity thereunder is not a fixed quantity, the Contract Quantity shall be the estimated baseline quantity set forth in the Transaction Addendum.

**7.3 Termination Payment.** The non-defaulting Party shall calculate a termination payment owed by the defaulting Party to the non-defaulting Party by: netting out (i) all Settlement Amounts that would be due to the defaulting Party, plus, at the option of the non-defaulting Party, any cash or other form of security then available to the non-defaulting Party, plus any or all other amounts due to the defaulting Party under this Agreement against (ii) all Settlement Amounts that would be due to the non-defaulting Party, plus any or all other amounts due to the non-defaulting Party under this Agreement, so that all such amounts shall be netted to a single amount, which shall not be less than zero (the "Termination Payment"). The Parties acknowledge and agree that the Termination Payment, if there is one, reflects actual damages to the non-defaulting Party. The Termination Payment shall be due and payable by the defaulting Party to the non-defaulting Party within [ ] Business Days following the date of a Termination Payment invoice.

**7.4 Post-Termination Deliveries.** Notwithstanding any provision to the contrary, if Seller is required under Law to continue to make deliveries to Buyer under this Agreement or any Transaction after the Early Termination Date ("Post-Termination Deliveries"), the Parties agree that such obligation will not prohibit, limit or otherwise impair Seller's rights under this Article 7 (including, without limitation, the right to terminate and liquidate any Transaction and accelerate any amounts owing).

#### **ARTICLE 8: LIMITATION OF LIABILITY**

**8.1 Limitations.** FOR BREACH OR DEFAULT ARISING FROM ANY PROVISION FOR WHICH AN EXPRESS REMEDY IS PROVIDED HEREIN, SUCH REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, LIABILITY SHALL BE LIMITED TO DIRECT, ACTUAL DAMAGES ONLY, SUCH DIRECT, ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. EXCEPT AS MAY BE INCLUDED IN AN EXPRESS REMEDY PROVIDED FOR HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING LOST PROFITS OR BUSINESS INTERRUPTION DAMAGES, WHETHER BASED ON STATUTE, CONTRACT, TORT, UNDER ANY INDEMNITY OR OTHERWISE, WITHOUT REGARD TO CAUSE OR THE NEGLIGENCE OF ANY PARTY, WHETHER SOLE, JOINT, ACTIVE OR PASSIVE, AND EACH PARTY HEREBY RELEASES THE OTHER PARTY FROM ANY SUCH LIABILITY, EVEN IF DURING THE TERM HEREOF IT ADVISES THE OTHER OF THE POSSIBILITY OF SUCH DAMAGES. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE

DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS. THE PROVISIONS OF THIS ARTICLE 8 SHALL APPLY TO THE FULLEST EXTENT PERMITTED BY LAW.

#### **ARTICLE 9: REPRESENTATIONS AND WARRANTIES**

**9.1 Mutual.** Each Party represents and warrants to the other that: (i) it is validly existing and in good standing in the jurisdiction of its formation as well as the jurisdiction in which any applicable Delivery Point is located; (ii) the execution, delivery and performance of this Agreement and each Transaction are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents or any agreements to which it is a party or any Law applicable to it; (iii) it has not filed, does not plan to file, nor has it had filed against it, any bankruptcy proceeding; (iv) this Agreement and each Transaction constitutes its legally valid and binding obligation enforceable against it in accordance with its terms (subject to any equitable defenses); (v) it is not a party to or subject to any commitment that may restrict or interfere with the delivery or receipt of Electricity under this Agreement; and (vi) it is a "forward contract merchant" (within the meaning of such term as used in the U.S. Bankruptcy Code) and each Party is acting in its capacity as a forward contract merchant in entering into this Agreement.

**9.2 Buyer.** Buyer represents to Seller that: (i) Seller is not acting as Buyer's advisor, expert, fiduciary, representative or consultant and has not provided, and nothing herein will be claimed by Buyer as the provision of, advice regarding the value or advisability of trading in commodities; (ii) Buyer shall be solely responsible for retaining adequate advisors and counsel to advise it with respect to the obligations assumed hereunder regardless of any information provided by Seller; (iii) it has knowledge and experience in business matters sufficient to enable it to evaluate the risks associated with this Agreement and this Agreement is entered into by Buyer at Buyer's sole election and in the exercise of its independent judgment without duress; (iv) it is not relying on any representations of Seller other than those expressly set forth herein; (v) Buyer owns or controls Buyer's Facilities or has control over the purchase and receipt of Electricity therefor; (vi) all of the information furnished by Buyer concerning Buyer's Facilities (including applicable load factors, Buyer's Local Utility rate classes and schedules, time of use, and service information), as well as financial information furnished by Buyer to Seller, is, to the best of Buyer's information and belief, true and accurate when furnished to Seller; (vii) it is a producer, processor, commercial user of or merchant handling the commodity subject hereto and has entered into this Agreement and any Transactions solely for non-speculative purposes related to such business; (viii) it shall not resell any Electricity received from Seller to a third party; (ix) each of Buyer's Facilities can be enrolled on the Start Date specified for each Transaction; (x) it understands that if a broker or consultant was involved in a Transaction, the fee or commission associated with such broker or consultant may be included in the Contract Price; and (xi) it has disclosed to Seller the existence of any on-site generation (other than emergency

back-up generation). The representations and warranties made in this Article are deemed to be repeated upon the execution of any Transaction.

**9.3 Warranties.** NEITHER PARTY GIVES NOR RECEIVES ANY WARRANTY REGARDING THE SALE, PURCHASE OR DELIVERY OF ELECTRICITY, WHETHER EXPRESS, IMPLIED, OR STATUTORY, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT. SELLER DISCLAIMS ANY AND ALL IMPLIED WARRANTIES AND SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OF ELECTRICITY FOR A PARTICULAR PURPOSE OR USE. THE OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT ARE OBLIGATIONS OF THE PARTIES ONLY, AND NO RECOURSE SHALL BE AVAILABLE AGAINST ANY EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER, MEMBER, PARTNER, OR AFFILIATE OF A PARTY UNLESS SPECIFICALLY PROVIDED FOR IN A SEPARATE AGREEMENT.

#### **ARTICLE 10: BANKRUPTCY CODE MATTERS**

The Parties acknowledge and agree that all Transactions constitute "forward contracts" within the meaning of the United States Bankruptcy Code. Each Party further agrees that, for purposes of this Agreement, the other Party is not a "utility" as such term is used in Section 366 of the U.S. Bankruptcy Code, and each Party waives and agrees not to assert the applicability of the provisions of such Section 366 in any bankruptcy proceeding wherein such Party is a debtor. The Parties further agree that all Electricity delivered hereunder constitutes a "good" under Section 503(b)(9) of the U.S. Bankruptcy Code.

#### **ARTICLE 11: DEFINITIONS**

Capitalized terms used in this Agreement have the following meanings:

**"Adequate Assurances"** means collateral in the form of cash, letters of credit, or other security acceptable to Seller.

**"Affiliates"** means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

**"Agreement"** means this Electricity Sales and Purchase Agreement, including all appendices, Addenda, Voice Records, Electronic Communications, and schedules, which are incorporated herein by reference as part of this Agreement, and all Transactions and any credit support or similar agreement between the Parties in respect thereto.

**"Base Price"** means an amount per MWh in \$US (unless otherwise provided for) equal to the sum of (1) the applicable market index price for the Delivery Point(s), and (2) a retail adder to be fixed by Seller based upon Seller's then applicable month-to-month rate; provided that taxes, capacity, and other similar charges incurred by Seller may be passed through to Buyer if such charges are not already included in Seller's month-to-month rate.

**"Business Day"** means any day except Saturday, Sunday, or Federal Bank Holidays.

**"Buyer's Baseline"** means the stipulated MWh usage set forth in each Transaction.

**"Buyer's Facilities"** means the enrolled account(s) identified in an applicable Transaction Addendum.

**"Buyer's Local Utility"** means the electric distribution utility or utilities responsible for delivering Electricity to Buyer's Facilities.

**"Contract Price"** means the price per MWh in \$US (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of Electricity as specified in a Transaction.

**"Contract Quantity"** means the quantity of Electricity specified in a Transaction.

**"Costs"** means, with respect to the non-defaulting Party only, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the non-defaulting Party in connection with enforcing its rights under this Agreement in the event of termination.

**"Default"** means, with respect to a Party (the defaulting Party), the occurrence of any of the following; (1) the failure to make, when due, any payment required pursuant to this Agreement or otherwise, if such failure is not remedied within [ ] Business Days after written notice; (2) any representation or warranty is false or misleading when made or repeated; (3) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Default) if such failure is not remedied within [ ] Business Days after written notice; (4) the failure by Buyer to provide Adequate Assurances in accordance with Article 5.5; (5) such Party (or such Party's credit support provider) files a petition or otherwise commences, authorizes or acquiesces to the commencement of a proceeding or cause of action with respect to it under any bankruptcy proceeding or similar Laws for the protection of creditors, or has such a petition filed against it; (6) such Party makes an assignment or any general arrangement for the benefit of creditors; (7) such Party otherwise becomes bankrupt or insolvent (however evidenced); (8) such Party becomes unable to pay its debts as they fall due; (9) termination of a Transaction prior to its End Date unless otherwise expressly agreed to in the Agreement; or (10) any default under any other agreement between the Parties.

**"Delivery Point(s)"** means the physical point(s) specified in a Transaction at which Seller shall deliver, or cause to be delivered, Electricity to Buyer.

**"Electricity"** means electric energy (expressed in MWh) and any related components thereto or products specified in a Transaction.

**"Electronic Communication"** means communication conducted by electronic means whereby electronic records are created, including without limitation, electronic mail and instant messaging.

**"Force Majeure"** means events or circumstances, beyond the reasonable control of a Party and not caused, in whole or in part, by the negligence of such Party, which prevent that Party

from performing its obligations under this Agreement, and which the Party claiming Force Majeure is unable to avoid or prevent through the exercise of due diligence. Force Majeure includes, without limitation, a Force Majeure affecting an RTO or Buyer's Local Utility that in turn prevents a Party's performance of its obligations hereunder, including, but not limited to: fire, strike, embargo, explosion, power failure, flood, lightning, war, water, electrical storms, labor disputes, civil disturbances, governmental regulations, orders, decrees, enforcement actions or other requirements, acts of civil or military authority, acts of God, acts of public enemies, inability to secure replacement parts or materials, transportation facilities, or other causes beyond its reasonable control, whether or not similar to the foregoing. A claim of Force Majeure may not be based on: (1) Buyer's inability to economically use or dispose of Electricity purchased under this Agreement; (2) Buyer's closure or material curtailment or discontinuation of operation of any of Buyer's Facilities due to economic circumstance or condition; or (3) Seller's ability to sell Electricity at a price greater than the Contract Price.

**"Gains"** means, with respect to a Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Transaction, determined in a commercially reasonable manner.

**"Governmental Entity"** means a municipality, county, governmental board, governmental department, commission, agency, bureau, administrative body, joint action agency, court, or other similar political subdivision or public entity or instrumentality of the United States or one or more states.

