UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

For transition period from to

Commission File Number 001-40931

Stronghold Digital Mining, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**86-2759890**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
595 Madison Avenue, 28th Floor New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 967-5294

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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 June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the Registrant's Class A common stock was not listed on a domestic exchange or over-the-counter market. The Registrant's Class A common stock began trading on the Nasdaq Global Market on October 20, 2021.

As of March 25, 2022, the registrant had 20,016,067 shares of Class A common stock, par value $0.0001 per share, and 28,209,600 shares of Class V common stock, par value $0.0001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of this Annual Report on Form 10-K (this "Form 10-K") (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the Registrant's Proxy Statement for the 2022 Annual Meeting of Stockholders. The Proxy Statement will be filed by the Registrant with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2021.

Table of Contents

Cautionary Statement Regarding Forward-Looking Statements

This Form 10-K 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 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;*
- *our substantial indebtedness and its effect on our results of operations and our financial condition;*
- *our ability to retain management and key personnel;*
- *our ability to enter into purchase agreements and acquisitions;*
- *our ability to maintain our relationships with our third party brokers and our dependence on their performance;*
- *public health crises, epidemics, and pandemics such as the coronavirus ("COVID-19") pandemic;*
- *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 avail ourselves of tax credits for the clean-up of coal refuse piles; and*
- *legislative or regulatory changes, and liability under, or any future inability to comply with, existing or future energy regulations or requirements.*

We caution you that the forward-looking statements contained in this Form 10-K 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, the COVID-19 pandemic and the other risks described in this Form 10-K. Should one or more of the risks or uncertainties described in this Form 10-K 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 Form 10-K 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-K 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-K.

Part I

Item 1. Business

Overview

Stronghold Digital Mining, Inc. ("Stronghold Inc.," the "Company," "we," "us," or "our") was incorporated as a

Delaware corporation on March 19, 2021. We are a vertically integrated crypto asset mining company currently focused on mining Bitcoin. We wholly-own and operate two low-cost, environmentally-beneficial coal refuse power generation facilities. The first is a facility that we upgraded in Scrubgrass Township, Pennsylvania, (the "Scrubgrass Plant") and it is recognized 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). We also have a facility in Nesquehoning, Pennsylvania (the "Panther Creek Plant") which is also recognized as an Alternative Energy System. We are committed to generating our energy and managing our assets sustainably, and we believe that we are one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations. Simply put, we employ 21st century crypto mining techniques to remediate the impacts of 19th and 20th century coal mining in some of the most environmentally neglected regions of the United States. We believe our power generation facilities are environmentally beneficial because we remove legacy coal refuse and facilitate the remediation of land and water, with power generation being the byproduct of this activity, and this is described in more detail under "Environmental Matters."

Owning our own source of power helps us to produce Bitcoin at one of the lowest prices among our publicly traded peers. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors. For example, we have been able to enter into partnerships with crypto asset industry participants, including miner sharing arrangements, because we offered competitive power rates in a mutually beneficial arrangement. We believe other miner manufacturers or suppliers may be more willing to work with us because our vertical integration and industrial scale make us a dependable partner. We have entered into a non-binding letter of intent to purchase a third coal refuse power generation facility (the "Third Plant"). We intend to leverage these competitive advantages to continue to grow our business through the opportunistic acquisition of additional power generating assets and miners. On March 28, 2022, we restructured the Hosting Agreement (as defined below) on favorable terms to obtain an additional 2,675 miners at cost of $37.5 per terahash (to be paid five months after delivery) and temporarily reduced profit share for this partner while incorporating performance thresholds until the data center build-out is complete.

As of March 24, 2022 we operate approximately 20,500 crypto asset miners with hash rate of approximately 1.9 exahash per second ("EH/s"). We also have in place purchase agreements for an additional 29,400 miners to be delivered with total hash rate capacity of approximately 3.0 EH/s, including 11,700 miners with total hash rate capacity of approximately 1.2 EH/s associated with the delayed and uncertain order from MinerVa Semiconductor Corp. ("MinerVa"). We anticipate this will bring our total hash rate capacity to over 4.3 EH/s by December 2022 if no additional miners are received from MinerVa. If all 11,700 of the remaining MinerVa miners are delivered before year end, we would estimate achieving a hash rate capacity of up to 5.5 EH/s at year end. We do not know when the remaining MinerVa miners will be delivered, if at all. Additionally, we are evaluating all available remedies under the MinerVa Purchase Agreement.

As we produce Bitcoin through our mining operations, we will from time to time exchange Bitcoins for fiat currency based on our internal cash management policy. We intend to hold enough fiat currency or hedge enough of our Bitcoin exposure to cover our projected near-term fiat currency needs, including liabilities and anticipated expenses and capital

expenditures. In identifying our fiat currency needs, we will assess market conditions and review our financial forecast. We safeguard and keep private our digital assets by utilizing storage solutions provided by Coinbase Global, NYDIG and Anchorage Digital, 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.

Our Competitive Strengths

- *Environmentally beneficial, coal refuse-powered electricity generation classified by the Commonwealth of Pennsylvania as a Tier II alternative energy source.* Our Scrubgrass Plant, the Panther Creek Plant and the Third Plant, respectively, are powered by coal refuse. Coal refuse is a waste product historically generated by coal mining in Pennsylvania and neighboring states, and coal refuse is a significant contributor to air and water pollution in these geographies. Because generating power from the coal refuse facilitates its removal and reclamation of the land, coal refuse is classified by the Commonwealth of Pennsylvania as a Tier II Alternative Energy Source, a classification that also applies to other energy sources such as large-scale hydropower. Both the Scrubgrass Plant and Panther Creek Plant are recognized as Alternative Energy Systems. In contrast, most of our competitors with integrated power assets rely on traditional fuels, such as coal or natural gas. Given the power-intensive nature of crypto asset mining and the implications for the environment with regards to the current widespread availability of coal refuse piles in Pennsylvania that may be used in the waste-to-power process, we believe that our access to inexpensive, environmentally-beneficial power represents a meaningful and durable competitive advantage. In addition, we believe that buyers of the Bitcoin we mine could ascribe value due to the environmentally-beneficial manner in which they were mined as it results in the removal of legacy coal refuse and facilitates the remediation of land and water, with power generation being the byproduct of this activity.
- *Vertically integrated crypto asset mining and power generation operations, driving among the lowest costs of crypto asset production in our industry.* We operate vertically integrated power generation and crypto asset mining operations. Our miners are located on the same premises as our Scrubgrass and Panther Creek Plants to maximize efficiency and minimize cost. The Scrubgrass and Panther Creeks Plants' recognition as Alternative Energy Systems also allows us to earn renewable energy tax credits ("RECs") under Pennsylvania law, and coal refuse is inexpensive and in abundant supply near our operations.
- *Strong track record of acquiring and operating power assets.* Our management team has a distinguished track record of sourcing, financing, and operating power assets. Gregory A. Beard, our Co-Chairman and Chief Executive Officer, previously served as Senior Partner and Head of Natural Resources at Apollo Global Management Inc. and as a Founding Member and Managing Director at Riverstone Holdings LLC, two leading private equity firms. During his private equity tenure, Mr. Beard sourced and led 23 energy investments, representing $8.8 billion in proceeds. William B. Spence, our Co-Chairman, has 40 years of energy-related experience. Mr. Spence was the owner and operator of Coal Valley/Dark Diamond, a coal refuse power generation facility, from 1993 to 2007. Mr. Spence was also the former independent operator of our Scrubgrass Plant prior to our formation.

Our Growth Strategies

- *Acquire additional environmentally-beneficial power generation assets.* We have entered into a non-binding letter of intent to purchase the Third Plant, which is a coal refuse plant. We also anticipate a favorable outcome of our ongoing due diligence of the Third Plant; however, there is no assurance that the acquisition of the Third Plant will be completed as such acquisition is subject to due diligence and the negotiation of a definitive agreement. Additionally, we are strategically considering acquisition opportunities for additional power assets. Powered by the Scrubgrass and Panther Creek Plants and potential subsequent power asset acquisitions, we have developed a plan to build out our aggregate mining capacity to approximately 300 megawatts ("MW") by the end of 2022

which is dependent on the acquisition of the Third Plant or other similarly situated power assets that remain subject to diligence and negotiation of definitive documents. We believe that our expected expansion of power generation capacity dedicated to Bitcoin mining is repeatable and scalable. With the extensive experience and relationships that our leadership team has in the industry, we have an acquisition pipeline of additional environmentally-friendly power assets, and we believe that the acquisition of additional power generation facilities will enable us to drive further growth in crypto asset mining.

- *Continue to opportunistically source new miners through our multiple procurement channels to accelerate our business plan and increase our mining capacity.* We have recently executed purchase orders for the acquisition of miners from a manufacturer, a Bitcoin mining and datacenter operator (for MicroBT miners), and multiple miner brokers (for Canaan and Bitmain Technologies Limited ("Bitmain") miners). We believe that these recent confirmed purchase orders demonstrate our ability to leverage the breadth of our relationships to expand our mining capacity. By operating the Scrubgrass and Panther Creek Plants at capacity and through the anticipated acquisition and buildout of the Third Plant, we would expect to grow our mining operations to approximately 4.3 EH/s by December 2022 if no additional miners are received from MinerVa. If all 11,700 of the remaining MinerVa miners are delivered before year end, we would estimate achieving a hash rate capacity of up to 5.5 EH/s at year end. We do not know when the remaining MinerVa miners will be delivered, if at all. We expect to benefit from these strong relationships to purchase additional miners on favorable economic terms as we continue to expand our power generation capacity through the acquisition of additional plants.
- *Drive operational excellence and structure alignment with key industry partners, including equipment manufacturers, power generation facility owners and the broader crypto currency and investment ecosystem.* We are committed to building the leading vertically integrated crypto asset mining and environmentally-beneficial power generation platform. To achieve this objective, we have developed a network of technology and service providers, and we are emphasizing long-term partnerships and equity alignment. For example, we believe that we negotiated favorable economic and delivery terms for the purchase of miners by providing an equity incentive to certain sellers of the miners, subject to meeting specified performance obligations. Similarly, our anticipated partnership with our Bitcoin mining and datacenter operator provides for sharing of the economic rights to Bitcoin produced by the partnership, motivating our partner to manage mining operations to achieve maximum efficiency. By aligning interests, we believe that we are driving operational excellence, thereby enabling further expansion and accelerating our growth.

Environmentally Beneficial Operations

The Scrubgrass Plant, our first power generation facility, is located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, and is recognized as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source. The Scrubgrass Plant currently has the capacity to produce approximately 83.5 MW of electricity utilizing circulating fluidized bed (“CFB”) technology. Our second facility, the Panther Creek Plant, is located on a 33-acre site in Nesquehoning, Pennsylvania, and is also recognized as an Alternative Energy System and has the capacity to produce approximately 80 MW of electricity utilizing CFB technology.

Using this CFB technology, the Scrubgrass Plant and Panther Creek Plant convert highly polluting coal refuse, a legacy waste from decades of coal mining currently found in sites throughout Pennsylvania and neighboring states, into power and also yield beneficial use ash, a by-product of the combustion process that can be used as fertilizer and filler in other reclamation projects.

The operation of our power generation facilities with coal refuse allows the reclamation of large geographic areas that have been ravaged by the presence of coal refuse, the environmentally harmful byproduct of Pennsylvania's legacy coal-mining operations. Coal refuse is a non-renewable fossil fuel constituting a Tier II Alternative Energy Source under Pennsylvania law, the combustion of which results in air emissions, including carbon dioxide ("CO2"), nitrogen oxides ("NOx"), sulfur dioxide and particulate matter, which are subject to regulation as pollutants under the federal Clean Air Act (as amended from time to time, the "CAA") and analogous state law. Tier I Alternative Energy Sources under Pennsylvania law include "clean" renewable sources such as solar photovoltaic energy, wind power, and low-impact hydropower, which sources do not result in the emission of regulated pollutants and generally are not subject to the same level of regulatory scrutiny. Nonetheless, the coal refuse targeted for combustion by us is from existing legacy coal refuse piles, and the refuse's conversion into a power source as well as the subsequent reclamation of the refuse pile areas constitute environmentally-beneficial aspects of our power generation facility, as we discuss herein. As coal refuse is not a renewable source, the sustainability of this waste-to-power process is dependent upon the continued availability of coal refuse for economic transport from former coal mines to our power generation facility. Additionally, we recognize that combustion of coal refuse results in offsetting adverse impacts to the environment, which impacts do not arise when using clean renewables such as Pennsylvania Tier I wind and solar photovoltaic energy sources.