**"Imaged Document"** means any document generated by the Parties which is scanned and stored in electronic form, including, by way of illustration and not limitation, portable document format (.pdf) or similar type (e.g. jpg, tiff, gif).

**"Interest Rate"** means two percent (2%) per annum over the prime-lending rate as published in *The Wall Street Journal* under "Money Rates"; provided that, the Interest Rate may never exceed the maximum rate permitted by Law.

**"Law"** means any law, constitution, charter, statute, ordinance, code, rule, regulation, tariff, protocols, decision, order, decree, judgment or other legislative or administrative action of any Governmental Entity, or any interpretation thereof by any court, agency or instrumentality having jurisdiction, as well as all rules, policies and procedures lawfully adopted by an RTO governing or controlling the area in which Buyer's Facilities are located.

**"Losses"** means, with respect to a Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of a Transaction, determined in a commercially reasonable manner.

**"MWh"** means a megawatt-hour of Electricity.

**"Off-Peak Hours"** means hours not defined as On-Peak Hours.

**"On-Peak Hours"** means hours determined to be "on peak" by Buyer's regional reliability council of the North American Electric Reliability Council, or any successor entity, governing the area in which Buyer's Facilities are located.

**"RTO"** means a power pool, independent system operator, transmission provider, or Buyer's Local Utility acting as the grid manager, or any comparable entity that provides system management and oversight for Electricity delivered to Buyer's Facilities.

**"Settlement Amount"** means, with respect to a Transaction, the Losses or Gains, and Costs, which the non-defaulting Party incurs as a result of the termination of such Transaction.

**"Set-off"** means offset, combination of accounts, netting, right of retention or withholding, or any similar right.

**"Start Date"** means the date specified in a Transaction; provided, that if a Transaction does not specify such a date, then the date upon which all of the conditions set forth under Articles 4.1(1)-(2) are satisfied.

**"Taxes"** means all federal, state and local taxes, assessments, levies, duties, fees, charges or withholdings of any kind, including gross receipts taxes, utility and regulatory taxes, assessments and surcharges however denominated and all penalties, fines, additions to tax, or interest on unpaid taxes.

**"Termination Payment"** has the meaning set forth in Article 7.3.

**"Transaction"** means an agreement between the Parties for the purchase and sale of Electricity pursuant to this Agreement, which may include, among other terms, the Electricity product, Contract Price, delivery term, Contract Quantity and Delivery Point(s).

**"Transaction Addendum"** means, in respect to a specific Transaction, a supplement to, or modification of, this Agreement signed, or deemed accepted, by both Parties setting forth the terms of such Transaction.

**"Voice Record"** means a recorded telephone conversation between representatives of the Parties evidencing the terms of a Transaction.

## ARTICLE 12: MISCELLANEOUS

**12.1 Definitions.** When the singular number is used, it is deemed to include the plural and vice versa. The words "include" and "including" mean "including, without limitation" with respect to whatever follows.

**12.2 Confidentiality.** This Agreement, each Transaction, and all confidential business information of the Parties in connection with the Agreement are strictly confidential and shall not be disclosed by a Party (except to such Party's Affiliates, employees, lenders, counsel and other advisors, permitted assignees, or prospective purchasers who have agreed to treat such information as confidential) without the prior written consent of the other Party, except as required by Law; provided that Seller may publicize the existence of this Agreement in press releases and sales and marketing materials, and identify Buyer as a customer of Seller and as a reference to third parties. The Parties agree that damages would be an inadequate remedy for breach of this provision and that either Party is entitled to equitable relief in connection herewith, provided that any damages are limited to actual damages as provided herein.

**12.3 Notices.** Unless otherwise specified herein, any notice required or permitted under this Agreement, must be in writing and addressed as provided in Article 13. Notice by receipt confirmed facsimile, email or hand delivery shall be effective on the Business Day actually received. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent.

**12.4 Entire Agreement.** This Agreement contains the complete understanding between the Parties and supersedes

all previous discussions, communications, writings and agreements previously executed between the Parties related to the sale and purchase of Electricity. In addition, if the Parties have outstanding Addenda or appendices under an agreement that is superseded by this Agreement, those Addenda and appendices shall be governed by this Agreement. Except to the extent otherwise provided for herein, this Agreement may not be amended, modified or supplemented except in a writing signed by both Parties.

**12.5 Assignment.** This Agreement (including any Transaction, or portion thereof) may not be assigned or transferred by a Party without the prior written approval of the other Party, which approval shall not be unreasonably withheld, except it may be assigned or transferred without such approval: (i) by either Party to a successor acquiring all or substantially all of the shares and/or the assets (including, without limitation, all or a substantial portion of Seller's portfolio of retail supply contracts) of the transferring Party, whether by merger or acquisition, (ii) by either Party to any Affiliate; or (iii) by Seller in connection with any financing or other financial arrangements involving the accounts, revenues or proceeds hereof; provided, that in the case of items (i) and (ii), the assignee or transferee is at least as creditworthy as the assigning or transferring Party and such assignee or transferee agrees in writing to be bound by the terms and conditions of this Agreement (including all outstanding Transactions). Notwithstanding anything to the contrary in this Agreement, Buyer agrees that Seller may require any approved assignee or transferee to execute a new Electricity Sales and Purchase Agreement, Transaction Addendum and/or appendix with Seller, as the case may be, as a condition precedent to the assignment or transfer of any (whole or partial) Transaction

**12.6 Disputes.** If an action, suit or other proceeding is brought to enforce or interpret this Agreement or any part hereof or the rights or obligations of any Party to this Agreement, the prevailing Party will be entitled to recover from the other Party reasonable attorneys' fees and direct out-of-pocket costs and disbursements associated with the dispute that are incurred by the prevailing Party.

**12.7 Waiver.** No waiver by either Party of any right or obligation hereunder, including in respect to any Default by the other Party, shall be considered a waiver of any future right or obligation, whether of a similar or different character. Any waiver shall be in writing.

**12.8 Third Party Beneficiaries.** This Agreement does not grant, create or otherwise provide any rights enforceable by any person or entity not a Party to this Agreement.

**12.9 Controlling Documents.** This Agreement and all Transactions (including any Addenda) form a single integrated agreement between the Parties. Any inconsistency between any terms of this Agreement and any terms of a Transaction shall be resolved in favor of the terms of such Transaction. Upon full execution (or deemed acceptance) of a Transaction Addendum, such Transaction Addendum (absent manifest error) shall control in the event of any conflict with the terms of a Voice Record or Electronic Communication, or in the event of any conflict with the terms of this Agreement. In the absence of a Transaction Addendum, the Voice Record or Electronic Communication shall evidence the terms of the Transaction.

**12.10 Electronic Communications.** Each Party hereby consents to the recording and storage of Voice Records and

Electronic Communication and waives any objection to recording of Voice Records and use of Electronic Communication. An Electronic Communication record shall be deemed received upon arrival at the receiving Party's electronic mailbox or internet address.

**12.11 Governing Law.** THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE DELIVERY POINTS ARE LOCATED; PROVIDED THAT IF THE DELIVERY POINTS ARE IN MORE THAN ONE STATE, THEN THIS AGREEMENT SHALL BE GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT. THIS ARTICLE 12.11 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT FOR ANY REASON.

**12.12 Immunity.** Buyer covenants that if it is a Governmental Entity it shall not claim immunity on the grounds of sovereignty or similar grounds from enforcement of this Agreement. Buyer further covenants that if it is a Governmental Entity it shall obtain all necessary budgetary approvals, appropriations, and funding for all of its obligations under this Agreement, the failure of which shall not be an excuse for Buyer's performance hereunder.

**12.13 Severability; Survival.** Any provision declared or rendered unlawful, invalid, void or unenforceable by any applicable court of law or regulatory agency will not otherwise affect any other provision, agreement, covenant or remaining lawful obligations under this Agreement; provided, that in any such event, the Parties shall use good faith efforts to reform this Agreement in order to give effect to the original intention of the Parties. All obligations of the Parties that must survive termination of this Agreement or any Transaction Addendum in order to give effect to the intent of the Parties shall survive such termination.

**12.14 Execution.** This Agreement may be signed in counterparts, each of which will constitute an original and together will constitute one and the same Agreement. The Parties agree that if a copy of this Agreement, including any appendix and/or Transaction Addendum, is executed by a Party and transmitted to the other Party by facsimile, the copy received shall be deemed for all legal purposes to be an original executed by the transmitting Party.

**12.15 Imaged Document.** The Parties agree that if a copy of this Agreement, including any appendix and/or Transaction Addendum, is executed by a Party and transmitted to the other Party in the form of an Imaged Document, to which a Party has affixed its written or electronic signature, the copy received by the other Party shall be deemed for all legal purposes to be as valid and authentic as an original executed by the transmitting Party, and will be given the same legal effect as a written and signed paper original, and may be introduced as evidence in any proceeding as if such were original business records. Neither Party shall contest the admissibility of such Imaged Documents as evidence in any proceeding, and waive any objection they may have to the use of same.

**ARTICLE 13: NOTICES**

**Legal Notices**

Notices and payments shall be made by facsimile, email, courier, first class mail, or hand delivery. Notice should be sent to the addresses noted below, or any other address a Party provides to the other Party in writing:

**If To Buyer**

Attention	FORMTEXT
Address	FORMTEXT
City, State, Zip	
Telephone / Fax	/
E-Mail	FORMTEXT

**If To Seller**

Attention	Contract Manager
Address	1500 Rankin Rd., Suite 200
City, State, Zip	Houston, TX 77073
Telephone / Fax	281.653.5090 / 281.653.1810
E-Mail	info@championenergyservices.com

**ARTICLE 14: EXECUTION AND SIGNATURES**

This Agreement will be binding if Seller and Buyer have each signed below and shall be effective as of the Effective Date specified above. The Parties intend that this Agreement shall not bind either Party unless it is executed by both Parties.

**Buyer:** PANTHER CREEK POWER OPERATING, LLC

By: \_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Name)  
\_\_\_\_\_  
(Title)

**Seller:** **Champion Energy Services, LLC**

By: \_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Name)  
\_\_\_\_\_  
(Title)

\*Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential in this case.

# Electricity Sales and Purchase Agreement

Seller: **CHAMPION ENERGY SERVICES, LLC**

Buyer: SCRUBGRASS RECLAMATION COMPANY L.P.

Effective Date: 02/29/2024

This Agreement is made by and between Seller and Buyer (referred to collectively as the "Parties" and individually as a "Party"). For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## **ARTICLE 1: SCOPE OF THE AGREEMENT**

**1.1 Electricity Supply.** Upon enrollment of Buyer's Facilities, Seller shall sell and deliver, or cause a third party (including Buyer's Local Utility) to deliver, and Buyer shall purchase and receive, 100% of Buyer's Electricity requirements for enrolled Buyer's Facilities at the Delivery Point(s) solely for use at Buyer's Facilities.

**1.2 Transactions.** From time to time, the Parties may, but are not obligated to, enter into one or more Transactions. Transactions will ordinarily be entered into by the execution of a Transaction Addendum. The Parties may also enter into Transactions orally or through the use of Electronic Communication, and in those cases Buyer shall execute, promptly upon Seller's request, a Transaction Addendum confirming the terms of such Transaction. The Parties agree that a Transaction Addendum may take the form of a facsimile or an Imaged Document. Notwithstanding the foregoing, the failure of either Party to execute a Transaction Addendum shall not invalidate an otherwise valid Transaction. Each Party agrees not to contest, or assert any defense to, the validity or enforceability of a Transaction entered into in accordance with this Agreement based on any Law requiring agreements to be in writing or to be signed by the Parties, or based on any lack of authority of the Party or any lack of authority of any employee of the Party to enter into a Transaction.

## **ARTICLE 2: TERM OF AGREEMENT**

**2.1 Termination.** Either Party may terminate this Agreement by providing thirty days written notice to the other Party; provided that this Agreement will remain in effect with respect to the Transaction(s) entered into prior to such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s) or such Transaction(s) have each been terminated under Articles 6 or 7 of this Agreement; provided that all obligations of the Parties which must survive such termination in order to give full force and effect to the intent of the Parties as expressed herein will survive such termination.

**2.2 No-Transaction Deliveries.** For periods during which Seller delivers and Buyer receives Electricity and there is no Transaction in effect with respect to such deliveries (including, without limitation, for any deliveries made subsequent to termination of this Agreement), Seller may terminate service by providing ten (10) days' written notice to Buyer of a date for such termination. If Seller provides such notice and Buyer does not switch to another supplier, then, to the extent permitted by applicable law, Seller may switch Buyer to a default supplier, or, if Seller is unable to switch Buyer to a default supplier, disconnect Buyer.

## **ARTICLE 3: PRICING**

**3.1 Contract Price.** The price that Buyer pays for Electricity is set forth in each Transaction. If Seller delivers and Buyer receives Electricity and there is no Transaction in effect with respect to such deliveries (including, without limitation, for any deliveries made subsequent to termination of this Agreement), then the Contract Price for such deliveries will be the Base Price.

**3.2 Taxes.** As between the Parties, Seller is responsible for all Taxes incurred up to the Delivery Point and Buyer is responsible for all Taxes incurred at and after the Delivery Point whether imposed on Buyer or Seller. Seller may recoup such Taxes as a separate line item on Seller's invoice to the extent allowed by Law. Seller will recognize a sales tax exemption of Buyer only upon receipt of proper documentation from Buyer.

## **ARTICLE 4: SERVICE OBLIGATIONS**

**4.1 Enrollment.** Buyer shall timely provide Seller with all information (including account information), documentation, and authorization required to appoint Seller as Buyer's Electricity service provider and to allow Seller to receive information from Buyer's Local Utility that is required for Seller to perform its obligations hereunder. Seller shall enroll Buyer's Facilities upon: (1) execution of a Transaction; (2) receipt of all information, documentation, and authorization required to appoint Seller as Buyer's retail supplier of electricity; and (3) a designated active switch date from Buyer's Local Utility.

**4.2 Reimbursement.** Seller shall reimburse Buyer for all costs and losses incurred by Buyer resulting from a delayed or unsuccessful enrollment or de-enrollment that is a direct result of a negligent act or omission by Seller. Buyer shall reimburse Seller for all costs and losses incurred by Seller resulting from a delayed or unsuccessful enrollment or de-enrollment that is a direct result of a negligent act or omission by Buyer.

**4.3 Operational Requirements.** Buyer shall use commercially reasonable efforts to operate Buyer's Facilities such that Electricity consumption is consistent with Buyer's Baseline. Unless otherwise specified in an Addendum, Buyer shall notify Seller as soon as practicable of: (i) any revised monthly consumption forecast; (ii) all scheduled or unscheduled outages or anticipated changes in usage; (iii) changes in Buyer's Baseline; and (iv) any removal of a Buyer's Facility from service hereunder during the effective period of an Addendum or a Transaction. Buyer shall be responsible to Seller for any additional costs and losses incurred by Seller arising from (i), (ii), (iii) or (iv); provided that Seller shall use

commercially reasonable efforts to mitigate any such costs after receipt of such notice.

**4.4 Metering.** Buyer or Buyer's Local Utility is responsible for the cost of installing meters and related equipment (including any telemetry and associated telephonic connections) at Buyer's Facilities that are required by Buyer's Local Utility for Seller to perform its obligations under this Agreement. Such meters shall measure all Electricity at Buyer's Facilities. Buyer must provide Seller with reasonable access to Buyer's Facilities to install any additional metering equipment reasonably required by Seller. Seller shall be responsible for any costs associated with such additional metering equipment.

**4.5 Delivery and Title.** As between the Parties, Seller will be in exclusive control, hold title to, and be responsible for any damage or injury caused by Electricity before the Delivery Point(s). Seller shall have no further obligation or responsibility relating to the Electricity at and after the Delivery Point(s). Buyer acknowledges that Seller does not own or control any of the transmission or distribution facilities used to deliver Electricity to the Delivery Points, has no responsibility for system reliability, and that these functions are solely the responsibility of the RTO and/or Buyer's Local Utility, and accordingly that Seller shall have no liability on account of any acts or omissions of these parties or for any interruption or failure to deliver arising therefrom.

**4.6 Demand Response and On-Site Generation.** Buyer may (i) participate in curtailment or demand response programs and/or (ii) utilize on-site generation that is capable of serving Buyer's Facilities, provided that Buyer provides prior written notice to Seller. Buyer shall be responsible for any costs incurred by Seller associated with Buyer's participation in such programs and/or utilization of such on-site generation.

#### **ARTICLE 5: BILLING, PAYMENT AND CREDIT**

**5.1 Seller Invoices.** Seller's invoices will be sent to the address set forth in the applicable Transaction Addendum or otherwise specified by Buyer in writing. Seller shall calculate the amount(s) due based upon Buyer's actual usage and other necessary information or data. Seller may reasonably estimate usage and other charges at the time of invoicing; provided that Seller shall adjust subsequent invoices to reflect actual usage and charges after such information is received by Seller.

**5.2 Payment Terms.** Subject to Article 5.4, all Seller invoices are due and payable by Buyer to Seller, without Set-off, in accordance with Seller's invoice instructions and the payment terms specified in the relevant Transaction Addendum. For any amounts that are not paid by the due date, Seller may assess a one-time late fee equal to the percentage specified in the relevant Transaction Addendum, multiplied by the past due amount. Seller may assess and collect from Buyer all costs and reasonable attorney's fees incurred by Seller in collecting any outstanding balance owed by Buyer.

**5.3 Local Utility Invoices.** Where applicable, and as further specified in a Transaction Addendum, Buyer will receive separate invoices from Seller and from Buyer's Local Utility for the services each entity provides ("Dual Billing"), or Buyer will receive a single invoice from Buyer's Local Utility that includes Seller's charges ("Consolidated Billing"). The due date of such utility-provided invoices will be determined by the Local Utility, and Buyer is responsible for timely payment of such invoices. Seller reserves the right to convert Buyer from Consolidated

Billing to Dual Billing or from Dual Billing to Consolidated Billing, if such a conversion will facilitate more timely billing, collections, and/or payment.

**5.4 Billing Disputes.** If there is a good faith dispute regarding any invoice, Buyer shall pay to Seller the undisputed amount of such invoice. If any part of the dispute is resolved in Seller's favor, Buyer shall pay the resolved amount within two (2) Business Days after such resolution and shall include interest at the Interest Rate calculated as of the due date specified in the invoice. Buyer's right to dispute an invoice will be deemed waived if not made by the earliest to occur of any of the following: (i) one (1) year after the date of invoice; (ii) the closure of the settlement date of the applicable RTO or Buyer's Local Utility; or (iii) where recovery is prohibited by other applicable Law.

**5.5 Credit.** Upon any request from time to time by Seller, Buyer shall promptly provide to Seller such financial statements and other information as Seller may reasonably require to adequately assess Buyer's creditworthiness. If Seller has reasonable grounds for insecurity regarding the performance, whether or not then due, of any obligation of Buyer under this Agreement (including, [ ] Seller may demand Adequate Assurances in an amount determined by Seller in a commercially reasonable manner, which Adequate Assurances shall be provided by Buyer within [ ] Business Days after such demand. In the event that Adequate Assurances are provided in the form of cash collateral, Buyer shall be deemed to have granted Seller a continuing first priority security interest in, lien on, and right of Set-off against such collateral.

#### **ARTICLE 6: FORCE MAJEURE**

Except for payment obligations, if either Party is rendered unable, wholly or in part, to perform its obligations under this Agreement due to Force Majeure, to the extent affected by the Force Majeure the obligations of each Party will be suspended for the duration of such Force Majeure. A Party claiming Force Majeure shall promptly notify the other Party by telephone and confirm within a reasonable period of time by a written notice describing in reasonable detail the nature and estimated duration of such Force Majeure. The Party claiming Force Majeure shall remedy the Force Majeure with all reasonable dispatch. If the duration of the Force Majeure event exceeds twenty days, the Party not claiming Force Majeure may terminate the affected portions of any Transaction upon written notice to the other Party. Any termination due to Force Majeure will not be subject to an early termination payment.

#### **ARTICLE 7: DEFAULT AND TERMINATION**

**7.1 Early Termination.** If a Default with respect to a Party shall have occurred and be continuing, the non-defaulting Party shall have the right to suspend its delivery obligations and/or designate a date upon which all outstanding Transactions will liquidate and terminate and all amounts owing will accelerate and be netted into a single amount in accordance with Article 7.3 as of such date ("Early Termination Date").

**7.2 Settlement Amount.** The non-defaulting Party shall calculate in a commercially reasonable manner a Settlement Amount for each terminated Transaction as of the Early Termination Date. For purposes of calculating such Settlement Amount for any terminated Transaction for which the Contract

Quantity thereunder is not a fixed quantity, the Contract Quantity shall be the estimated baseline quantity set forth in the Transaction Addendum.

**7.3 Termination Payment.** The non-defaulting Party shall calculate a termination payment owed by the defaulting Party to the non-defaulting Party by: netting out (i) all Settlement Amounts that would be due to the defaulting Party, plus, at the option of the non-defaulting Party, any cash or other form of security then available to the non-defaulting Party, plus any or all other amounts due to the defaulting Party under this Agreement against (ii) all Settlement Amounts that would be due to the non-defaulting Party, plus any or all other amounts due to the non-defaulting Party under this Agreement, so that all such amounts shall be netted to a single amount, which shall not be less than zero (the "Termination Payment"). The Parties acknowledge and agree that the Termination Payment, if there is one, reflects actual damages to the non-defaulting Party. The Termination Payment shall be due and payable by the defaulting Party to the non-defaulting Party within [ ] Business Days following the date of a Termination Payment invoice.