Coal mining began in earnest in Pennsylvania in the later part of the 19th century to help meet the nation's growing demand for steel, and continued through the 20th century as Pennsylvania and other coal producing states mined the fuel needed to power the industrial revolution in the United States and fight two World Wars. While the placement of coal refuse became more strictly regulated with the passage of the Surface Mining Control and Reclamation Act of 1977 ("SMCRA"), the decades of operations prior to the SMCRA's adoption produced large piles of refuse near now-abandoned coal mining operations. The Pennsylvania Bureau of Abandoned Mine Reclamation ("BAMR") estimates that today there are 840 coal refuse sites, covering approximately 9,000 acres, filled by over 220 million tons of coal refuse in legacy piles located throughout the state. We estimate that, based on the number of coal refuse sites we are currently reclaiming in close proximity to the Scrubgrass Plant, there is at least 30 years' worth of fuel available for that plant alone. We expect the additional plants that we intend to acquire will also have access to a multi-year supply of coal refuse.

In 2015, Pennsylvania estimated that the cost to remediate Abandon Mine Land and Acid Mine Drainage ("AMD") sites in Pennsylvania could be as high as $20 billion, of which reclamation of coal refuse piles represented a $2 billion burden. Coal refuse piles produce significant, adverse local and regional environmental consequences, including the harmful leaching of acidity, iron and iron oxide, aluminum, manganese, and sulfate residues into waterways resulting in significant AMD. This leachate creates both surface water and groundwater contamination and produces streams, ponds and lakes that can be devoid of aquatic life. AMD is the largest non-point source water pollutant in these Pennsylvania communities and afflicts watersheds downstream from the coal refuse piles, while also reducing potable water supplies.

The coal refuse piles cover large areas of otherwise productive land and pose negative consequences for air quality in the surrounding communities. Uncontrolled fugitive dust from these piles creates particulate matter pollution and can act as a wind-borne pathogen, posing significant risks to human health. The piles themselves can also ignite. Wildfires, lightning strikes and campfires on the surface can quickly turn into bigger issues such as underground mine fires. Unattended piles can also spontaneously combust through an oxidation process that generates heat and consequently ignites the combustible components of piles. Burning piles, especially underground fires in the absence of oxygen, produce a variety of adverse uncontrolled ambient impacts, including smoke, particulate, and the release of poisonous and noxious gases – often at ground level. These gases, including carbon monoxide, CO2, hydrogen sulfide, sulfur dioxide, ammonia, sulfur trioxide, and NOx and a variety of volatile organic compounds – are all potentially harmful to human, animal and vegetative life. According to the Pennsylvania Department of Environmental Protection ("PADEP"), as of December 14, 2020, there were 40 coal refuse piles burning in Pennsylvania, and over the past decades hundreds of others have burned. PADEP has estimated that 6.6 million tons of coal refuse burn each year in unintended, uncontrolled fires, releasing 9

million tons of CO2 and numerous other air pollutants. When fires occur, the budgets of these environmentally and often economically challenged communities are hardest hit, and it may take years to extinguish the fire.

The CFB technology employed by the Scrubgrass Plant, Panther Creek Plant and other coal refuse reclamation facilities was developed to burn coal refuse and similar low-BTU substances by combining the waste with limestone injection for acid gas control in specialized CFB boilers and injecting streams of hot air. These units are also equipped with fabric filter systems to control filterable particulate matter ("FPM") emissions. The coal refuse-powered units control emissions of sulfur dioxide, NOx, air toxins, FPM and total particulate matter. These units are some of the lowest emitters of mercury and FPM in the nation. The solid materials are consumed in the combustion process and the by-products are steam, which powers electricity generators, and beneficial use ash, an inert non-acidic substance that can be used in remediation and reclamation activities. The removal, remediation and reclamation of the polluting piles contributes to a majority of the operating costs of one of these specialized power generation facilities. This business model results in the most efficient method to comprehensively remove the hazardous materials from the environment and remediate the polluting impacts.

Our ownership of the Scrubgrass and Panther Creek Plants combined with the environmental benefits which accrue to the region allow us to mine Bitcoin at what we believe to be some of the lowest costs in the industry while making a transformational contribution to the environment.

Low-Cost Power Generation

Given that the price of electricity has a significant impact on the ultimate economics and profitability of crypto asset mining, we believe long-term value is enabled primarily by the reduction of power costs and securing environmentally-beneficial power generation assets. Our miners are powered by the electricity produced by our own assets. This contributes to our value creation strategy, which is based on four concepts: (i) securing and operating low-cost, environmentally beneficial energy assets, (ii) protecting operational profitability and efficiently managing risk across different pricing environments, (iii) optimizing returns over invested capital through strategic and innovative sourcing of power and mining equipment (including through partnerships with suppliers) and (iv) potentially extending the economic life of our equipment through the use of low cost of power.

Due to the specialized nature of coal refuse power generation facilities that utilize CFB technology, we estimate the replacement cost for an electricity generation facility utilizing this technology that operates on the scale of our Scrubgrass Plant would be approximately $500 million.

As part of our strategy of securing environmentally beneficial power generation assets for crypto asset mining, we have entered into a non-binding letter of intent to purchase the Third Plant, another coal refuse reclamation-to-energy facility that utilizes CFP technology with 112 MW of net electricity generation capacity located in Pennsylvania. These facilities are each waste removal and environmental remediation businesses that generate and sell electricity to pay for the environmental reclamation work that they perform. We intend to opportunistically acquire such electricity generation assets to power our increasing crypto asset mining operations in an environmentally conscious manner.

Pennsylvania has deemed the reclamation of coal refuse sites as an environmental priority, and since the early 1990s an unofficial public-private-relationship has developed between the coal refuse reclamation to energy industry and the Commonwealth of Pennsylvania. In 2016, Pennsylvania adopted a performance based tax credit targeting coal refuse removal by alternative electricity generation facilities utilizing CFB technology, such as the Scrubgrass Plant, the Panther Creek Plant and the Third Plant. To qualify for the tax credit, 75% of the fuel used by these facilities must be qualified coal refuse, plant design must include CFB technology, utilizing limestone injection and a fabric filter for particulate emissions

control, ash produced by the facilities must be put to beneficial use as defined by PADEP, and, finally, at least 50% of that beneficial use ash must be used to reclaim coal mining affected sites.

Due to the environmental benefit produced by our facilities, we also qualify for Tier II RECs in Pennsylvania. These RECs are currently valued at approximately $11.00 per MWh. Particularly challenging and often remote piles also require partnerships with federal, state, and local environmental groups in order to accomplish the remediation and reclamation goals of a project. These projects include the use of federal grants combined with millions of private dollars invested by the coal refuse reclamation to energy project companies. Our coal refuse reclamation to energy facility has frequently partnered with the U.S. Department of the Interior's Office of Surface Mining Reclamation and Enforcement, BAMR and local environmental groups to remediate these piles. The Scrubgrass Plant has partnered with state agencies since the mid-1990s to identify and reclaim waste sites and have removed over 16 million tons from the environment since start of operations.

While crypto asset mining continues to consume a massive amount of energy worldwide, often generated from traditional and more environmentally harmful sources, we are able to conduct our activities in a manner that benefits both the environment and our profitability.

Mining Operations

As of March 24, 2022, we operate approximately 20,500 miners with hash rate of approximately 1.9 EH/s. Our current fleet comprises Bitmain, MicroBT, Canaan and MinerVa miners. These miners have hash rate capacity between 13 terahash per second ("TH/s") and 100 TH/s per miner and power consumption between approximately 1,300 watts and 3,500 watts per miner. We manage our fleet of miners through a combination of internal employees and outside contractors.

Through our innovative strategic initiatives and existing commercial relationships, we will continue to efficiently secure high-quality equipment necessary to maximize our operational advantages. Using our access to and control of environmentally-beneficial and low-cost power as leverage, our focus is on sourcing the latest crypto asset mining technology and engaging in transactions to align our interests with those of other key industry stakeholders, including equipment manufacturers and high-performance computing infrastructure managers. We are actively adding to our existing fleet of approximately 10,000 miners currently deployed at the Scrubgrass Plant as of March 24, 2022, with a hash rate capacity of approximately 0.9 EH/s, through the execution of definitive agreements. Based on our power capacity at the Scrubgrass Plant, we ultimately expect to house approximately 20,000 miners in our datacenters at the Scrubgrass Plant. As of March 24, 2022, we have a fleet of approximately 10,500 miners currently deployed at the Panther Creek Plant, and based on our power capacity at the Panther Creek Plant, we ultimately expect to house approximately 20,000 miners at the Panther Creek Plant. We plan to house our remaining anticipated miners at the Third Plant and one or more additional power generation asset(s). The acquisition of the Third Plant is subject to due diligence and the negotiation of a definitive agreement, and there is no assurance that the acquisition will be completed. Our location in the cooler Northeastern United States and access to cheap power allow us to cool our miners at lower cost than if we were located in warmer regions and also affords us the flexibility to buy power off the grid when the cost of such power is cheaper than our cost of production and sell power to the grid when prices are opportunistic or when called upon by the grid, resulting in our ability to maximize crypto asset mining operations through low variable costs and cost per MW. Our current focus is on mining Bitcoin, which we may convert to fiat currency to the extent necessary to fund our development.

Pursuant to the agreements that we have entered into to procure additional miners, we pre-paid significant portions of the purchase price for the new miners under each of the agreements, with the remainder of the payments due upon

confirmation of shipment or delivery of the miners. MinerVa substantially failed to deliver all of the miners under a purchase agreement we entered into with MinerVa dated April 2, 2021 (the "MinerVa Purchase Agreement") by the December 31, 2021 deadline. In December 2021, we extended the delivery deadline for the remaining MinerVa miners to April 2022, and in March 2022, MinerVa missed another delivery deadline. While we continue to engage in discussions with MinerVa on the delivery of the remaining miners, we do not know when the remaining MinerVa miners will be delivered, if at all.

While our focus is currently on Bitcoin, we may utilize our miners for other crypto assets depending on market conditions, including the relative values of such other crypto assets, and other factors. We intend to operate with flexibility and a goal of maximizing value from our operations. To this end, our business strategy continues to be acquiring power generating assets that allow us to generate electricity at competitive rates in an environmentally beneficial fashion, securing miners with the latest technology to utilize such power generation capabilities, and re-investing proceeds from our crypto asset mining operations in acquiring additional power generating assets and miners.

Environmental Matters

Our operations are subject to stringent federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste management and disposal and other environmental matters. Numerous governmental entities, including the U.S. Environmental Protection Agency (“EPA”) and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. The more significant of these existing environmental laws and regulations include the following U.S. legal standards, as amended from time to time:

• the CAA, which imposes standards that restrict the emission of air pollutants from many sources, imposes various pre-construction, operational, monitoring, permitting and reporting requirements, and that the EPA has relied upon as authority for adopting climate change regulatory initiatives relating to greenhouse gas (“GHG”) emissions;

• the Federal Water Pollution Control Act, also known as the Clean Water Act (“CWA”), which regulates discharges of pollutants from facilities to state and federal waters and establishes the extent to which waterways are subject to federal jurisdiction and rulemaking as protected waters of the United States;

• the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), which imposes liability on generators, transporters, disposers and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatening to occur;

• the Resource Conservation and Recovery Act (“RCRA”), which governs the generation, treatment, storage, transport and disposal of hazardous and nonhazardous solid waste, classifies coal combustion residuals (“CCRs”) as nonhazardous wastes, and establishes standards for landfill and surface impoundment placement, design, operation and closure, groundwater monitoring, corrective action, and post-closure care;

• the National Environmental Policy Act, which requires federal agencies to evaluate major agency actions (including their permitting and licensing decisions for siting approvals and other matters) having the potential to impact the environment and that may require the preparation of environmental assessments and more detailed environmental impact statements that may be made available for public review and comment; and

• the Toxic Substances Control Act, which gives EPA the authority to require reporting, recordkeeping and testing requirements, and to place restrictions relating to chemical substances and/or mixtures, including polychlorinated biphenyls.