**7.4 Post-Termination Deliveries.** Notwithstanding any provision to the contrary, if Seller is required under Law to continue to make deliveries to Buyer under this Agreement or any Transaction after the Early Termination Date ("Post-Termination Deliveries"), the Parties agree that such obligation will not prohibit, limit or otherwise impair Seller's rights under this Article 7 (including, without limitation, the right to terminate and liquidate any Transaction and accelerate any amounts owing).

#### **ARTICLE 8: LIMITATION OF LIABILITY**

**8.1 Limitations.** FOR BREACH OR DEFAULT ARISING FROM ANY PROVISION FOR WHICH AN EXPRESS REMEDY IS PROVIDED HEREIN, SUCH REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, LIABILITY SHALL BE LIMITED TO DIRECT, ACTUAL DAMAGES ONLY, SUCH DIRECT, ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. EXCEPT AS MAY BE INCLUDED IN AN EXPRESS REMEDY PROVIDED FOR HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING LOST PROFITS OR BUSINESS INTERRUPTION DAMAGES, WHETHER BASED ON STATUTE, CONTRACT, TORT, UNDER ANY INDEMNITY OR OTHERWISE, WITHOUT REGARD TO CAUSE OR THE NEGLIGENCE OF ANY PARTY, WHETHER SOLE, JOINT, ACTIVE OR PASSIVE, AND EACH PARTY HEREBY RELEASES THE OTHER PARTY FROM ANY SUCH LIABILITY, EVEN IF DURING THE TERM HEREOF IT ADVISES THE OTHER OF THE POSSIBILITY OF SUCH DAMAGES. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR

OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS. THE PROVISIONS OF THIS ARTICLE 8 SHALL APPLY TO THE FULLEST EXTENT PERMITTED BY LAW.

#### **ARTICLE 9: REPRESENTATIONS AND WARRANTIES**

**9.1 Mutual.** Each Party represents and warrants to the other that: (i) it is validly existing and in good standing in the jurisdiction of its formation as well as the jurisdiction in which any applicable Delivery Point is located; (ii) the execution, delivery and performance of this Agreement and each Transaction are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents or any agreements to which it is a party or any Law applicable to it; (iii) it has not filed, does not plan to file, nor has it had filed against it, any bankruptcy proceeding; (iv) this Agreement and each Transaction constitutes its legally valid and binding obligation enforceable against it in accordance with its terms (subject to any equitable defenses); (v) it is not a party to or subject to any commitment that may restrict or interfere with the delivery or receipt of Electricity under this Agreement; and (vi) it is a "forward contract merchant" (within the meaning of such term as used in the U.S. Bankruptcy Code) and each Party is acting in its capacity as a forward contract merchant in entering into this Agreement.

**9.2 Buyer.** Buyer represents to Seller that: (i) Seller is not acting as Buyer's advisor, expert, fiduciary, representative or consultant and has not provided, and nothing herein will be claimed by Buyer as the provision of, advice regarding the value or advisability of trading in commodities; (ii) Buyer shall be solely responsible for retaining adequate advisors and counsel to advise it with respect to the obligations assumed hereunder regardless of any information provided by Seller; (iii) it has knowledge and experience in business matters sufficient to enable it to evaluate the risks associated with this Agreement and this Agreement is entered into by Buyer at Buyer's sole election and in the exercise of its independent judgment without duress; (iv) it is not relying on any representations of Seller other than those expressly set forth herein; (v) Buyer owns or controls Buyer's Facilities or has control over the purchase and receipt of Electricity therefor; (vi) all of the information furnished by Buyer concerning Buyer's Facilities (including applicable load factors, Buyer's Local Utility rate classes and schedules, time of use, and service information), as well as financial information furnished by Buyer to Seller, is, to the best of Buyer's information and belief, true and accurate when furnished to Seller; (vii) it is a producer, processor, commercial user of or merchant handling the commodity subject hereto and has entered into this Agreement and any Transactions solely for non-speculative purposes related to such business; (viii) it shall not resell any Electricity received from Seller to a third party; (ix) each of Buyer's Facilities can be enrolled on the Start Date specified for each Transaction; (x) it understands that if a broker or consultant was involved in a Transaction, the fee or commission associated with such broker or consultant may be included in the Contract Price; and (xi) it has disclosed to Seller the existence of any on-site generation (other than emergency back-up generation). The representations and warranties made

in this Article are deemed to be repeated upon the execution of any Transaction.

**9.3 Warranties.** NEITHER PARTY GIVES NOR RECEIVES ANY WARRANTY REGARDING THE SALE, PURCHASE OR DELIVERY OF ELECTRICITY, WHETHER EXPRESS, IMPLIED, OR STATUTORY, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT. SELLER DISCLAIMS ANY AND ALL IMPLIED WARRANTIES AND SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OF ELECTRICITY FOR A PARTICULAR PURPOSE OR USE. THE OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT ARE OBLIGATIONS OF THE PARTIES ONLY, AND NO RECOURSE SHALL BE AVAILABLE AGAINST ANY EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER, MEMBER, PARTNER, OR AFFILIATE OF A PARTY UNLESS SPECIFICALLY PROVIDED FOR IN A SEPARATE AGREEMENT.

#### **ARTICLE 10: BANKRUPTCY CODE MATTERS**

The Parties acknowledge and agree that all Transactions constitute "forward contracts" within the meaning of the United States Bankruptcy Code. Each Party further agrees that, for purposes of this Agreement, the other Party is not a "utility" as such term is used in Section 366 of the U.S. Bankruptcy Code, and each Party waives and agrees not to assert the applicability of the provisions of such Section 366 in any bankruptcy proceeding wherein such Party is a debtor. The Parties further agree that all Electricity delivered hereunder constitutes a "good" under Section 503(b)(9) of the U.S. Bankruptcy Code.

#### **ARTICLE 11: DEFINITIONS**

Capitalized terms used in this Agreement have the following meanings:

**"Adequate Assurances"** means collateral in the form of cash, letters of credit, or other security acceptable to Seller.

**"Affiliates"** means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

**"Agreement"** means this Electricity Sales and Purchase Agreement, including all appendices, Addenda, Voice Records, Electronic Communications, and schedules, which are incorporated herein by reference as part of this Agreement, and all Transactions and any credit support or similar agreement between the Parties in respect thereto.

**"Base Price"** means an amount per MWh in \$US (unless otherwise provided for) equal to the sum of (1) the applicable market index price for the Delivery Point(s), and (2) a retail adder to be fixed by Seller based upon Seller's then applicable month-to-month rate; provided that taxes, capacity, and other similar charges incurred by Seller may be passed through to Buyer if such charges are not already included in Seller's month-to-month rate.

**"Business Day"** means any day except Saturday, Sunday, or Federal Bank Holidays.

**"Buyer's Baseline"** means the stipulated MWh usage set forth in each Transaction.

**"Buyer's Facilities"** means the enrolled account(s) identified in an applicable Transaction Addendum.

**"Buyer's Local Utility"** means the electric distribution utility or utilities responsible for delivering Electricity to Buyer's Facilities.

**"Contract Price"** means the price per MWh in \$US (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of Electricity as specified in a Transaction.

**"Contract Quantity"** means the quantity of Electricity specified in a Transaction.

**"Costs"** means, with respect to the non-defaulting Party only, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the non-defaulting Party in connection with enforcing its rights under this Agreement in the event of termination.

**"Default"** means, with respect to a Party (the defaulting Party), the occurrence of any of the following; (1) the failure to make, when due, any payment required pursuant to this Agreement or otherwise, if such failure is not remedied within [ ] Business Days after written notice; (2) any representation or warranty is false or misleading when made or repeated; (3) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Default) if such failure is not remedied within [ ] Business Days after written notice; (4) the failure by Buyer to provide Adequate Assurances in accordance with Article 5.5; (5) such Party (or such Party's credit support provider) files a petition or otherwise commences, authorizes or acquiesces to the commencement of a proceeding or cause of action with respect to it under any bankruptcy proceeding or similar Laws for the protection of creditors, or has such a petition filed against it; (6) such Party makes an assignment or any general arrangement for the benefit of creditors; (7) such Party otherwise becomes bankrupt or insolvent (however evidenced); (8) such Party becomes unable to pay its debts as they fall due; (9) termination of a Transaction prior to its End Date unless otherwise expressly agreed to in the Agreement; or (10) any default under any other agreement between the Parties.

**"Delivery Point(s)"** means the physical point(s) specified in a Transaction at which Seller shall deliver, or cause to be delivered, Electricity to Buyer.

**"Electricity"** means electric energy (expressed in MWh) and any related components thereto or products specified in a Transaction.

**"Electronic Communication"** means communication conducted by electronic means whereby electronic records are created, including without limitation, electronic mail and instant messaging.

**"Force Majeure"** means events or circumstances, beyond the reasonable control of a Party and not caused, in whole or in part, by the negligence of such Party, which prevent that Party from performing its obligations under this Agreement, and which the Party claiming Force Majeure is unable to avoid or prevent through the exercise of due diligence. Force Majeure

includes, without limitation, a Force Majeure affecting an RTO or Buyer's Local Utility that in turn prevents a Party's performance of its obligations hereunder, including, but not limited to: fire, strike, embargo, explosion, power failure, flood, lightning, war, water, electrical storms, labor disputes, civil disturbances, governmental regulations, orders, decrees, enforcement actions or other requirements, acts of civil or military authority, acts of God, acts of public enemies, inability to secure replacement parts or materials, transportation facilities, or other causes beyond its reasonable control, whether or not similar to the foregoing. A claim of Force Majeure may not be based on: (1) Buyer's inability to economically use or dispose of Electricity purchased under this Agreement; (2) Buyer's closure or material curtailment or discontinuation of operation of any of Buyer's Facilities due to economic circumstance or condition; or (3) Seller's ability to sell Electricity at a price greater than the Contract Price.

**"Gains"** means, with respect to a Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Transaction, determined in a commercially reasonable manner.

**"Governmental Entity"** means a municipality, county, governmental board, governmental department, commission, agency, bureau, administrative body, joint action agency, court, or other similar political subdivision or public entity or instrumentality of the United States or one or more states.

**"Imaged Document"** means any document generated by the Parties which is scanned and stored in electronic form, including, by way of illustration and not limitation, portable document format (.pdf) or similar type (e.g. jpg, tiff, gif).

**"Interest Rate"** means two percent (2%) per annum over the prime-lending rate as published in *The Wall Street Journal* under "Money Rates"; provided that, the Interest Rate may never exceed the maximum rate permitted by Law.

**"Law"** means any law, constitution, charter, statute, ordinance, code, rule, regulation, tariff, protocols, decision, order, decree, judgment or other legislative or administrative action of any Governmental Entity, or any interpretation thereof by any court, agency or instrumentality having jurisdiction, as well as all rules, policies and procedures lawfully adopted by an RTO governing or controlling the area in which Buyer's Facilities are located.

**"Losses"** means, with respect to a Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of a Transaction, determined in a commercially reasonable manner.

**"MWh"** means a megawatt-hour of Electricity.

**"Off-Peak Hours"** means hours not defined as On-Peak Hours.

**"On-Peak Hours"** means hours determined to be "on peak" by Buyer's regional reliability council of the North American Electric Reliability Council, or any successor entity, governing the area in which Buyer's Facilities are located.

**"RTO"** means a power pool, independent system operator, transmission provider, or Buyer's Local Utility acting as the grid manager, or any comparable entity that provides system management and oversight for Electricity delivered to Buyer's Facilities.

**"Settlement Amount"** means, with respect to a Transaction, the Losses or Gains, and Costs, which the non-defaulting Party incurs as a result of the termination of such Transaction.

**"Set-off"** means offset, combination of accounts, netting, right of retention or withholding, or any similar right.

**"Start Date"** means the date specified in a Transaction; provided, that if a Transaction does not specify such a date, then the date upon which all of the conditions set forth under Articles 4.1(1)-(2) are satisfied.

**"Taxes"** means all federal, state and local taxes, assessments, levies, duties, fees, charges or withholdings of any kind, including gross receipts taxes, utility and regulatory taxes, assessments and surcharges however denominated and all penalties, fines, additions to tax, or interest on unpaid taxes.

**"Termination Payment"** has the meaning set forth in Article 7.3.

**"Transaction"** means an agreement between the Parties for the purchase and sale of Electricity pursuant to this Agreement, which may include, among other terms, the Electricity product, Contract Price, delivery term, Contract Quantity and Delivery Point(s).

**"Transaction Addendum"** means, in respect to a specific Transaction, a supplement to, or modification of, this Agreement signed, or deemed accepted, by both Parties setting forth the terms of such Transaction.

**"Voice Record"** means a recorded telephone conversation between representatives of the Parties evidencing the terms of a Transaction.

## ARTICLE 12: MISCELLANEOUS

**12.1 Definitions.** When the singular number is used, it is deemed to include the plural and vice versa. The words "include" and "including" mean "including, without limitation" with respect to whatever follows.

**12.2 Confidentiality.** This Agreement, each Transaction, and all confidential business information of the Parties in connection with the Agreement are strictly confidential and shall not be disclosed by a Party (except to such Party's Affiliates, employees, lenders, counsel and other advisors, permitted assignees, or prospective purchasers who have agreed to treat such information as confidential) without the prior written consent of the other Party, except as required by Law; provided that Seller may publicize the existence of this Agreement in press releases and sales and marketing materials, and identify Buyer as a customer of Seller and as a reference to third parties. The Parties agree that damages would be an inadequate remedy for breach of this provision and that either Party is entitled to equitable relief in connection herewith, provided that any damages are limited to actual damages as provided herein.

**12.3 Notices.** Unless otherwise specified herein, any notice required or permitted under this Agreement, must be in writing and addressed as provided in Article 13. Notice by receipt confirmed facsimile, email or hand delivery shall be effective on the Business Day actually received. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent.

**12.4 Entire Agreement.** This Agreement contains the complete understanding between the Parties and supersedes

all previous discussions, communications, writings and agreements previously executed between the Parties related to the sale and purchase of Electricity. In addition, if the Parties have outstanding Addenda or appendices under an agreement that is superseded by this Agreement, those Addenda and appendices shall be governed by this Agreement. Except to the extent otherwise provided for herein, this Agreement may not be amended, modified or supplemented except in a writing signed by both Parties.

**12.5 Assignment.** This Agreement (including any Transaction, or portion thereof) may not be assigned or transferred by a Party without the prior written approval of the other Party, which approval shall not be unreasonably withheld, except it may be assigned or transferred without such approval: (i) by either Party to a successor acquiring all or substantially all of the shares and/or the assets (including, without limitation, all or a substantial portion of Seller's portfolio of retail supply contracts) of the transferring Party, whether by merger or acquisition, (ii) by either Party to any Affiliate; or (iii) by Seller in connection with any financing or other financial arrangements involving the accounts, revenues or proceeds hereof; provided, that in the case of items (i) and (ii), the assignee or transferee is at least as creditworthy as the assigning or transferring Party and such assignee or transferee agrees in writing to be bound by the terms and conditions of this Agreement (including all outstanding Transactions). Notwithstanding anything to the contrary in this Agreement, Buyer agrees that Seller may require any approved assignee or transferee to execute a new Electricity Sales and Purchase Agreement, Transaction Addendum and/or appendix with Seller, as the case may be, as a condition precedent to the assignment or transfer of any (whole or partial) Transaction

**12.6 Disputes.** If an action, suit or other proceeding is brought to enforce or interpret this Agreement or any part hereof or the rights or obligations of any Party to this Agreement, the prevailing Party will be entitled to recover from the other Party reasonable attorneys' fees and direct out-of-pocket costs and disbursements associated with the dispute that are incurred by the prevailing Party.

**12.7 Waiver.** No waiver by either Party of any right or obligation hereunder, including in respect to any Default by the other Party, shall be considered a waiver of any future right or obligation, whether of a similar or different character. Any waiver shall be in writing.

**12.8 Third Party Beneficiaries.** This Agreement does not grant, create or otherwise provide any rights enforceable by any person or entity not a Party to this Agreement.

**12.9 Controlling Documents.** This Agreement and all Transactions (including any Addenda) form a single integrated agreement between the Parties. Any inconsistency between any terms of this Agreement and any terms of a Transaction shall be resolved in favor of the terms of such Transaction. Upon full execution (or deemed acceptance) of a Transaction Addendum, such Transaction Addendum (absent manifest error) shall control in the event of any conflict with the terms of a Voice Record or Electronic Communication, or in the event of any conflict with the terms of this Agreement. In the absence of a Transaction Addendum, the Voice Record or Electronic Communication shall evidence the terms of the Transaction.

**12.10 Electronic Communications.** Each Party hereby consents to the recording and storage of Voice Records and

Electronic Communication and waives any objection to recording of Voice Records and use of Electronic Communication. An Electronic Communication record shall be deemed received upon arrival at the receiving Party's electronic mailbox or internet address.

**12.11 Governing Law.** THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE DELIVERY POINTS ARE LOCATED; PROVIDED THAT IF THE DELIVERY POINTS ARE IN MORE THAN ONE STATE, THEN THIS AGREEMENT SHALL BE GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT. THIS ARTICLE 12.11 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT FOR ANY REASON.

**12.12 Immunity.** Buyer covenants that if it is a Governmental Entity it shall not claim immunity on the grounds of sovereignty or similar grounds from enforcement of this Agreement. Buyer further covenants that if it is a Governmental Entity it shall obtain all necessary budgetary approvals, appropriations, and funding for all of its obligations under this Agreement, the failure of which shall not be an excuse for Buyer's performance hereunder.

**12.13 Severability; Survival.** Any provision declared or rendered unlawful, invalid, void or unenforceable by any applicable court of law or regulatory agency will not otherwise affect any other provision, agreement, covenant or remaining lawful obligations under this Agreement; provided, that in any such event, the Parties shall use good faith efforts to reform this Agreement in order to give effect to the original intention of the Parties. All obligations of the Parties that must survive termination of this Agreement or any Transaction Addendum in order to give effect to the intent of the Parties shall survive such termination.

**12.14 Execution.** This Agreement may be signed in counterparts, each of which will constitute an original and together will constitute one and the same Agreement. The Parties agree that if a copy of this Agreement, including any appendix and/or Transaction Addendum, is executed by a Party and transmitted to the other Party by facsimile, the copy received shall be deemed for all legal purposes to be an original executed by the transmitting Party.

**12.15 Imaged Document.** The Parties agree that if a copy of this Agreement, including any appendix and/or Transaction Addendum, is executed by a Party and transmitted to the other Party in the form of an Imaged Document, to which a Party has affixed its written or electronic signature, the copy received by the other Party shall be deemed for all legal purposes to be as valid and authentic as an original executed by the transmitting Party, and will be given the same legal effect as a written and signed paper original, and may be introduced as evidence in any proceeding as if such were original business records. Neither Party shall contest the admissibility of such Imaged Documents as evidence in any proceeding, and waive any objection they may have to the use of same.

**ARTICLE 13: NOTICES**

**Legal Notices**

Notices and payments shall be made by facsimile, email, courier, first class mail, or hand delivery. Notice should be sent to the addresses noted below, or any other address a Party provides to the other Party in writing:

**If To Buyer**

Attention	FORMTEXT
Address	FORMTEXT
City, State, Zip	
Telephone / Fax	/
E-Mail	FORMTEXT

**If To Seller**

Attention	Contract Manager
Address	1500 Rankin Rd., Suite 200
City, State, Zip	Houston, TX 77073
Telephone / Fax	281.653.5090 / 281.653.1810
E-Mail	info@championenergyservices.com

**ARTICLE 14: EXECUTION AND SIGNATURES**

This Agreement will be binding if Seller and Buyer have each signed below and shall be effective as of the Effective Date specified above. The Parties intend that this Agreement shall not bind either Party unless it is executed by both Parties.

**Buyer:** SCRUBGRASS RECLAMATION COMPANY L.P.

By: \_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Name)  
\_\_\_\_\_  
(Title)

**Seller:** **Champion Energy Services, LLC**

By: \_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Name)  
\_\_\_\_\_  
(Title)

# Transaction Addendum

\*Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential in this case.

## INDEX (PJM)

<i>Agreement:</i>	ELECTRICITY SALES AND PURCHASE AGREEMENT	<i>Addendum Date:</i>	2/29/2024
<i>Seller:</i>	Champion Energy Services, LLC	<i>Quote No:</i>	[ ]
<i>Buyer:</i>	Panther Creek Power Operating, LLC		
<i>Agreement Effective Date:</i>	2/29/2024		

This Addendum (the "Addendum") supplements the Agreement referred to above (the "Agreement"). The Parties hereby agree to the terms and conditions set forth herein for Buyer's Facilities served at the Delivery Point. Capitalized terms not otherwise defined in this Addendum shall have their meanings set forth elsewhere in the Agreement.

## DEFINITIONS

- Buyer's [ ] Prepayment Amount [

:]

**Buyer's [ ] Prepayment Amount = [**

]

- PJM Invoice: The invoices received by Seller from PJM for Buyer's electricity usage and associated costs in accordance with PJM's billing calendar as published on (<https://www.pjm.com/markets-and-operations/billing-settlements-and-credit>).
- Buyer's Invoice: Seller's invoice to Buyer for the Electricity and related charges and services specified in the Addendum for Buyer's applicable invoice period, [

.]