Additionally, we are subject to state laws and regulations, including State Implementation Plans (“SIPs”), as well as local ordinances where we operate, that also have similar environmental laws and regulations governing many of these same types of activities. Under these federal and state legal requirements, owners or operators of air emission sources are

responsible for obtaining permits and for annual compliance and reporting tasks. Any failure by us to comply with these federal or state laws, regulations and regulatory initiatives or controls may result in the assessment of sanctions, including administrative, civil, and criminal penalties; the imposition of investigatory, remedial, and corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects; and the issuance of injunctions restricting or prohibiting some or all of our activities in a particular area. Historically, our environmental compliance costs have not had a material adverse impact on our financial condition and results of operations; however, there can be no assurance that such costs will not be material in the future.

Coal refuse is a non-renewable fossil fuel constituting a Tier II Alternative Energy Source under Pennsylvania law, the combustion of which results in air emissions, including CO2, NOx, sulfur dioxides and particulate matter, which emissions are subject to regulation as pollutants under the CAA and analogous state law. Additionally, improper management of coal residues following the combustion of coal refuse may result in contamination of soils, surface water and groundwater, which contamination is regulated under the federal RCRA, the CWA, and analogous state laws. Nonetheless, the coal refuse targeted for combustion by us is from existing legacy coal refuse piles, and the refuse's conversion into a power source as well as the subsequent reclamation of the refuse pile areas constitute environmentally beneficial aspects of our power generation facility. As the coal refuse is not a renewable source, the sustainability of such refuse in our power generation facility is dependent upon its continued existence and availability for economic transport from coal refuse piles in the state; moreover, acknowledging that combustion of coal refuse results in offsetting adverse impacts to the environment, our continued use of such refuse is dependent upon its continued inclusion as a Tier II Alternative Energy Source.

Over time, the trend in environmental laws and regulations is typically to place more restrictions and limitations on activities that may adversely affect the environment. Examples of environmental laws or regulatory initiatives that impact our ability to operate through the firing of coal refuse include the following:

Firing of Coal Refuse

The EPA published a final rule in April 2020 establishing a new subcategory in the Mercury and Air Toxic Standards ("MATS") applicable to a narrow set of power generation facilities that fire certain types of coal refuse found in the locality of inactive or abandoned mining operations, usually as tailings piles or spoil tips. The subcategory specifically applies to a limited set of existing electric utility steam generating units in Pennsylvania and West Virginia firing eastern bituminous coal refuse, which includes the Scrubgrass and Panther Creek Plants, and is only for emissions of acid gas hazardous air pollutants ("HAPs"). Without the continued existence of this subcategory under MATS, it may prove challenging for one or more of those power generation facilities covered under this subcategory to continue to operate in an economic manner. If the EPA were to reconsider the continued existence of the new subcategory, or if Pennsylvania, under applicable state law, were to implement more rigid standards in the future that limited the utility of this MATS subcategory, we and the other power generation facility operators covered under the current new subcategory could experience increased costs of complying with applicable requirements that could have material adverse impacts to our business and results of operations.

Coal Combustion Residuals

Pursuant to a 2015 EPA-published final rule regulating the disposal of CCR from electric utilities, CCR is classified as "nonhazardous waste" and allowed for beneficial use, with some restrictions. The regulation establishes standards in respect of design, structural integrity, assessment criteria, monitoring protection and remedial procedures for new and existing landfills and surface impoundments receiving CCR as well as existing surface impoundments located at stations generating electricity (regardless of fuel source), which were no longer receiving CCR but contain liquids as of the

effective date of the rule. This final rule was amended in 2018 (referred to as "Phase 1, Part 1") in regards to certain closure deadlines and groundwater protection standards but left unchanged the primary requirements for groundwater monitoring, corrective action, inspections and maintenance, and closure. The Phase I, Part 1 rule has been the subject of litigation by environmental groups, resulting in remand of the rule to EPA without vacatur, and pursuant to which EPA has issued rulemakings that, among other things, established an April 11, 2021 deadline to cease placement of CCR and non-CCR waste streams into unlined ash basins and initiate closure, and established procedures to allow facilities to request approval to operate an existing CCR surface impoundment with an alternate liner. A future rulemaking is expected by EPA to address legacy impoundments, CCR landfills and surface impoundments will also continue to be regulated by the states, including Pennsylvania.

National Ambient Air Quality Standards ("NAAQS")

Under the CAA, the EPA has set NAAQS for six principal pollutants considered harmful to public health and the environment, including ground-level ozone, particulate matter, nitrogen dioxide and sulfur dioxide, some of which may result from coal combustion. Each state must develop a plan to bring nonattainment areas for specific pollutants into compliance with the NAAQS, which may include imposing operating limits on individual plants. The EPA is required to review NAAQS at five-year intervals. For example, in 2015, the EPA issued a final rule under the CAA, making the NAAQS for ground-level ozone more stringent. Since that time, the EPA has issued area designations with respect to ground-level ozone and final requirements that apply to state, local, and tribal air agencies for implementing the 2015 NAAQS for ground-level ozone. However, in late 2020, the EPA under the Trump administration published notice of a final action that, upon conducting a periodic review of the ozone standard in accord with CAA requirements, elected to retain the 2015 ozone NAAQS without revision on a going-forward basis. This December 2020 final action is subject to legal challenge and the Biden administration has announced plans to reconsider the December 2020 final action in favor of a more stringent ground-level ozone NAAQS. State implementation of any revised, more stringent NAAQS could, among other things, result in modification of SIPs to detail how a state will attain or maintain its attainment status, which modification may require reductions of emissions from our power generation facility to reach attainment status for ground-level ozone, fine particulate matter, nitrogen dioxide or sulfur dioxide, result in longer permitting timeline, and cause us to incur compliance costs that could be material.

The Acid Rain Program

The CAA includes a cap-and-trade emission reduction program for sulfur dioxide emissions from power plants and requirements for power plants to reduce nitrogen oxides emissions through the use of available combustion controls, collectively called the Acid Rain Program. Historically, our compliance costs with respect to this program have not had a material adverse impact on our financial condition and results of operations; however, there can be no assurance that such costs will not be material in the future.

Cross-State Air Pollution

The Cross-State Air Pollution Rule ("CSAPR") requires 28 states in the eastern half of the United States, including Pennsylvania, to reduce power plant emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. A cap and trade system is used to reduce the target pollutants—sulfur dioxide and NOx. Our operations are subject to the CSAPR and comply through operation of existing controls and purchases of allowances on the open market, as needed. Beginning in 2016, 22 states, including Pennsylvania, have been the subject of EPA final rulemaking and associated legal actions focused primarily on federal implementation plans that both updated existing CSAPR nitrogen oxide ozone season emission budgets for electric generating units within those states and implemented those budgets through modifications to the CSAPR nitrogen oxide ozone season allowance trading program. Affected

facilities began to receive fewer ozone season nitric oxide allowances in 2017, resulting in the need to purchase additional allowances. More recently, in March 2021, the agency issued a final rule in which the agency found that the projected 2021 ozone season NOx emissions for 12 of those states (including Pennsylvania) significantly contribute to downwind states' nonattainment or maintenance problems for the 2008 ozone NAAQS and therefore created an additional geographic group and ozone season trading program for those 12 states (referred to as Group 3) that will be covered by a new CSAPR NOX Group 3 emissions budget, which Group 3 emissions budget is expected to result in fewer ozone season nitrogen allowances than previously allowed. The electric generating units covered by the federal implementation plans and subject to the Group 3 emissions budget are fossil-fired electric generating units with greater than 25 MW capacity. While our CSAPR compliance costs to date have been immaterial, the future availability of and cost to purchase allowances to meet the emission reduction requirements is uncertain at this time, but it could be material if our facility will need to purchase additional allowances based on reduced allocations.

Regional Haze

The EPA's "Regional Haze Rule" is intended to reduce haze and protect visibility in Class I federal areas, such as National Parks and wilderness areas, and sets guidelines for determining the best available retrofit technology ("BART") at affected plants and how to demonstrate "reasonable progress" toward attaining natural visibility conditions by the end of 2064. The Regional Haze Rule requires states to consider five factors when establishing BART for sources, including the availability of emission controls, the cost of the controls, and the effect of reducing emission on visibility in Class I areas. The Rule requires compliance within five years after the EPA approves the relevant SIP or issues a federal implementation plan, although individual states may impose more stringent compliance schedules. States, including Pennsylvania, were obligated to submit plans in mid-2021 for the second implementation period (covering years 2018 through 2028) for Regional Haze in Class I areas and those plans are subject to EPA review and approval. States may need to require additional emissions controls for visibility impairing pollutants, including on BART sources, during the second implementation period. We currently cannot predict the impact of this second implementation period, if any, on our operations.

Climate Change

In the United States, no comprehensive climate change legislation has been implemented at the federal level but President Biden has pursued executive actions, is expected to pursue additional executive actions, and may pursue new climate change legislation or other regulatory initiatives to promote his regulatory agenda and limit GHG emissions. Moreover, since the U.S. Supreme Court finding that GHG emissions constitute a pollutant under the CAA, the EPA adopted rules that, among other things, regulate GHG emissions from certain stationary sources, including a preconstruction permitting program for certain new construction or major modifications that may trigger more stringent GHG requirements upon modification of such sources, the costs of which may be material. Additionally, in 2015, the EPA issued a final rule establishing new source performance standards ("NSPS") for carbon dioxide emissions from newly constructed coal-fueled electric generating plants, which reflects the partial capture and storage of those emissions from the plants. The EPA also promulgated NSPS applicable to modified and reconstructed electric generating units, which will serve as a floor for future stringent standard determinations for such units. The NSPS could have an impact on our operations to the extent we plan to construct and/or modify or reconstruct electric generating units. In December 2018, the EPA published proposed revisions to the final NSPS for new, modified, and reconstructed coal-fired electric utility steam generating units proposing that the best system of emissions reduction for these units is highly efficient generation that would be equivalent to supercritical steam conditions for larger units and sub-critical steam conditions for smaller units, and not partial carbon capture and sequestration. Challenges to the GHG NSPS are being held in abeyance at this time.

More recently, in July 2019, the EPA adopted the final Emission Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units, known as the Affordable Clean Energy ("ACE") Rule. The 2019 ACE Rule established carbon dioxide emission rules for existing power plants under CAA Section 111(d) and replaced the EPA's more burdensome 2015 Clean Power Plan Rule. In accordance with the ACE Rule, the EPA determined that heat rate improvement measures are the best system of emissions reductions for existing coal-fired electric generating units. However, in January 2021, the D.C. Circuit Court vacated and remanded to the EPA the ACE Rule. It is possible that the Biden administration could initiate further regulatory actions on power plant GHG emissions, which action could result in the imposition of more stringent and costly actions on power plant operators.

At the international level, there exists the United Nations-sponsored "Paris Agreement," which is a non-binding agreement for nations to limit their greenhouse gas emissions through individually-determined reduction goals every five years after 2020. While the United States withdrew from the Paris Agreement under the Trump administration on November 7, 2020, President Biden issued an executive order recommitting the United States to the Paris Agreement, effective February 19, 2021. In accordance with the United States' re-entry into the Paris Agreement, in April 2021, President Biden announced a new, more rigorous nationally determined emissions reduction level of 50%-52% reduction from 2005 levels in economy-wide net GHG emissions by 2030. With the United States recommitting to the Paris Agreement, executive orders may be issued or federal legislation or regulatory initiatives may be adopted to achieve the agreement's goals, which could require us to incur increased, potentially significant, costs to comply with such requirements.