- Capacity and Network Transmission charges: The related charges (as defined primarily in PJM Schedules 2, 6A, and 12) in effect at the time of Buyer's usage [

]

## DELIVERY POINT & DELIVERY PERIOD

Sale and delivery of Electricity will be made to the interconnection point(s) between the RTO Transmission Grid and Buyer's Local Utility (the "Delivery Point"). Delivery to meters at Buyer's facility(ies) will be made by Buyer's Local Utility. This Addendum is in full force and effect as of the Addendum Date. The terms set forth herein apply from the Start Date through the End Date ("Delivery Period"):

Market Area	Delivery Point
PJM	MetEd_RESID_AGG
Start Date:	End Date:
Meter Read March 2024	Meter Read March 2027

[1]

**SUBACCOUNT**

Seller shall set up one PJM subaccount for all of Buyer’s Customer Accounts set forth below located in PJM (“Buyer’s Subaccount”). Subaccount setup includes Electronic Data Interchange (EDI) connectivity testing. Seller shall notify Buyer when setup is complete. Buyer acknowledges and consents that it is expected to take multiple weeks for Seller to set up Buyer’s Subaccount. Any temporary delay in establishing Buyer’s Subaccount shall not qualify as a Default. All terms and conditions of the Agreement and this Addendum shall remain in effect as of the Agreement Effective Date and the Addendum Date, respectively, including during the period Seller is setting up Buyer’s Subaccount.

[ ]

**Auction Revenue Rights Credit: [**

]Seller shall be invoiced for these amounts monthly and shall credit or charge Buyer on a monthly basis for such amounts on Buyer’s invoice. Seller shall net such amounts as may be due to Buyer herein against amounts owed by Buyer to Seller.

**Marginal Losses Credit: [**

] Such credit shall be reflected on Buyer’s monthly invoice. Notwithstanding the foregoing, Seller shall invoice Buyer in accordance with the Agreement.

[ ]

**CONTRACT PRICE**

Buyer shall pay Seller both the **Usage Charges** and the **Demand Based Charges** as described below.

**Usage Charges:** For each settlement interval, Buyer shall pay the Index Price per MWh for the Day Ahead Contract Quantity and the Adder for all of Buyer’s usage subject to the Monthly Settlement section below and the Invoice and Payment Schedule section below.[

[ . ]

Index Price (\$/MWh)	Adder (\$/MWh)
PJM Day Ahead Locational Marginal Price for the Delivery Point as published at <a href="http://www.pjm.com">www.pjm.com</a> .	\$( [ ] )

**Demand Based Charges:** Buyer shall pay the actual PJM tariff rate for Capacity and Network Transmission related charges (PJM Schedules 2, 6A, and 12) in effect at the time of Buyer’s usage, without mark-up, multiplied by its respective Obligation for every hour during the Delivery Period. Obligations for Capacity and Network Transmission related charges are established by PJM and Buyer’s Local Utility and reflect the appropriate scalar adjustments.

**DELIVERY SERVICES**

For purposes of this Addendum, the Adder includes only the components set forth below that are marked with an “[X]”. Seller will pass through to Buyer all other charges relating to the delivery of Electricity to Buyer, including Buyer’s Local Utility charges and Generation Deactivation if applicable.

FORMCHECKBOX	[
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	]

**BUYER'S INVOICE AND PAYMENT SCHEDULE**

By close of business every [ ] of the Delivery Period, Buyer will pay to Seller **Buyer's [ ] Prepayment Amount**.

Buyer represents and confirms Buyer has the capabilities and capacity to hourly monitor and calculate Buyer's actual energy consumption at the Delivery Point(s), including the appropriate meters, and accordingly calculate **Buyer's [ ] Prepayment Amount**. Buyer agrees to allow Seller reasonable access to such meters and to keep such meters in working condition to perform round the clock metering services.

If Seller determines in its sole discretion that **Buyer's [ ] Prepayment Amount** differs from [ ], Seller may immediately request additional payment from Buyer in the amount of the material difference and Buyer shall pay to Seller within one [ ] the identified material difference to true-up **Buyer's [ ] Prepayment Amount**. If Buyer fails to render payment to Seller within one [ ], Seller shall have the right to declare a Default has occurred without further notice to Buyer or further cure period and can drop Buyer's affected Account(s).

[ .]

Subject to and without waiving the foregoing payment schedule and terms, Buyer and Seller acknowledge that Buyer wishes to enter into a Start Date before Buyer's subaccount may be created and made operational for purposes of this Addendum. Therefore, if applicable, for the time period between the Addendum Date and the date Buyer's subaccount for this Addendum becomes operational (the "Interim Period"), Buyer agrees by close of business every [ ] of the Interim Period to prepay to Seller **Buyer's [ ] Prepayment Amount**. Seller will then issue **Buyer's Invoice** to Buyer based on the regular meter read cycle as defined by Buyer's applicable utility, expected to be approximately one month in duration. During the Interim Period Seller will pass through [ ] on **Buyer's Invoice**. At the conclusion of the Interim Period Buyer and Seller will utilize the Invoice and Payment Schedule identified above and Seller will issue any invoice true-ups and/or credits generated during the Interim Period.

**CONTRACT QUANTITIES**

The Contract Quantities for this Transaction are set forth below. [

.] Buyer's Baseline Monthly Quantity set forth below shall be included in the Contract Quantity for the purposes of calculating any termination payments owed pursuant to the Agreement. The Capacity and Network Transmission Obligations set forth herein are established by PJM and Buyer's Local Utility and reflect the appropriate scalar adjustments.

[

Day Ahead Contract Quantities plus any Fixed Price Contract Quantities.

[

] The "**Total Hourly Contract Quantity**" shall be equal to the

]

Month	Index Price Contract Quantity (MW)		Tier 1		Tier 2		Tier 3		Buyer's Baseline Monthly Quantity (MWhs)	Network Transmission Obligation (MW)	Capacity Obligation (MW)
			Fixed Price Contract Quantity (MW)		Fixed Price Contract Quantity (MW)		Fixed Price Contract Quantity (MW)				
	On Pk	Off Pk	On Pk	Off Pk	On Pk	Off Pk	On Pk	Off Pk			
4/2024	0	0	0.00	0.00	-	-	-	-	2,886	.00	.00
5/2024	0	0	0.00	0.00	-	-	-	-	21,193	.00	.00
6/2024	0	0	0.00	0.00	-	-	-	-	2,132	.00	.00
7/2024	0	0	0.00	0.00	-	-	-	-	11,951	.00	.00
8/2024	0	0	0.00	0.00	-	-	-	-	5,917	.00	.00
9/2024	0	0	0.00	0.00	-	-	-	-	470	.00	.00
10/2024	0	0	0.00	0.00	-	-	-	-	6,275	.00	.00
11/2024	0	0	0.00	0.00	-	-	-	-	11,221	.00	.00
12/2024	0	0	0.00	0.00	-	-	-	-	2,772	.00	.00
1/2025	0	0	0.00	0.00	-	-	-	-	1,427	.00	.00
2/2025	0	0	0.00	0.00	-	-	-	-	889	.00	.00
3/2025	0	0	0.00	0.00	-	-	-	-	21	.00	.00
4/2025	0	0	0.00	0.00	-	-	-	-	2,886	.00	.00
5/2025	0	0	0.00	0.00	-	-	-	-	21,193	.00	.00
6/2025	0	0	0.00	0.00	-	-	-	-	2,451	.00	.00
7/2025	0	0	0.00	0.00	-	-	-	-	11,659	.00	.00
8/2025	0	0	0.00	0.00	-	-	-	-	5,917	.00	.00
9/2025	0	0	0.00	0.00	-	-	-	-	492	.00	.00
10/2025	0	0	0.00	0.00	-	-	-	-	6,853	.00	.00
11/2025	0	0	0.00	0.00	-	-	-	-	10,815	.00	.00
12/2025	0	0	0.00	0.00	-	-	-	-	2,591	.00	.00
1/2026	0	0	0.00	0.00	-	-	-	-	3,090	.00	.00
2/2026	0	0	0.00	0.00	-	-	-	-	889	.00	.00
3/2026	0	0	0.00	0.00	-	-	-	-	21	.00	.00
4/2026	0	0	0.00	0.00	-	-	-	-	2,886	.00	.00
5/2026	0	0	0.00	0.00	-	-	-	-	19,036	.00	.00
6/2026	0	0	0.00	0.00	-	-	-	-	2,734	.00	.00
7/2026	0	0	0.00	0.00	-	-	-	-	13,164	.00	.00
8/2026	0	0	0.00	0.00	-	-	-	-	6,848	.00	.00
9/2026	0	0	0.00	0.00	-	-	-	-	424	.00	.00
10/2026	0	0	0.00	0.00	-	-	-	-	2,131	.00	.00
11/2026	0	0	0.00	0.00	-	-	-	-	14,547	.00	.00
12/2026	0	0	0.00	0.00	-	-	-	-	3,362	.00	.00
1/2027	0	0	0.00	0.00	-	-	-	-	3,090	.00	.00
2/2027	0	0	0.00	0.00	-	-	-	-	889	.00	.00
3/2027	0	0	0.00	0.00	-	-	-	-	21	.00	.00

**INVOICE SETTLEMENT**

For all invoices to Buyer, Seller shall calculate Buyer's invoice based on Buyer's usage and as described below. [ ]

**Usage Above the Contract Quantity:** If Buyer's usage at the Delivery Point exceeds the Total Hourly Contract Quantity during any hour, Buyer shall pay Seller the Real Time market energy price plus related delivery costs, as defined by the RTO for such hour, for each MWh above the Contract Quantity.

**Usage Below the Contract Quantity:** If Buyer's usage at the Delivery Point is less than the Total Hourly Contract Quantity during any hour, Seller shall credit Buyer's account at the Real Time market energy prices, as defined by the RTO for such hour, less any applicable RTO charges for each MWh below the Contract Quantity.

**CUSTOMER ACCOUNTS**

No	Account Number	Meter Number	Address	City	Zip	Anticipated Start Date
1	[ ]	[ ]				04/01/2024

**Tax Exemption Designation**

\_\_\_\_\_ Customer Accounts are tax exempt  
(Initial)

\_\_\_\_\_ Customer Accounts are NOT tax exempt  
(Initial)

**CHANGE IN CIRCUMSTANCES**

The Contract Price and all other terms and conditions of this Addendum are established in reliance on the information provided to Seller concerning Buyer's load requirements. Any incremental costs incurred by Seller as a result of inaccuracies in any such information provided to Seller or due to a change in how Buyer's usage is metered may be passed through to Buyer.

[ ]

[ ] In the event of changes in the above that cause additional costs or credits to Seller, Seller may pass through such costs or credits to Buyer.

**ADDITIONAL TERMS****Access to Buyer's Meter Data:** [ ]

[ ] Buyer will take all actions within its control to assure that the meter data is reliable and accurate. Buyer shall obtain any consents, licenses, or other approvals from third parties required in connection with providing Seller access to the data.

**Payment Terms:**

Buyer consents to auto-pay of Seller's invoices and shall pay Seller's invoices within [ ] of the date the invoice is issued (the "Due Date"). An event of Default shall be deemed to occur if Buyer fails to make payment when due by autopay, if such failure is not remedied via wire transfer within [ ].

For any amounts that are not paid by the due date, Seller may assess a one-time late fee equal to [ ] multiplied by the past due amount.