Litigation risks may also increase, as it is possible that states, municipalities and other parties, including proponents of renewable energy that are opposed to the burning of fossil fuels, including coal, seek to further restrict GHG emissions regardless of federal legislative and regulatory initiatives on the matter. Moreover, financial risks could increase, as stockholders and bondholders currently invested in fossil fuel energy companies concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy related sectors. Institutional investors who provide financing to fossil fuel energy companies also have become more attentive to sustainability issues and some of them may elect not to provide funding for fossil fuel energy companies. Limitation of investments in and financings for fossil fuel energy could result in reduced access to capital, higher costs of capital and the restriction, delay, or cancellation of development and production activities.

While we cannot predict the outcome of legislative or regulatory initiatives related to climate change, we anticipate that initiatives to reduce GHG emissions will continue to develop. Federal, state and international GHG and climate change initiatives, associated regulations or other voluntary commitments to reduce GHG emissions could adversely affect coal production and consumption, require the installation of emissions control technologies, increase the expense associated with the purchase of emissions reduction credits to comply with future emissions reduction programs, the expense of any future carbon tax, or limitations on the combustion of fossil fuels by a future national clean energy standard. Additionally, litigation, and financial risks may result in restrictions or cancellations in development and expansion activities or increases in the cost of consuming hydrocarbons and thereby reducing demand for fossil fuels, including coal. Moreover, the increased competitiveness of alternative energy sources (such as Tier I Alternative Energy Sources, including wind and solar photovoltaic) that do not generally have the adverse impact to the environment that is associated with the combustion of coal and also are not subject to as much regulatory scrutiny as are facilities that combust fossil fuels. Also, there is the possibility that financial institutions will be required to adopt policies that limit funding for fossil fuel energy companies as President Biden recently signed an executive order calling for the development of a climate finance plan and federal agencies under the Biden administration are pursuing activities to address climate-related risks in the financial sector. Finally, increasing concentrations of GHG in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods, rising sea levels and other climatic

vents. Consequently, one or more of these developments could have an adverse effect on our business, financial condition, results of operations, and cash flows.

Customers

We are not dependent on any one customer or group of customers, and no individual customer, or together with its affiliates, contributed on an aggregate basis 10% or more to our revenues. However, our business with Direct Energy Business Marketing LLC amounted to approximately 100% of our energy operations segment revenues for the years ended December 31, 2021 and 2020.

Remediation Activities

We conduct business on properties that have been used for coal-fired power generation facility operations for many years. The properties we own or operate were acquired from third parties whose actions with respect to the management and disposal or release of coal, wastes or other hazardous substances at or from such properties were not under our control prior to acquiring them. Additionally, we are responsible under applicable federal and state rules for the disposal of CCRs in operating landfills and surface impoundments and closure of such units associated with our operations, including location restrictions, design and operating criteria, groundwater monitoring, corrective action and closure requirements, and post-closure care. Under environmental laws and regulations such as CERCLA and the RCRA or analogous state laws, we could incur strict joint and several liability due to damages to natural resources or for remediating CCR, coal, wastes or other hazardous substances disposed of or released, including by prior owners or operators. Moreover, an accidental release of materials into the environment during the course of our operations may cause us to incur significant costs and liabilities. We also could incur costs related to the clean-up of third-party sites to which we sent regulated substances for disposal and for damages to natural resources or other claims related to releases of regulated substances at or from such third-party sites.

Cooling Water Intake

Our operations are subject to a variety of rules governing water use and discharge including, in particular, the CWA Section 316(b) rule issued by the EPA that seeks to protect fish and other aquatic organisms by requiring existing steam electric generating facilities to utilize the best technology available ("BTA") for cooling water intake structures. In 2014, the EPA published its final standards based on CWA Section 316(b) that require certain subject facilities to choose among seven BTA options to reduce fish impingement. In addition, certain facilities must conduct studies to assist permitting authorities to determine whether and what site-specific controls, if any, are required to reduce entrainment of aquatic organisms. It is possible that this decision-making process, which includes permitting and public input, could result in the need to install closed-cycle cooling systems (closed-cycle cooling towers), or other technology. Finally, the standards require that new units added to an existing facility to increase generation capacity are required to reduce both impingement and entrainment.

Coal-Fired Power Plant Wastewater Discharges

Current EPA regulations issued in 2020 limit the obligation of many coal-fired power plants to mitigate the discharge of lead, mercury and selenium, among other constituents, into surface waters. However, in July 2021, the EPA under the Biden administration announced plans to propose by 2022 a rulemaking that would impose more stringent standards on coal-fired power plants using steam to generate electricity. EPA estimates that the current timeline for issuance of a final rule will be by 2024, at the latest. Implementation of new rules imposing more stringent wastewater discharge limits for coal-fired power plants, including ours, could result in our incurring increased compliance costs.

Intellectual Property

We use specific hardware and software for our crypto asset mining operation. In certain cases, source code and other software assets may be subject to an open source license, as much technology development underway in this sector is open source. For these works, we intend to adhere to the terms of any license agreements that may be in place.

We do not currently own any patents in connection with our existing and planned blockchain and crypto asset related operations. In the future we may pursue patents in connection our blockchain and crypto assets, but do not have immediate plans to do so. We do expect to rely upon trade secrets, trademarks, service marks, trade names, copyrights and other intellectual property rights and expect to license the use of intellectual property rights owned and controlled by others. In addition, we have developed and may further develop certain proprietary software applications for purposes of our crypto asset mining operations.

Competition

In crypto asset mining, companies, individuals and groups generate units of crypto assets through mining. Miners can range from individuals to professional mining operations with dedicated datacenters. Miners may organize themselves in mining pools. The Company competes or may in the future compete with other companies that focus all or a portion of their activities on owning or operating crypto asset exchanges, developing programming for the blockchain, and mining activities. At present, the information concerning the activities of these enterprises is not readily available as the vast majority of the participants in this sector do not publish information publicly or the information may be unreliable. Published sources of information include “bitcoin.org” and “blockchain.info”; however, the reliability of that information and its continued availability cannot be assured.

Several public companies (traded in the U.S. and internationally), such as the following, may be considered to compete with us, although we believe there is no company, including the following, which engages in the same scope of activities with a focus on environmentally-beneficial operations as we do.

- Overstock.com Inc.
- Bitcoin Investment Trust
- Blockchain Industries, Inc. (formerly Omni Global Technologies, Inc.)
- Bitfarms Technologies Ltd. (formerly Blockchain Mining Ltd)
- DMG Blockchain Solutions Inc.
- Digihost International, Inc.
- Hive Blockchain Technologies Inc.
- Hut 8 Mining Corp.
- HashChain Technology, Inc.
- MGT Capital Investments, Inc.
- DPW Holdings, Inc.
- Layer1 Technologies, LLC
- Northern Data AG
- Riot Blockchain
- Marathon Patent Corporation

While there is limited available information regarding our non-public competitors, we believe that our recent acquisition and deployment of miners (as discussed further above) positions us well among the publicly traded companies involved in the crypto asset mining industry. The crypto asset industry is a highly competitive and evolving industry and new competitors and/or emerging technologies could enter the market and affect our competitiveness in the future.

Human Capital Resources

As of March 24, 2022, we had 16 employees, all of which are full-time. On November 2, 2021, Stronghold Digital Mining Holdings, LLC ("Stronghold LLC") entered into the Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services will employ certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. As of March 24, 2022, the Panther Creek Plant and the Scrubgrass Plant employed a cumulative amount of 126 employees, all of which are full-time. We are not a party to any collective bargaining agreements.

Item 1A. Risk Factors

Summary Risk Factors

Investing in our Class A common stock involves risks. You should carefully read the section of this Form 10-K entitled "Risk Factors" beginning on page 18 for an explanation of these risks before investing in our Class A common stock. In particular, the following considerations may offset our competitive strengths or have a negative effect on our strategy or operating activities, which could cause a decrease in the price of our Class A common stock and a loss of all or part of your investment.

- We have a hybrid business model which is highly dependent on the price of Bitcoin. A decline in the price of Bitcoin could result in significant losses.
- If we fail to effectively manage our growth or to raise additional capital needed to grow our business, our business, financial condition and results of operations may be harmed.
- We have an evolving business model which is subject to various uncertainties.
- The loss of any of our management team could adversely affect our business.
- We may be unable to successfully enter into definitive purchase agreements for or close on the additional plants or miners described herein, or any other potential acquisitions.
- We are dependent on third-party brokers and direct suppliers to source some of our miners.
- If we are unable to comply with the covenants or restrictions contained in our debt agreements, the lenders could declare all amounts outstanding under those agreements to be due and payable and foreclose on their collateral, which could materially adversely affect our financial condition and operations.
- Our existing operations and future development plans require substantial capital expenditures, and we will require additional financing to fund our operations. We may be unable to obtain additional financing.
- As a result of the depressed price of Bitcoin as compared to its historical high, the cryptocurrency industry has experienced increased credit pressures. These credit pressures could materially and adversely impact our liquidity.
- Some of our suppliers are delayed in delivering already paid for miners which is having a material adverse effect on our business.
- We may not be able to procure ordered and paid for miners on the schedules set forth in our definitive agreements due to circumstances beyond our control such as supply chain issues, manufacturing delays, force majeure events, changing global regulations, and supply shortages.
- If crypto assets are determined to be investment securities, we may inadvertently violate the Investment Company Act of 1940, as amended (the "Investment Company Act"), and incur large losses and potentially be required to register as an investment company.
- Regulatory changes or actions may alter the nature of an investment in us or restrict the use of Bitcoin in a manner that adversely affects our business, prospects or operations.
- The open-source structure of the certain crypto asset network protocol, including Bitcoin, means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and

developing the protocol. A failure to properly monitor and upgrade the protocol could damage that network and an investment in us.

- The further development and acceptance of crypto asset networks and other crypto assets are subject to a variety of factors that are difficult to evaluate.
- We may not be able to compete with other companies, some of whom have greater resources and experience.
- The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.
- The loss or destruction of private keys required to access any crypto assets held in custody for our own account may be irreversible.
- The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.
- The Bitcoin reward for successfully uncovering a block will halve several times in the future and Bitcoin value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.
- Our future success will depend upon the value of Bitcoin; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.
- Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.
- If the Bitcoin reward for solving blocks and transaction fees is not sufficiently high, we may not have an adequate incentive to continue mining and may cease mining operations.
- The limited rights of legal recourse against us, and our lack of insurance protection expose us and our stockholders to the risk of loss of our crypto assets for which no person is liable.
- Natural or man-made events may cause our power production to fall below our expectations.
- We may not be able to operate the power generation facility as planned.
- Land reclamation requirements may be burdensome and expensive.
- Changes in tax credits related to coal refuse power generation could have a material adverse effect on our business, financial condition, results of operations and future development efforts.
- Competition in power markets may have a material adverse effect on our results of operations, cash flows and the market value of our assets.
- Because our power-generating reclamation facility is a member of PJM Interconnection (“PJM”), a regional transmission organization, we may be required to supply power to the grid at a time that is not optimal to our operations.
- Our business is subject to substantial energy regulation, and we are required to obtain, and to comply with, government permits and approvals.
- Our operations involving the combustion of coal refuse are subject to a number of risks arising out of the threat of climate change and environmental laws and regulations relating to emissions and management of coal residues following combustion, which could result in increased operating and capital costs for us and reduce the extent of our business activities.
- Operation of power generation facilities involves significant risks and hazards.
- We are a holding company whose sole material asset is our equity interests in Stronghold LLC; accordingly, we will be dependent upon distributions from Stronghold LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses.
- We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls.
- If we fail to remediate the material weakness in our internal control over financial reporting or experience any additional material weaknesses in the future or otherwise fail to develop or maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations.
- A small group of individuals own a significant amount of our voting stock, and their interests may conflict with those of our other stockholders.
- In certain cases, payments under the Tax Receivable Agreement ("TRA") may be accelerated and/or significantly exceed the actual benefits, if any, Stronghold Inc. realizes.

- Future sales of our Class A common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.
- We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks were to actually occur, our business, financial condition, results of operations could be materially and adversely affected. The headings provided in this Item 1A. are for convenience and reference purposes only and shall not affect or limit the extent or interpretation of the risk factors. See "Risk Factors" immediately following this summary for a more thorough discussion of these and other risks and uncertainties we face.

Risk Factors

Risks Related to Our Business

We have a limited operating history, with operating losses as we have grown.

We have undergone a transformation of our business in recent years and began Bitcoin mining in May 2018. We have experienced recurring losses from operations in prior years. Our Bitcoin mining business is in its early stages, and Bitcoin and energy pricing and Bitcoin mining economics are volatile and subject to uncertainty. Our current strategy will continue to expose us to the numerous risks and volatility associated with the Bitcoin mining and power generation sectors, including fluctuating Bitcoin to U.S. Dollar prices, the costs of Bitcoin miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations and regulatory changes.

We have a hybrid business model which is highly dependent on the price of Bitcoin. A decline in the price of Bitcoin could result in significant losses.

We have a hybrid business model. We are an independent power generation company that maintains the flexibility to both sell power to PJM, a regional transmission organization that coordinates the movement of wholesale electricity in all or part of 13 states and the District of Columbia, at higher prices and draw on PJM at lower prices. During 2018 and 2019, we began providing Bitcoin mining services to third parties and also began operating our own Bitcoin mining equipment to generate Bitcoin, which we then exchange for U.S. Dollars. If the dollar value of Bitcoin decreases, we could incur future losses and these losses could be significant as we incur costs and expenses associated with recent investments and potential future acquisitions, as well as legal and administrative related expenses. We are closely monitoring our cash balances, cash needs and expense levels, but significant expense increases may not be offset by a corresponding increase in revenue or a significant decline in Bitcoin prices could significantly impact our financial performance. Our mining operations are costly and our expenses may increase in the future. This expense increase may not be offset by a corresponding increase in revenue. Our expenses may be greater than we anticipate, and our investments to make our business more efficient may not succeed and may outpace monetization efforts. Increases in our costs without a corresponding increase in our revenue would increase our losses and could seriously harm our business and financial performance.

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

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

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

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

We operate two coal refuse power generation facilities and crypto asset mining operations in Pennsylvania and are seeking to acquire additional power generation facilities in and around Pennsylvania. We also manufacture StrongBoxes, our proprietary modular data center containers that house our miners. As crypto assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. Future regulations may require us to change our business in order to comply fully with federal and state laws regulating power generation, crypto asset (including Bitcoin) mining, or provision of Bitcoin and crypto asset mining services to third parties. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify or expand aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business.

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

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

Our future success also depends in large part on our ability to attract, retain and motivate key management and operating personnel. Following our initial public offering ("IPO"), and the closing of the Panther Creek Acquisition (as defined below), we entered into the Omnibus Services Agreement whereby an affiliate of Olympus Power, LLC (together with its affiliates, "Olympus") is responsible for employing certain personnel to operate the Panther Creek Plant and Scrubgrass Plant. If the Omnibus Services Agreement is terminated for any reason, we would be required to hire the personnel to operate these plants or find replacement personnel, and we may have difficulty finding replacement personnel to operate these plants if that becomes necessary.

Further, as we continue to develop and expand our operations, we may require personnel with different skills and experiences, and who have a sound understanding of our business and the Bitcoin industry. The market for highly qualified personnel in this industry is very competitive and we may be unable to attract such personnel. If we are unable to attract such personnel, our business could be harmed. William Spence, Co-Chairman of our Board, is a pancreatic cancer survivor and is currently in remission. Mr. Spence is continuing to fulfill his responsibilities as the Co-Chairman with no interruption. At this time, no organizational changes related to Mr. Spence’s health are planned or anticipated.

Our management team has limited experience managing a public company.

Members of our management team have limited experience serving as executive officers or directors of a public company and interacting with public company investors, and may not have experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws as well as the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business and financial performance.

We may be unable to successfully enter into definitive purchase agreements for or close on the additional plants or miners described herein, or any other potential acquisition, on the terms described or at all.

There is no assurance that we will enter into a definitive purchase agreement for the additional plants or miners described herein, or any other potential acquisition. We could determine through a market analysis, a review of historical and projected financial statements of the company or other due diligence that the target assets do not meet our investment standards. We also may be unable to come to an agreement. Additionally, there is no assurance that we will successfully close an acquisition once a purchase agreement has been signed, or that we will realize the expected benefits from any potential acquisition.

We have entered into a non-binding letter of intent with Olympus for the purchase of the Third Plant, a coal refuse plant with 112 MW of net electricity generation capacity located in Pennsylvania. The acquisition of the Third Plant is subject to further due diligence and negotiation of a definitive agreement, and there is no assurance we will enter into a definitive agreement with Olympus relating to such acquisition. Furthermore, should we enter into a definitive agreement with Olympus for the acquisition of the Third Plant, we anticipate that the consummation of any potential transaction will be subject to a number of conditions, and there can be no assurances that such conditions will be satisfied or waived or that the transaction will be completed in a timely manner or at all. While we are considering strategic acquisitions of additional power assets, we have not identified, and there are no assurances that we will be able to identify or acquire, additional power assets. If we do not acquire additional power assets, certain of the miners that we have purchased to date may not be utilized, and we may not achieve our anticipated hash rates.

We are dependent on third-party brokers and direct suppliers to source some of our miners, and failure to properly manage these relationships, or the failure of these brokers or suppliers to perform as expected, could have a material adverse effect on our business, prospects or operations.

We currently rely on third-party brokers and direct suppliers to source some of our miners. We have no assurance that business interruptions will not occur as a result of the failure or delay by these brokers or suppliers to perform as expected, including the failure to locate acceptable or sufficient miners for our purchase, even if we have paid for the miners partially or in full at the time of order or at any point prior to delivery. One of our suppliers has failed to deliver contractually obligated miners, which has resulted in a significantly lower than expected hash rate and has had a material adverse effect on our business as of the year end and is expected to continue into 2022. Many of the competitors in our industry have also been purchasing mining equipment at scale, which has caused a world-wide shortage of mining equipment and extended the corresponding delivery schedules for new miner purchases. We cannot ensure that our brokers or suppliers will continue to perform services to our satisfaction or on commercially reasonable terms. The recent increased demand for miners has also limited the supply of miners that brokers may source for us. Our brokers or suppliers may also decline our orders to fulfill those of our competitors, putting us at competitive harm. There are no assurances that any miner manufacturers will be able to keep pace with the surge in demand for mining equipment. Further, resource constraints or regulatory actions could also impact our ability to obtain and receive miners. For example, China has been experiencing power shortages, and certain of our miner suppliers have been impacted by related intermittent power outages. Additionally, certain companies, including Bitmain and MinerVa, may move their production of miners out of China and into other countries following the September 2021 blanket ban on crypto mining and transactions by Chinese regulators. Such power outages and production relocations could result in cancellations or delays and may negatively impact our ability to receive mining equipment on a timely basis or at all. Additional and escalating wars, strife and unrest around the globe could also negatively impact our business and the ability of our suppliers to deliver miners. If our brokers or suppliers are not able to provide the agreed services at the level of quality and quantity we require or become unable to handle the volume of miners we seek, we may not be able to replace such brokers or suppliers in a timely manner. Any delays, interruption or increased costs could have a material adverse effect on our business, prospects or operations.

We cannot predict the outcome of the legal proceedings with respect to our current and past business activities. An adverse determination could have a material adverse effect on our business, financial condition and results of operations.

We are involved in legal proceedings, claims and litigation arising out of our business operations, including disputes with suppliers of raw materials to our power generation facility, with truckers on whom we rely for the delivery of coal refuse and other raw materials, labor and employment disputes, and other commercial disputes. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

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

The COVID-19 virus has had unpredictable and unprecedented impacts in the United States and around the world. The World Health Organization has declared the outbreak of COVID-19 as a “pandemic,” or a worldwide spread of a new disease. Many countries around the world have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus. During 2020 and 2021, in the United States, federal, state and local governments enacted restrictions on travel, gatherings, and workplaces, with exceptions made for essential workers and businesses. We are still assessing the effect on our business from COVID-19 and any actions implemented by the federal, state and local governments. We may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs. If we are unable to effectively service our miners, our ability to mine Bitcoin will be adversely affected as miners go offline, which would have an adverse effect on our business and the results of our operations.

China has limited the shipment of certain products in and out of its borders, which could negatively impact our ability to receive mining equipment from China-based suppliers. Third-party manufacturers, suppliers, sub-contractors and customers have been and may continue to be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our existing miners, as well as any new miners we purchase, may be delayed. As our miners require repair or become obsolete and require replacement, our ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. Supply chain disruptions could therefore negatively impact our operations. If not resolved quickly, the impact of the COVID-19 global pandemic could have a material adverse effect on our business.

Risks Related to Our Indebtedness and Liquidity

We will require additional financings to fund our operations, which we may be unable to obtain

We may continue to operate at negative cash flow from operations throughout the remainder of 2022. We expect to need to raise additional capital to continue to maintain or expand our operations, pursue our growth strategies, fund needed capital expenditures, and to respond to competitive pressures or working capital requirements. We may not be able to obtain additional debt or equity financing or sell assets on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our Class A common stock could decline. Furthermore, the holders of any debt we incur would have priority over the holders of our Class A common stock in order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness or require us to maintain specified liquidity or other financial ratios or other terms that may not be in the best interests of our stockholders. The failure to obtain additional debt or equity financing or sell assets on satisfactory terms could materially and adversely affect our financial condition, results of operations and business plans.

Our substantial indebtedness could adversely affect our results of operations and financial condition and prevent us from fulfilling our financial obligations.

As of December 31, 2021 and March 28, 2022, we had consolidated indebtedness of $68.5 million and $117.8 million, respectively. Our outstanding indebtedness could have important consequences such as:

- limiting our ability to obtain additional financing to fund growth, such as mergers and acquisitions; working capital; capital expenditures; debt service requirements; future asset and power-generation facility purchases; or other cash requirements, either on more favorable terms or at all;
- requiring much of our cash flow to be dedicated to interest or debt repayment obligations and making it unavailable for other purposes;
- causing us to need to sell assets or properties at inopportune times;
- exposing us to the risk of increased interest costs if the underlying interest rates rise on our variable rate debt;
- limiting our ability to invest operating cash flow in our business (including to obtain new assets and power-generation facilities or make capital expenditures) due to debt service requirements;
- limiting our ability to compete effectively with companies that are not as leveraged and that may be better positioned to withstand economic downturns, operational challenges and fluctuations in the price of cryptocurrency;
- limiting our ability to acquire new assets and power-generation facilities needed to conduct operations; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and general economic and market conditions.

We may incur substantially more debt in the future. If our indebtedness is further increased, the related risks that we now face, including those described above, would increase. In addition to the principal repayments on outstanding debt, we have other demands on our cash resources, including significant maintenance and other capital expenditures and operating expenses. Our ability to pay our debt depends upon our operating performance. If we do not have enough cash to satisfy our debt service obligations, we may be required to refinance all or part of our debt, restructure our debt, sell assets, limit certain capital expenditures, or reduce spending or we may be required to issue equity at prices that dilute our existing shareholders. Whether or not those kinds of actions are successful, we might seek protections of applicable bankruptcy laws. We may not be able to, at any given time, refinance our debt or sell assets and we may not be able to, at any given time, issue equity, in either case on acceptable terms or at all. Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. As a result, if we were to seek certain restructuring transactions, either within or outside of Chapter 11, our creditors would experience better returns as compared to our equityholders. Any of these actions could have a material adverse effect on the value of our equity.