**Cash Collateral Requirements:** Buyer agrees to deliver cash collateral ("Collateral") to Seller to secure Buyer's performance for this Addendum in the total amount of four hundred and twenty five thousand dollars (\$425,000.00) by wire transfer to the account set forth on Exhibit B no later than the second (2<sup>nd</sup>) business day following the Addendum Date. Buyer grants to Seller a first priority security interest in, lien on, and right of set-off against the Collateral provided to Seller to secure all present and future obligations of Buyer to Seller under the Addendum. If Buyer's obligations under the Addendum are not fulfilled for any reason, Seller shall have the free and unrestricted right to draw on or (if necessary) foreclose upon the Collateral which it holds and apply such funds or other cash Collateral against Buyer's obligations under the Agreement and Addendum. In addition, Seller shall have the free and unrestricted right to use and dispose of all cash Collateral which it holds, subject only to its obligations to return Collateral if and when so required under the Agreement or this Addendum. Seller has agreed to accept the amount of Collateral set forth above as Adequate Assurances (pursuant to Article 5 of the Agreement) based on Buyer's financial information available to Seller as of the Addendum Date and Seller's credit exposure as of the Addendum Date. Seller reserves its rights set forth in Article 5(e) of the Agreement to request additional Adequate Assurances only in the event that Seller's credit exposure with Buyer materially increases or Buyer's credit rating materially decreases.

Buyer agrees Seller has the right, in Seller's sole discretion, to also request additional collateral in the form of either a letter of credit (in an acceptable form to Seller) or cash collateral if Seller determines Buyer's financial exposure has increased for reasons including but

not limited to: [

]

Upon termination of the Agreement, including all Transactions and Addenda thereunder, and the satisfaction of all obligations to Seller under the Agreement (other than unasserted contingent obligations), Seller shall return any remaining Collateral, and any outstanding interest calculated pursuant to the per annum rate of interest equal to the 90-day average SOFR rate, to Buyer and the security interest granted pursuant to this Addendum shall be automatically terminated.

**Additional Buyer Representation:** [

.]

**Service After End Date:** In the event that the Parties have not agreed to an Addendum that is in effect for the period immediately following the End Date set forth above, then Seller may disconnect electricity service to Buyer's Account(s) and drop the account(s) to utility default service at any time after the End Date with [ ] prior written notice; provided, however, such notice may be given during the Delivery Period.

**Billing**

Invoice Type:	<input type="checkbox"/> One summary bill to be sent to the Billing Address. <input type="checkbox"/> Individual bills per account, to be sent to the Billing Address. <input type="checkbox"/> Individual bills per account, to be sent to the Respective Service Address.
Invoice Delivery Method:	<input type="checkbox"/> <b>E-mail bill delivery</b> <input type="checkbox"/> <b>Mail bill delivery</b>
Billing Contact Information:	<i>Attention:</i> <i>Address:</i> <i>City, State, Zip:</i> <i>Telephone:</i> <i>Facsimile:</i> <i>E-mail:</i>

**Adding and Deleting Customer Accounts**

Buyer is entitled to add or delete Customer Accounts as long as [

]

**On-Site Generation**

Buyer shall notify Seller of any onsite generation units associated with Buyer's Facilities. In the event that such onsite generation units generate more electricity than Buyer's metered usage and such excess generation is applied to Seller's account by the RTO, Seller shall credit Buyer [ ].

**EXECUTION & SIGNATURES**

As supplemented by this Transaction Addendum including its Schedules, if any, all other terms and conditions in the Agreement remain in full force and effect.

<b>This Addendum is subject to the Schedule(s) identified below:</b> <b>OPERATING PROCEDURES SCHEDULE – WEEK AHEAD SCHEDULE (EXCEL TEMPLATE)</b>
---

This Transaction Addendum will become effective when Seller and Buyer have each signed below and shall be effective as of the Addendum Date specified above. The Parties intend that this Transaction Addendum shall not bind either Party unless it is executed by both Parties.

**PANTHER CREEK POWER OPERATING, LLC**

**CHAMPION ENERGY SERVICES, LLC**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Name)

\_\_\_\_\_

\_\_\_\_\_

\*Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential in this case.

# Transaction Addendum

## INDEX (PJM)

<i>Agreement:</i>	ELECTRICITY SALES AND PURCHASE AGREEMENT	<i>Addendum Date:</i>	2/29/2024
<i>Seller:</i>	Champion Energy Services, LLC	<i>Quote No:</i>	[ ]
<i>Buyer:</i>	Scrubgrass Reclamation Company L.P.		
<i>Agreement Effective Date:</i>	2/29/2024		

This Addendum (the “Addendum”) supplements the Agreement referred to above (the “Agreement”). The Parties hereby agree to the terms and conditions set forth herein for Buyer’s Facilities served at the Delivery Point. Capitalized terms not otherwise defined in this Addendum shall have their meanings set forth elsewhere in the Agreement.

### DEFINITIONS

- Buyer’s Prepayment Amount: [ ]:
- Buyer’s Prepayment Amount** = [ ]

].

- PJM Invoice: The invoices received by Seller from PJM for Buyer’s electricity usage and associated costs in accordance with PJM’s billing calendar as published on (<https://www.pjm.com/markets-and-operations/billing-settlements-and-credit>).
- Buyer’s Invoice: Seller’s invoice to Buyer for the Electricity and related charges and services specified in the Addendum for Buyer’s applicable invoice period, [ ]

].

- Capacity and Network Transmission charges: The related charges (as defined primarily in PJM Schedules 2, 6A, and 12) in effect at the time of Buyer’s usage [ ].

### DELIVERY POINT & DELIVERY PERIOD

Sale and delivery of Electricity will be made to the interconnection point(s) between the RTO Transmission Grid and Buyer’s Local Utility (the “Delivery Point”). Delivery to meters at Buyer’s facility(ies) will be made by Buyer’s Local Utility. This Addendum is in full force and effect as of the Addendum Date. The terms set forth herein apply from the Start Date through the End Date (“Delivery Period”):

Market Area	Delivery Point
PJM	Penelec_PA_RESID_AGG
Start Date:	End Date:
Meter Read March 2024	Meter Read March 2027

[1]

**SUBACCOUNT**

Seller shall set up one PJM subaccount for all of Buyer’s Customer Accounts set forth below located in PJM (“Buyer’s Subaccount”). Subaccount setup includes Electronic Data Interchange (EDI) connectivity testing. Seller shall notify Buyer when setup is complete. Buyer acknowledges and consents that it is expected to take multiple weeks for Seller to set up Buyer’s Subaccount. Any temporary delay in establishing Buyer’s Subaccount shall not qualify as a Default. All terms and conditions of the Agreement and this Addendum shall remain in effect as of the Agreement Effective Date and the Addendum Date, respectively, including during the period Seller is setting up Buyer’s Subaccount.

[ ] All RTO charges and credits associated with Buyer’s Subaccount (e.g., imbalance charges, credits, etc.) shall be passed through directly to Buyer. [ ]

**Auction Revenue Rights Credit:** Seller agrees to credit or charge Buyer’s account in an amount equal to one hundred percent (100%) of the value of the Auction Revenue Rights associated with the Electricity delivered to Buyer, to the extent that such value is actually received by or charged to Seller, respectively. Seller shall be invoiced for these amounts monthly and shall credit or charge Buyer on a monthly basis for such amounts on Buyer’s invoice. Seller shall net such amounts as may be due to Buyer herein against amounts owed by Buyer to Seller.

**Marginal Losses Credit:** [ ] Such credit shall be reflected on Buyer’s monthly invoice. Notwithstanding the foregoing, Seller shall invoice Buyer in accordance with the Agreement.

[ ]

**CONTRACT PRICE**

Buyer shall pay Seller both the **Usage Charges** and the **Demand Based Charges** as described below.

**Usage Charges:** For each settlement interval, Buyer shall pay the Index Price per MWh for the Day Ahead Contract Quantity and the Adder for all of Buyer’s usage subject to the Monthly Settlement section below and the Invoice and Payment Schedule section below. [ ]

[ ]

Index Price (\$/MWh)	Adder (\$/MWh)
PJM Day Ahead Locational Marginal Price for the Delivery Point as published at <a href="http://www.pjm.com">www.pjm.com</a> .	\$( [ ] )

**Demand Based Charges:** Buyer shall pay the actual PJM tariff rate for Capacity and Network Transmission related charges (PJM Schedules 2, 6A, and 12) in effect at the time of Buyer’s usage, without mark-up, multiplied by its respective Obligation for every hour during the Delivery Period. Obligations for Capacity and Network Transmission related charges are established by PJM and Buyer’s Local Utility and reflect the appropriate scalar adjustments.

**DELIVERY SERVICES**

For purposes of this Addendum, the Adder includes only the components set forth below that are marked with an “[X]”. Seller will pass through to Buyer all other charges relating to the delivery of Electricity to Buyer, including Buyer’s Local Utility charges and Generation Deactivation if applicable.

FORMCHECKBOX	[
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	
FORMCHECKBOX	]

**BUYER'S INVOICE AND PAYMENT SCHEDULE**

By close of business every [ ] of the Delivery Period, Buyer will pay to Seller **Buyer's [ ] Prepayment Amount**.

Buyer represents and confirms Buyer has the capabilities and capacity to hourly monitor and calculate Buyer's actual energy consumption at the Delivery Point(s), including the appropriate meters, and accordingly calculate **Buyer's [ ] Prepayment Amount**. Buyer agrees to allow Seller reasonable access to such meters and to keep such meters in working condition to perform round the clock metering services.

If Seller determines in its sole discretion that **Buyer's [ ] Prepayment Amount** differs from [ ], Seller may immediately request additional payment from Buyer in the amount of the material difference and Buyer shall pay to Seller within [ ] Business Day the identified material difference to true-up **Buyer's [ ] Prepayment Amount**. If Buyer fails to render payment to Seller within [ ] Business Day, Seller shall have the right to declare a Default has occurred without further notice to Buyer or further cure period and can drop Buyer's affected Account(s).

[

.]

Subject to and without waiving the foregoing payment schedule and terms, Buyer and Seller acknowledge that Buyer wishes to enter into a Start Date before Buyer's subaccount may be created and made operational for purposes of this Addendum. Therefore, if applicable, for the time period between the Addendum Date and the date Buyer's subaccount for this Addendum becomes operational (the "Interim Period"), Buyer agrees by close of business every [ ] of the Interim Period to prepay to Seller **Buyer's [ ] Prepayment Amount**. Seller will then issue **Buyer's Invoice** to Buyer based on the regular meter read cycle as defined by Buyer's applicable utility, expected to be approximately one month in duration. During the Interim Period Seller will pass through [ ] on **Buyer's Invoice**. At the conclusion of the Interim Period Buyer and Seller will utilize the Invoice and Payment Schedule identified above and Seller will issue any invoice true-ups and/or credits generated during the Interim Period.

**CONTRACT QUANTITIES**

The Contract Quantities for this Transaction are set forth below.[

.] Buyer's Baseline Monthly Quantity set forth below shall be included in the Contract Quantity for the purposes of calculating any termination payments owed pursuant to the Agreement. The Capacity and Network Transmission Obligations set forth herein are established by PJM and Buyer's Local Utility and reflect the appropriate scalar adjustments.