If we are unable to comply with the covenants or restrictions contained in our debt agreements, the lenders could declare all amounts outstanding under those agreements to be due and payable and foreclose on their collateral, which could materially adversely affect our financial condition and operations.

Our debt agreements include covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, pay dividends or make other restricted payments, create liens on assets, make investments, loans or advances, make acquisitions, engage in mergers or consolidations and engage in certain transactions with affiliates. These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. In addition, substantially all of our borrowed money obligations are secured by certain of our assets.

A failure to comply with any restrictions or covenants in our debt agreements could have serious consequences to our financial condition or result in a default under those debt agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these debt agreements and to foreclose upon collateral securing the debt. Furthermore, an event of default or an acceleration under one of our debt agreements could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. Moreover, certain of our debt agreements are collateralized by miners that have not yet been received, and because those agreements have events of default tied to the timing of delivery of such miners, and delays in the miner delivery could result in events of default or cross accelerations, or cause cross-default, under our debt agreements. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. We may not be granted waivers or other amendments to these debt agreements if for any reason we are unable to comply with these debt agreements, and we may not be able to refinance our debt on terms acceptable to us, or at all.

As a result of the depressed price of Bitcoin as compared to its historical high, the cryptocurrency industry has experienced increased credit pressures that could result in additional demands for credit support by third parties or decisions by banks, surety bond providers, investors or other companies to reduce or eliminate their exposure to Bitcoin and the cryptocurrency industry as a whole, including our company. These credit pressures could materially and adversely impact our liquidity.

Our business is heavily dependent on the spot price of Bitcoin. The prices of cryptocurrencies, including Bitcoin, have experienced substantial volatility, meaning that high or low prices may be based on speculation and incomplete information, may be subject to rapidly changing investor sentiment, and may be influenced by factors such as technology, regulatory void or changes, fraudulent actors, manipulation, and media reporting. For example, the price of Bitcoin ranged from a low of approximately $30,000 to a high of approximately $68,000 during 2021, and has ranged from approximately $35,000 to approximately $47,000 year-to-date as of March 24, 2022.

Ongoing depressed cryptocurrency prices, including the recent decrease to the price of Bitcoin, have resulted in, and could result further in, increased credit pressures on the cryptocurrency industry. These credit pressures, have had a material impact on our business, include, for example, banks, investors and other companies reducing or eliminating their exposure to the cryptocurrency industry. While many of these pressures are directed to the cryptocurrency industry in general, we have had to amend our credit facility with WhiteHawk Finance LLC ("WhiteHawk") because of delays in the delivery of miners collateralizing the agreement..

Our existing operations and future development plans require substantial capital expenditures, which we may be unable to provide.

Our existing operations and future plans are dependent upon our acquisitions of additional assets and power-generations facilities, and maintenance of our current assets and facilities, which require substantial capital expenditures. We have experienced higher than-anticipated maintenance costs related to one of our plants, and we may continue to experience higher than-anticipated maintenance costs for any of our plants in the future. We also require capital for, among other purposes:

- equipment and the development of our mining operations, including acquiring miners and datacenter buildouts;
- capital renovations;
- maintenance and expansions of plants and equipment; and
- compliance with environmental laws and regulations.

To the extent that cash on hand and cash generated from operations are not sufficient to fund capital requirements, we will require proceeds from asset sales or additional debt or equity financing. However, the opportunity to sell assets or obtain additional debt or equity financing may not be available to us or, if available, may not be available on satisfactory terms. Additionally, our debt agreements may restrict our ability to obtain such financing. If we are unable to obtain additional capital, we may not be able to maintain or increase our existing hashing rates and we could be forced to reduce or delay capital expenditures or change our business strategy, sell assets or restructure or refinance our indebtedness, all of which could have a material adverse effect on our business or financial condition.

Regulatory Related Risks

If we were deemed to be an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations.

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act, a company generally will be deemed to be an "investment company" for purposes of the Investment Company Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the Investment Company Act.

As the sole managing member of Stronghold LLC, we control and operate Stronghold LLC. On that basis, we believe that our interest in Stronghold LLC is not an "investment security" as that term is used in the Investment Company Act. However, if we were to cease participation in the management of Stronghold LLC, our interest in Stronghold LLC could be deemed an "investment security" for purposes of the Investment Company Act. We and Stronghold LLC intend to conduct our operations so that we will not be deemed an investment company.

Additionally, we believe that we are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. As a result of our investments and our crypto asset mining activities, it is possible that the investment securities we hold in the future could exceed 40% of our total assets, exclusive of cash items and, accordingly, we could determine that we have become an inadvertent investment company. To date the SEC staff have treated Bitcoin as a commodity, but it is possible that the SEC may deem Bitcoins and other crypto assets an investment security in the future, although we do not believe any of the Bitcoin we own, acquire or mine are securities. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of December 31, 2021, we do not believe we are an inadvertent investment company. If we do become an inadvertent investment company in the future, we may take actions to cause the investment securities held by us to be less than 40% of our total assets, which may include acquiring assets with our cash and Bitcoin on hand or liquidating our investment securities or Bitcoin or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner. Liquidating our investment securities or Bitcoin could result in losses.

As the Rule 3a-2 exception is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

Classification as an investment company under the Investment Company Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive and would require a restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Further, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the Investment Company Act regime. The cost of such compliance would result in the Company incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations. Furthermore, our classification as an investment company could adversely affect our ability to engage in future combinations, acquisitions or other transactions on a tax-free basis.

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

Our business is subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, crypto asset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, crypto assets and related technologies. As a result, they do not contemplate or address unique issues associated with the cryptoeconomy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the cryptoeconomy requires us to exercise our judgement as to whether certain laws, rules and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. To the extent we have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As Bitcoin has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the CFTC, SEC, FinCEN and the Federal Bureau of Investigation ("FBI")) have begun to examine the operations of the Bitcoin network, Bitcoin users and the Bitcoin exchange market. Regulatory developments and/or our business activities may require us to comply with certain regulatory regimes. For example, to the extent that our activities cause us to be deemed a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement certain anti-money laundering programs, make certain reports to FinCEN and maintain certain records.

Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations.

Blockchain technology may expose us to specially designated nationals or blocked persons or cause us to violate provisions of law.

We are subject to the rules enforced by The Office of Financial Assets Control of the US Department of Treasury (“OFAC”), including regarding sanctions and requirements not to conduct business with persons named on its specially designated nationals list. However, because of the pseudonymous nature of blockchain transactions, we may inadvertently and without our knowledge engage in transactions with persons named on OFAC’s specially designated nationals list.

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

As crypto assets have grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies and public advocacy groups have been examining the operations of crypto networks, users and platforms, with a focus on how crypto assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold crypto assets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer

advisories describing the risks posed by crypto assets to users and investors. For instance, in July 2019, then-U.S. Treasury Secretary Steven Mnuchin stated that he had "very serious concerns" about crypto assets. In recent months, members of Congress have made inquiries into the regulation of crypto assets, and Gary Gensler, Chair of the SEC, has made public statements regarding increased regulatory oversight of crypto assets. Outside the United States, several jurisdictions have banned so-called initial coin offerings, such as China and South Korea, while Canada, Singapore, Hong Kong, have opined that token offerings may constitute securities offerings subject to local securities regulations. In July 2019, the United Kingdom's Financial Conduct Authority proposed rules to address harm to retail customers arising from the sale of derivatives and exchange-traded notes that reference certain types of crypto assets, contending that they are "ill-suited" to retail investors due to extreme volatility, valuation challenges and association with financial crimes. In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading, and in September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. In January of 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading, and on March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for currencies.

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

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

The SEC and its staff have taken the position that certain crypto assets fall within the definition of a "security" under the U.S. federal securities laws. To date, the SEC staff have treated Bitcoin as a commodity. The legal test for determining whether any given crypto asset is a security is a highly complex, fact-driven analysis that evolves over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular crypto asset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ether are securities (in their current form). Bitcoin and Ether are the only crypto assets as to which senior officials at the SEC have publicly expressed such a view. Moreover, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other crypto asset. With respect to all other crypto assets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given crypto asset is a security in April 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC.

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

acceptance of the crypto asset. Also, it may make it difficult for such supported crypto asset to be traded, cleared, and custodied as compared to other crypto assets that are not considered to be securities.

Our interactions with a blockchain may expose us to SDN or blocked persons and new legislation or regulation could adversely impact our business or the market for cryptocurrencies.

The Office of Financial Assets Control ("OFAC") of the U.S. Department of Treasury requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals ("SDN") list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions with persons named on OFAC's SDN list. Our policy prohibits any transactions with such SDN individuals, and while we have internal procedures in place, we may not be adequately capable of determining the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Moreover, the use of cryptocurrencies, including Bitcoin, as a potential means of avoiding federally-imposed sanctions, such as those imposed in connection with the Russian invasion of Ukraine. For example, on March 2, 2022, a group of United States Senators sent the Secretary of the United States Treasury Department a letter asking Secretary Yellen to investigate its ability to enforce such sanctions vis-à-vis Bitcoin, and on March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for cryptocurrencies. We are unable to predict the nature or extent of new and proposed legislation and regulation affecting the cryptocurrency industry, or the potential impact of the use of cryptocurrencies by SDN or other blocked or sanctioned persons, which could have material adverse effects on our business and our industry more broadly. Further, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties as a result of any regulatory enforcement actions, all of which could harm our reputation and affect the value of our common stock.

Our business is subject to substantial energy regulation and may be adversely affected by legislative or regulatory changes, as well as liability under, or any future inability to comply with, existing or future energy regulations or requirements.

Our business is subject to extensive U.S. federal, state and local laws. Compliance with, or changes to, the requirements under these legal and regulatory regimes may cause us to incur significant additional costs or adversely impact our ability to compete on favorable terms with competitors. Failure to comply with such requirements could result in the shutdown of a non-complying facility, the imposition of liens, fines, and/or civil or criminal liability and/or costly litigations before the agencies and/or in state of federal court.

The regulatory environment has undergone significant changes in the last several years due to state and federal policies affecting wholesale competition and the creation of incentives for the addition of large amounts of new renewable generation and, in some cases, transmission. These changes are ongoing, and we cannot predict the future design of the wholesale power markets or the ultimate effect that the changing regulatory environment will have on our business. In addition, in some of these markets, interested parties have proposed material market design changes, including the elimination of a single clearing price mechanism, as well as proposals to reinstate the vertically-integrated monopoly model of utility ownership or to require divestiture by generating companies to reduce their market share. If competitive restructuring of the electric power markets is reversed, discontinued, delayed or materially altered, our business prospects and financial results could be negatively impacted. In addition, since 2010, there have been a number of reforms to the regulation of the derivatives markets, both in the United States and internationally. These regulations, and any further changes thereto, or adoption of additional regulations, including any regulations relating to position limits on futures and other derivatives or margin for derivatives, could negatively impact our ability to hedge its portfolio in an efficient, cost-effective manner by, among other things, potentially decreasing liquidity in the forward commodity and derivatives markets or limiting our ability to utilize non-cash collateral for derivatives transactions.

Our combustion of coal refuse is subject to environmental laws and regulations relating to emissions and management of coal residues following combustion that could increase our costs of doing business and adversely impact our business, financial condition and results of operations.

Our operations are subject to stringent federal, state and local laws and regulations governing air and water quality, hazardous and solid waste disposal and other environmental matters. Compliance with these requirements requires significant expenditures for the installation, maintenance and operation of pollution control equipment, monitoring systems and other equipment or facilities. Furthermore, there is increased focus by the current Biden administration in pursuing a clean energy plan in Congress that would seek to increase electric power generation from renewable sources such as wind, solar, nuclear and hydro energy in replacement of power from fossil fuel sources, including coal. Additionally, the Biden administration has stated it has a goal to achieve a carbon pollution-free electric power sector by 2035 and to put the United States on a path to a net-zero carbon emissions economy by 2050. See "Business – Environmental Matters" for more

discussion on these matters. Our obligation to comply with these new regulatory requirements limiting emissions from the combustion of fossil fuels is described in the “Business – Environmental Matters” could adversely impact our operations, increase our environmental compliance costs and potentially reduce the extent of our business, any of which could have a material adverse effect on our business, results of operations and financial condition.