[

Day Ahead Contract Quantities plus any Fixed Price Contract Quantities.

[

.] The "**Total Hourly Contract Quantity**" shall be equal to the

]

Month	Index Price Contract Quantity (MW)		Tier 1		Tier 2		Tier 3		Buyer's Baseline Monthly Quantity (MWhs)	Network Transmission Obligation (MW)	Capacity Obligation (MW)
			Fixed Price Contract Quantity (MW)		Fixed Price Contract Quantity (MW)		Fixed Price Contract Quantity (MW)				
	On Pk	Off Pk	On Pk	Off Pk	On Pk	Off Pk	On Pk	Off Pk			
4/2024	0	0	0.00	0.00	-	-	-	-	14,621	.00	.00
5/2024	0	0	0.00	0.00	-	-	-	-	31,606	.00	.00
6/2024	0	0	0.00	0.00	-	-	-	-	13,640	.00	.00
7/2024	0	0	0.00	0.00	-	-	-	-	1,920	.00	.00
8/2024	0	0	0.00	0.00	-	-	-	-	3,921	.00	.00
9/2024	0	0	0.00	0.00	-	-	-	-	20,772	.00	.00
10/2024	0	0	0.00	0.00	-	-	-	-	9,449	.00	.00
11/2024	0	0	0.00	0.00	-	-	-	-	317	.00	.00
12/2024	0	0	0.00	0.00	-	-	-	-	0	.00	.00
1/2025	0	0	0.00	0.00	-	-	-	-	0	.00	.00
2/2025	0	0	0.00	0.00	-	-	-	-	0	.00	.00
3/2025	0	0	0.00	0.00	-	-	-	-	0	.00	.00
4/2025	0	0	0.00	0.00	-	-	-	-	14,623	.00	.00
5/2025	0	0	0.00	0.00	-	-	-	-	31,487	.00	.00
6/2025	0	0	0.00	0.00	-	-	-	-	13,690	.00	.00
7/2025	0	0	0.00	0.00	-	-	-	-	1,920	.00	.00
8/2025	0	0	0.00	0.00	-	-	-	-	3,901	.00	.00
9/2025	0	0	0.00	0.00	-	-	-	-	20,871	.00	.00
10/2025	0	0	0.00	0.00	-	-	-	-	9,446	.00	.00
11/2025	0	0	0.00	0.00	-	-	-	-	317	.00	.00
12/2025	0	0	0.00	0.00	-	-	-	-	0	.00	.00
1/2026	0	0	0.00	0.00	-	-	-	-	0	.00	.00
2/2026	0	0	0.00	0.00	-	-	-	-	0	.00	.00
3/2026	0	0	0.00	0.00	-	-	-	-	0	.00	.00
4/2026	0	0	0.00	0.00	-	-	-	-	14,628	.00	.00
5/2026	0	0	0.00	0.00	-	-	-	-	31,307	.00	.00
6/2026	0	0	0.00	0.00	-	-	-	-	13,766	.00	.00
7/2026	0	0	0.00	0.00	-	-	-	-	1,932	.00	.00
8/2026	0	0	0.00	0.00	-	-	-	-	3,901	.00	.00
9/2026	0	0	0.00	0.00	-	-	-	-	20,872	.00	.00
10/2026	0	0	0.00	0.00	-	-	-	-	9,401	.00	.00
11/2026	0	0	0.00	0.00	-	-	-	-	318	.00	.00
12/2026	0	0	0.00	0.00	-	-	-	-	0	.00	.00
1/2027	0	0	0.00	0.00	-	-	-	-	0	.00	.00
2/2027	0	0	0.00	0.00	-	-	-	-	0	.00	.00
3/2027	0	0	0.00	0.00	-	-	-	-	0	.00	.00

**INVOICE SETTLEMENT**

For all invoices to Buyer, Seller shall calculate Buyer's invoice based on Buyer's usage and as described below. [ ]

**Usage Above the Contract Quantity:** If Buyer's usage at the Delivery Point exceeds the Total Hourly Contract Quantity during any hour, Buyer shall pay Seller the Real Time market energy price plus related delivery costs, as defined by the RTO for such hour, for each MWh above the Contract Quantity.

**Usage Below the Contract Quantity:** If Buyer's usage at the Delivery Point is less than the Total Hourly Contract Quantity during any hour, Seller shall credit Buyer's account at the Real Time market energy prices, as defined by the RTO for such hour, less any applicable RTO charges for each MWh below the Contract Quantity.

**CUSTOMER ACCOUNTS**

No	Account Number	Meter Number	Address	City	Zip	Anticipated Start Date
1	[ ]	[ ]				04/01/2024

**Tax Exemption Designation**

\_\_\_\_\_ Customer Accounts are tax exempt  
(Initial)

\_\_\_\_\_ Customer Accounts are NOT tax exempt  
(Initial)

**CHANGE IN CIRCUMSTANCES**

The Contract Price and all other terms and conditions of this Addendum are established in reliance on the information provided to Seller concerning Buyer's load requirements. Any incremental costs incurred by Seller as a result of inaccuracies in any such information provided to Seller or due to a change in how Buyer's usage is metered may be passed through to Buyer.

[ ]

may pass through such costs or credits to Buyer.

] In the event of changes in the above that cause additional costs or credits to Seller, Seller

**ADDITIONAL TERMS****Access to Buyer's Meter Data:** [ ]

[ ] Buyer will take all actions within its control to assure that the meter data is reliable and accurate. Buyer shall obtain any consents, licenses, or other approvals from third parties required in connection with providing Seller access to the data.

**Payment Terms:**

Buyer consents to auto-pay of Seller's invoices and shall pay Seller's invoices within [ ] day of the date the invoice is issued (the "Due Date"). An event of Default shall be deemed to occur if Buyer fails to make payment when [ ]

For any amounts that are not paid by the due date, Seller may assess a one-time late fee equal to [ ] percent multiplied by the past due amount.

**Cash Collateral Requirements:** Buyer agrees to deliver cash collateral ("Collateral") to Seller to secure Buyer's performance for this Addendum in the total amount of four hundred and twenty five thousand dollars (\$425,000.00) by wire transfer to the account set forth on Exhibit B no later than the second (2<sup>nd</sup>) business day following the Addendum Date. Buyer grants to Seller a first priority security interest in, lien on, and right of set-off against the Collateral provided to Seller to secure all present and future obligations of Buyer to Seller under the Addendum. If Buyer's obligations under the Addendum are not fulfilled for any reason, Seller shall have the free and unrestricted right to draw on or (if necessary) foreclose upon the Collateral which it holds and apply such funds or other cash Collateral against Buyer's obligations under the Agreement and Addendum. In addition, Seller shall have the free and unrestricted right to use and dispose of all cash Collateral which it holds, subject only to its obligations to return Collateral if and when so required under the Agreement or this Addendum. Seller has agreed to accept the amount of Collateral set forth above as Adequate Assurances (pursuant to Article 5 of the Agreement) based on Buyer's financial information available to Seller as of the Addendum Date and Seller's credit exposure as of the Addendum Date. Seller reserves its rights set forth in Article 5(e) of the Agreement to request additional Adequate Assurances only in the event that Seller's credit exposure with Buyer materially increases or Buyer's credit rating materially decreases.

Buyer agrees Seller has the right, in Seller's sole discretion, to also request additional collateral in the form of either a letter of credit (in an acceptable form to Seller) or cash collateral if Seller determines Buyer's financial exposure has increased for reasons including but

not limited to: [

.]

Upon termination of the Agreement, including all Transactions and Addenda thereunder, and the satisfaction of all obligations to Seller under the Agreement (other than unasserted contingent obligations), Seller shall return any remaining Collateral, and any outstanding interest calculated pursuant to the per annum rate of interest equal to [ ], to Buyer and the security interest granted pursuant to this Addendum shall be automatically terminated.

**Additional Buyer Representation:[**

.]

**Service After End Date:** In the event that the Parties have not agreed to an Addendum that is in effect for the period immediately following the End Date set forth above, then Seller may disconnect electricity service to Buyer’s Account(s) and drop the account(s) to utility default service at any time after the End Date with at least [ ] days’ prior written notice; provided, however, such notice may be given during the Delivery Period.

**Billing**

Invoice Type:	<input type="checkbox"/> One summary bill to be sent to the Billing Address. <input type="checkbox"/> Individual bills per account, to be sent to the Billing Address. <input type="checkbox"/> Individual bills per account, to be sent to the Respective Service Address.
Invoice Delivery Method:	<input type="checkbox"/> <b>E-mail bill delivery</b> <input type="checkbox"/> <b>Mail bill delivery</b>
Billing Contact Information:	<i>Attention:</i> <i>Address:</i> <i>City, State, Zip:</i> <i>Telephone:</i> <i>Facsimile:</i> <i>E-mail:</i>

**Adding and Deleting Customer Accounts**

Buyer is entitled to add or delete Customer Accounts as long as [

.]

**On-Site Generation**

Buyer shall notify Seller of any onsite generation units associated with Buyer’s Facilities. In the event that such onsite generation units generate more electricity than Buyer’s metered usage and such excess generation is applied to Seller’s account by the RTO, Seller shall credit Buyer [

.]

**EXECUTION & SIGNATURES**

As supplemented by this Transaction Addendum including its Schedules, if any, all other terms and conditions in the Agreement remain in full force and effect.

<b>This Addendum is subject to the Schedule(s) identified below:</b>
<b>OPERATING PROCEDURES SCHEDULE – WEEK AHEAD SCHEDULE (EXCEL TEMPLATE)</b>

This Transaction Addendum will become effective when Seller and Buyer have each signed below and shall be effective as of the Addendum Date specified above. The Parties intend that this Transaction Addendum shall not bind either Party unless it is executed by both Parties.

**SCRUBGRASS RECLAMATION COMPANY L.P.**

**CHAMPION ENERGY SERVICES, LLC**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Name)

\_\_\_\_\_

\_\_\_\_\_

**CERTIFICATION**  
**PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory A. Beard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “registrant”) for the quarter ended March 31, 2024;
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)) 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.

Dated: May 7, 2024

By: /s/ Gregory A. Beard

Gregory A. Beard

Chairman and Chief Executive Officer

*(Principal Executive Officer)*

**CERTIFICATION**  
**PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)**  
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew J. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “registrant”) for the quarter ended March 31, 2024;
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)) 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.

Dated: May 7, 2024

By: /s/ Matthew J. Smith  
Matthew J. Smith  
Chief Financial Officer  
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “Company”) for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregory A. Beard, Chairman and 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, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2024

By: /s/ Gregory A. Beard

Gregory A. Beard

Chairman and Chief Executive Officer

*(Principal Executive Officer)*

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

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the “Company”) for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew J. Smith, 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, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2024

By: /s/ Matthew J. Smith

\_\_\_\_\_  
Matthew J. Smith

Chief Financial Officer

*(Principal Financial Officer)*