Our operations involving the combustion of coal refuse are subject to a number of risks arising out of the threat of climate change, which could result in increased operating and capital costs for us and reduce the extent of our business activities.

The threat of climate change continues to attract considerable attention in the United States and foreign countries and, as a result, our operations are subject to regulatory, political, litigation and financial risks associated with the use of fossil fuels, including coal refuse, and emission of GHGs). The Biden administration has already issued a series of executive orders and regulatory initiatives focused on climate change, including rejoining the Paris Agreement, pursuant to which the administration has announced a goal of halving U.S. GHG emissions by 2030. See “Business – Environmental Matters” for more discussion on the risks associated with attention to the threat of climate change and restriction of GHG emissions. New or amended legislation, executive actions, regulations or other regulatory initiatives pertaining to GHG emissions and climate change, as described in the "Business - Environmental Matters" section, could result in the imposition of more stringent standards on us with respect to our GHG emissions could result in increased compliance costs or costs of consuming fossil fuels, including coal refuse. Additionally, political, financial and litigation risks may result in us restricting, delaying or canceling the extent of our business activities, incurring liability for infrastructure damages as a result of climatic changes, or impairing the ability to continue to operate in an economic manner. Fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternative energy sources (such as Pennsylvania’s Tier I Alternative Energy Sources, including solar photovoltaic energy, wind power, and low-impact hydropower) that do not generally have the adverse impact to the environment that is associated with the combustion of coal and also are not subject to as much regulatory scrutiny as are facilities that combust fossil fuels could also reduce demand for coal refuse power generation facility activities. The occurrence of one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

Our cost of compliance with existing and new environmental laws relating to the combustion of coal refuse could have a material adverse effect on us.

We are subject to extensive environmental regulation by governmental authorities, including the EPA, and state environmental agencies and/or attorneys general. We may incur significant additional costs beyond those currently contemplated to comply with these regulatory requirements. If we fail to comply with these regulatory requirements, we could be forced to reduce or discontinue operations or become subject to administrative, civil or criminal liabilities and fines. Existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions, all of which could result in significant additional costs beyond those currently contemplated to comply with existing requirements. Any of the foregoing could have a material adverse effect on us.

The EPA has recently finalized or proposed several regulatory actions establishing new requirements for control of certain emissions from sources, including electricity generation facilities. In the future, the EPA may also propose and finalize additional regulatory actions that may adversely affect our existing generation facility or our ability to cost-effectively develop new generation facilities. There is no assurance that the currently installed emissions control equipment at our generation facility will satisfy the requirements under any future EPA or state environmental regulations. Future federal and/or state regulatory actions could require us to install significant additional control equipment, resulting in potentially material costs of compliance for our generation units, including capital expenditures, higher operating and fuel costs and potential production curtailments. These costs could have a material adverse effect on us.

We may not be able to obtain or maintain all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals, if we fail to obtain, maintain or comply with any such approval or if an approval is retroactively disallowed or adversely modified, the operation of our generation facility could be stopped, disrupted, curtailed or modified or become subject to additional costs. Any such stoppage, disruption, curtailment, modification or additional costs could have a material adverse effect on us.

In addition, we may be responsible for any on-site liabilities associated with the environmental condition of facilities that we have acquired, leased, developed or sold, regardless of when the liabilities arose and whether they are now known or unknown. In connection with certain acquisitions and sales of assets, we may obtain, or be required to provide,

indemnification against certain environmental liabilities. Another party could, depending on the circumstances, assert an environmental claim against us or fail to meet its indemnification obligations to us.

We could be materially and adversely affected if current regulations are implemented or if new federal or state legislation or regulations are adopted to address global climate change, or if we are subject to lawsuits for alleged damage to persons or property resulting from greenhouse gas emissions.

There is attention and interest nationally and internationally about global climate change and how GHG emissions, such as CO2, contribute to global climate change. Over the last several years, the U.S. Congress and state and federal authorities have considered and debated several proposals intended to address climate change using different approaches, including a cap on carbon emissions with emitters allowed to trade unused emission allowances (cap-and-trade), a tax on carbon or GHG emissions, incentives for the development of low-carbon technology and federal renewable portfolio standards. A number of federal and state court cases have been filed in recent years asserting damage claims related to GHG emissions, and the results in those proceedings could establish adverse precedent that might apply to companies (including us) that produce GHG emissions. See "Business – Environmental Matters" for more discussion on the risks arising from the threat of climate change and restriction of GHG emissions. We could be materially and adversely affected if new federal and/or state legislation or regulations are adopted to address global climate change or if we are subject to lawsuits for alleged damage to persons or property resulting from GHG emissions.

The availability and cost of emission allowances due to the cost of coal refuse could adversely impact our costs of operations.

We are required to maintain, through either allocations or purchases, sufficient emission allowances for sulfur dioxide, CO2 and NOx to support our operations in the ordinary course of operating our power generation facilities. These allowances are used to meet the obligations imposed on us by various applicable environmental laws. If our operational needs require more than our allocated allowances, we may be forced to purchase such allowances on the open market, which could be costly. If we are unable to maintain sufficient emission allowances to match our operational needs, we may have to curtail our operations so as not to exceed our available emission allowances or install costly new emission controls. As we use the emission allowances that we have purchased on the open market, costs associated with such purchases will be recognized as operating expense. If such allowances are available for purchase, but only at significantly higher prices, the purchase of such allowances could materially increase our costs of operations in the affected markets.

Our future results may be impacted by changing customer and stakeholder expectations and demands including heightened emphasis on environmental, social and governance concerns.

Our business outcomes are influenced by the expectations of our customers and stakeholders. Those expectations are based on the core fundamentals of reliability and affordability but are also increasingly focused on our ability to meet rapidly changing demands for new and varied products, services and offerings. Additionally, the risks of global climate change continues to shape our customers' and stakeholders' sustainability goals and energy needs. Failure to meet those expectations or to adequately address the risks and external pressures from regulators, investors and other stakeholders may impact favorable outcomes in future rate cases and our results of operations.

Crypto Asset Mining Related Risks

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

The Bitcoin network, for example, operates based on an open-source protocol maintained by contributors, largely on the Bitcoin Core project on GitHub. As an open source project, Bitcoin is not represented by an official organization or authority. As the Bitcoin network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the Bitcoin network protocol. Although the MIT Media Lab's Digital Currency Initiative funds the current maintainer Wladimir J. van der Laan, among others, this type of financial incentive is not typical. The lack of guaranteed financial incentive for contributors to maintain or develop the Bitcoin network and the lack of guaranteed resources to adequately address emerging issues with the Bitcoin network may reduce incentives to address the issues adequately or in a timely manner. Changes to a crypto asset network which we are mining on may adversely affect an investment in us.

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

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

- continued worldwide growth in the adoption and use of crypto assets as a medium to exchange;
- governmental and quasi-governmental regulation of Bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin network or similar crypto asset systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network, including software updates and changes to network protocols that could introduce bugs or security risks;
- the increased consolidation of contributors to the Bitcoin blockchain through mining pools;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting crypto assets for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to crypto assets;
- environmental restrictions on the use of power to mine Bitcoin and a resulting decrease in global Bitcoin mining operations;
- an increase in Bitcoin transaction costs and a resultant reduction in the use of and demand for Bitcoin; and
- negative consumer sentiment and perception of Bitcoin specifically and crypto assets generally.

The outcome of these factors could have negative effects on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations as well as potentially negative effect on the value of any Bitcoin we mine or otherwise acquire or hold for our own account, which would harm investors in our securities.

Our reliance on a third-party mining pool service provider for our mining revenue payouts may have a negative impact on our operations such as a result of cyber-attacks against the mining pool operator and/or our limited recourse against the mining pool operator with respect to rewards paid to us.

We receive crypto asset mining rewards from our mining activity through a third-party mining pool operator. Mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network. The rewards are distributed by the pool operator, proportionally to our contribution to the pool's overall mining power, used to generate each block. Should the pool operator's system suffer downtime due to a cyber-attack, software malfunction or other similar issues, it will negatively impact our ability to mine and receive revenue. Furthermore, we are dependent on the accuracy of the mining pool operator's record keeping to accurately record the total processing power provided to the pool for a given Bitcoin mining application in order to assess the proportion of that total processing power we provided.

While we have internal methods of tracking both our power provided and the total used by the pool, the mining pool operator uses its own recordkeeping to determine our proportion of a given reward. We have little means of recourse against the mining pool operator if we determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for our efforts, which would have an adverse effect on our business and operations.

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

Although a number of significant U.S. banks and investment institutions, such as Goldman Sachs, Citi Group, J. P. Morgan and BlackRock, allow customers to carry and invest in Bitcoin and other crypto assets, the acceptance and use by banks of crypto assets, including Bitcoin, varies. Additionally, a number of companies and individuals or businesses associated with crypto assets may have had and may continue to have their existing banking services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to crypto assets has been to exclude their use for ordinary consumer transactions. In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. In September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including banking services and overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. However, in 2020, the Office of the Comptroller of the Currency of the U.S. Treasury Department announced that national banks and federal savings associations may provide crypto asset custody services for customers. While we expect Bitcoin to continue to gain greater acceptance by banks and investment institutions, we cannot accurately predict the level and scope of services that these institutions will offer to businesses engaging in Bitcoin or other crypto asset related activities.

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

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

A disruption of the Internet may affect the use of Bitcoin and other crypto assets and subsequently the value of our Class A common stock. Generally, Bitcoin and our business of mining Bitcoin is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of Bitcoin and our ability to mine Bitcoin.

The impact of geopolitical and economic events on the supply and demand for crypto assets, including Bitcoin, is uncertain.

Geopolitical crises may motivate large-scale purchases of Bitcoin and other crypto assets, which could increase the price of Bitcoin and other crypto assets rapidly. Our business and the infrastructure on which our business relies is vulnerable to damage or interruption from catastrophic occurrences, such as war, civil unrest, terrorist attacks, geopolitical events, disease, such as the COVID-19 pandemic, and similar events. Specifically, the uncertain nature, magnitude, and duration of hostilities stemming from Russia's recent military invasion of Ukraine, including the potential effects of sanctions limitations, retaliatory cyber-attacks on the world economy and markets, and potential shipping delays, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in Bitcoin as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, Bitcoin, which is relatively new, is subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our Class A common stock. Political or economic crises may motivate large-scale acquisitions or sales of Bitcoin either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

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

China has historically been the world's largest producer of Bitcoin and has housed the large majority of the world's crypto asset mining power (some observers estimate that China produced as high as 80% of the world's crypto asset mining power at certain points in time). In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. In September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. In January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading. We cannot quantify the effects of this regulatory action on our industry as a whole. If further regulation follows, it is possible that our industry may not be able to cope with the sudden and extreme loss of mining power.

Additionally, in May 2021, a bill was presented to the New York Senate's Environmental Conservation Committee that would have established a three-year moratorium on the operation of cryptocurrency mining centers pending an environmental impact study on the greenhouse gas emissions caused by the Bitcoin mining industry in the State of New York but that bill failed to pass the state assembly in June 2021. On March 8, 2022, President Biden announced an executive order on cryptocurrencies which seeks to establish a unified federal regulatory regime for cryptocurrencies. Because we are unable to influence or predict future regulatory actions taken by governments in China, the United States, or elsewhere, we may have little opportunity or ability to respond to rapidly evolving regulatory positions which may have a materially adverse effect on our industry and, therefore, our business and results of operations. If further extreme regulatory action is taken by various governmental entities, our business may suffer and investors in our securities may lose part or all of their investment.

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

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

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

Our current mining operations in Venango County in Western Pennsylvania and Carbon County in Eastern Pennsylvania are, and any future mining operations we establish will be, subject to a variety of risks relating to physical condition and operation, including:

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

For example, our mining operations could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the facilities where are miners are located. The security and other measures we take to protect against these risks may not be sufficient. Our property insurance covers both plant and mining equipment, and includes business interruption for both power plant and mining operations, subject to certain deductibles. Therefore, our insurance may not be adequate to cover the losses we suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mines in our network, such mines may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be

derived from such mines. The potential impact on our business is currently magnified because we are only operating from a single location.

Acceptance and/or widespread use of Bitcoin and other crypto assets is uncertain.

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

The relative lack of acceptance of Bitcoin in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of Bitcoin we mine or otherwise acquire or hold for our own account.

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

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

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

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

The decentralized nature of the governance of crypto asset systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many crypto asset systems is by voluntary consensus and open competition with no clear leadership structure or authority. To the extent lack of clarity in corporate governance of the Bitcoin system leads to ineffective decision making that slows development and growth of Bitcoin, the value of our securities may be adversely affected.

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

Although currently crypto assets generally are not regulated or are lightly regulated in most countries, countries such as China and Russia have taken harsh regulatory action to curb the use of crypto assets and may continue to take regulatory action in the future that could severely restrict the right to acquire, own, hold, sell or use these crypto assets or to exchange them for fiat currency. In September 2021, China instituted a blanket ban on all crypto transactions and mining, including services provided by overseas crypto exchanges in mainland China, effectively making all crypto-related activities illegal in China. In other nations, including Russia, it is illegal to accept payment in Bitcoin or other crypto assets for consumer transactions, and banking institutions are barred from accepting deposits of Bitcoin. In January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading. Such restrictions may adversely affect us as the large-scale use of Bitcoin as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects, or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, ultimately harming investors.

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

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

Crypto assets may have concentrated ownership and large sales or distributions by holders of such crypto assets could have an adverse effect on the market price of such crypto asset.

As of December 31, 2020, the largest 100 Bitcoin wallets held approximately 14% of the Bitcoins in circulation. Moreover, it is possible that other persons or entities control multiple wallets that collectively hold a significant number of Bitcoins, even if they individually only hold a small amount, and it is possible that some of these wallets are controlled by the same person or entity. Similar or more concentrated levels of concentrated ownership may exist for other crypto assets as well. As a result of this concentration of ownership, large sales or distributions by such holders could have an adverse effect on the market price of Bitcoin and other crypto assets.

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

We compete with other users and/or companies that are mining Bitcoin and other potential financial vehicles, including securities backed by or linked to Bitcoin through entities similar to us. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in other financial vehicles, or to invest in Bitcoin directly, which could limit the market for our shares and reduce their liquidity. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to us and impact our ability to successfully pursue our strategy or operate at all, or to establish or maintain a public market for our securities. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

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

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Our business utilizes presently existent digital ledgers and blockchains and we could face difficulty adapting to emergent digital ledgers, blockchains, or

alternatives thereto. This may adversely affect us and our exposure to various blockchain technologies and prevent us from realizing the anticipated profits from our investments. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account, and harm investors.

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

Crypto assets are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the crypto assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the crypto assets held in such a wallet. To the extent that any of the private keys relating to our hot wallet or cold storage containing crypto assets held for our own account or for our customers is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the crypto assets held in the related wallet. Further, we cannot provide assurance that our wallet will not be hacked or compromised. Digital assets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' crypto assets could adversely affect our ability to access or sell our crypto assets, and subject us to significant financial losses. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt our brand and reputation, result in significant losses, and adversely impact our business. The total value of crypto assets in our possession and control is significantly greater than the total value of insurance coverage that would compensate us in the event of theft or other loss of funds.

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

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

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

The global market for Bitcoin is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which Bitcoin is mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in Bitcoin or tracking Bitcoin markets form and come to represent a significant proportion of the demand for Bitcoin, large redemptions of the securities of those vehicles and the subsequent sale of Bitcoin by such vehicles could negatively affect Bitcoin prices and therefore affect the value of the Bitcoin inventory we hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

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

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC, and various bodies formed to promulgate and interpret

appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Further, there has been limited precedents for the financial accounting of crypto assets and related valuation and revenue recognition, and no official guidance has been provided by the FASB or the SEC. As such, there remains significant uncertainty on how companies can account for crypto asset transactions, crypto assets, and related revenue. Uncertainties in or changes to in regulatory or financial accounting standards could result in the need to changing our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

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

Our mining operations can only be successful and ultimately profitable if the costs of mining Bitcoin, including hardware and electricity costs, associated with mining Bitcoin are lower than the price of a Bitcoin. As our mining facility operates, our miners experience ordinary wear and tear and general hardware breakdown, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. The physical degradation of our miners will require us to, over time, replace those miners which are no longer functional. Furthermore, a small number of miners delivered to date have not performed at the levels we initially anticipated; these and any future unanticipated performance issues could negatively affect our operating results. Additionally, as the technology evolves, we may be required to acquire newer models of miners to remain competitive in the market. Reports have been released which indicate that players in the mining equipment business adjust the prices of miners according to Bitcoin mining revenues, so the cost of new machines is unpredictable but could be extremely high. As a result, at times, we may obtain miners and other hardware from third parties at premium prices, to the extent they are available. In order to keep pace with technological advances and competition from other mining companies, it will be necessary to purchase new miners, which will eventually need to be repaired or replaced along with other equipment from time to time to stay competitive. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis. Also, because we expect to depreciate all new miners, our reported operating results will be negatively affected.

The global supply chain for Bitcoin miners is presently constrained due to unprecedented demand coupled with a global semiconductor (including microchip) shortage and further exacerbated due to the COVID-19 pandemic, with a significant portion of available miners being acquired by companies with substantial resources. Semiconductors are utilized in various devices and products and are a crucial component of miners; supply chain constraints coupled with increasing demand has led to increased pricing and limited availability for semiconductors. Prices for both new and older models of miners have been on the rise and these supply constraints are expected to continue for the foreseeable future. China, a major supplier of Bitcoin miners, has seen a production slowdown as a result of COVID-19. One of our suppliers, MinerVa, was unable to meet its original delivery schedule of 15,000 miners under an agreement entered into in April 2021 that provided for the delivery of such miners by December 31, 2021, due to supply chain, manufacturing and other issues. In December 2021, we extended the delivery date of the remaining approximately 14,000 miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and has only delivered approximately 3,200 of the originally scheduled 15,000 miners. We do not know when the remaining MinerVa miners will be delivered, if at all. As a result, we may write off some or all of the undelivered MinerVa miners, which could have a material adverse effect on our business and financial condition. Should continued disruptions to the global supply chain for Bitcoin hardware occur, we may not be able to obtain adequate replacement parts for our existing miners or to obtain additional miners on a timely basis, if at all, or we may only be able to acquire miners at premium prices. Such events could have a material adverse effect on our ability to pursue our strategy, which could have a material adverse effect on our business and the value of our securities.

Moreover, we may experience unanticipated disruptions to operations or other difficulties with our supply chain due to volatility in regional markets where our miners are sourced, particularly China and Taiwan, changes in the general macroeconomic outlook, political instability, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war or natural disasters. For example, our business operations may be adversely affected by the current and future political environment in the Communist Party of China. China's government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. In September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. Our ability to source miners from

China may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs and other matters.

We may not adequately respond to price fluctuations and rapidly changing technology, which may negatively affect our business.

Competitive conditions within the Bitcoin industry require that we use sophisticated technology in the operation of our business. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. We may not be successful, generally or relative to our competitors in the Bitcoin industry, in timely implementing new technology into our systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into our operations, we may experience system interruptions and failures during such implementation. Furthermore, there can be no assurances that we will recognize, in a timely manner or at all, the benefits that we may expect as a result of our implementing new technology into our operations. As a result, our business and operations may suffer, and there may be adverse effects on the value of our securities.

The Bitcoin reward for successfully uncovering a block will halve several times in the future and Bitcoin value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.

Halving is a process incorporated into many proof-of-work consensus algorithms that reduces the coin reward paid to miners over time according to a pre-determined schedule. This reduction in reward spreads out the release of crypto assets over a long period of time resulting in an ever smaller number of coins being mined, reducing the risk of coin-based inflation. At a predetermined block, the mining reward is cut in half, hence the term "halving." For Bitcoin, the reward was initially set at 50 Bitcoin currency rewards per block and this was cut in half to 25 on November 28, 2012 at block 210,000, then again to 12.5 on July 9, 2016 at block 420,000. The most recent halving for Bitcoin happened on May 11, 2020 at block 630,000 and the reward reduced to 6.25. The next halving will likely occur in 2024. This process will reoccur until the total amount of Bitcoin currency rewards issued reaches 21 million, which is expected around 2140. While Bitcoin price has had a history of price fluctuations around the halving of its rewards, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of Bitcoin or a proportionate decrease in mining difficulty does not follow these anticipated halving events, the revenue we earn from our Bitcoin mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

Our future success will depend upon the value of Bitcoin and other crypto assets; the value of Bitcoin may be subject to pricing risk and has historically been subject to wide swings.

Our operating results will depend on the value of Bitcoin because it is the only crypto asset we currently mine. Specifically, our revenues from our Bitcoin mining operations are based on two factors: (1) the number of Bitcoin rewards we successfully mine and (2) the value of Bitcoin. In addition, our operating results are directly impacted by changes in the value of Bitcoin, because under the value measurement model, both realized and unrealized changes will be reflected in our statement of operations (i.e., we will be marking Bitcoin to fair value each quarter). This means that our operating results will be subject to swings based upon increases or decreases in the value of Bitcoin. Further, our current miners are principally utilized for mining Bitcoin and do not generally mine other crypto assets, such as Ether, that are not mined utilizing the "SHA-256 algorithm." If other crypto assets were to achieve acceptance at the expense of Bitcoin causing the value of Bitcoin to decline, or if Bitcoin were to switch its proof of work encryption algorithm from SHA-256 to another algorithm for which our miners are not specialized, or the value of Bitcoin were to decline for other reasons, particularly if such decline were significant or over an extended period of time, our operating results would be adversely affected, and there could be a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations, and harm investors.

The market price of Bitcoin, which has historically and recently been volatile and is impacted by a variety of factors (including those discussed herein), is determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of Bitcoin, or our share price, inflating and making their market prices more volatile or creating "bubble" type risks for both Bitcoin and shares of our securities.

Demand for Bitcoin is driven, in part, by its status as the most prominent and secure crypto asset. It is possible that crypto assets other than Bitcoin could have features that make them more desirable to a material portion of the crypto asset user base, resulting in a reduction in demand for Bitcoin, which could have a negative impact on the price of Bitcoin and adversely affect an investment in us.

Bitcoin, as an asset, holds "first-to-market" advantages over other crypto assets. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest mining power in use to secure its blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a crypto asset's network and its blockchain; as a result, the advantage of more users and miners makes a crypto asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

Despite the marked first-mover advantage of the Bitcoin network over other crypto asset networks, it is possible that another crypto asset could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin network protocol that is not immediately addressed by the Bitcoin contributor community or a perceived advantage of an altcoin that includes features not incorporated into Bitcoin. If a crypto asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin's market share as well as other crypto assets we may become involved in and have a negative impact on the demand for, and price of, such crypto assets and could adversely affect an investment in us. It is possible that we will mine alternative crypto assets in the future, but we may not have as much experience to date in comparison to our experience mining Bitcoin, which may put us at a competitive disadvantage.

We may not be able to realize the benefits of forks. Forks in a crypto asset network may occur in the future which may affect the value of Bitcoin held by us.

To the extent that a significant majority of users and miners on a crypto asset network install software that changes the crypto asset network or properties of a crypto asset, including the irreversibility of transactions and limitations on the mining of new crypto asset, the crypto asset network would be subject to new protocols and software. However, if less than a significant majority of users and miners on the crypto asset network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "fork" of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the crypto asset running in parallel, yet lacking interchangeability and necessitating exchange-type transaction to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a crypto asset, blockchains with the greatest amount of hashing power contributed by miners or validators; or blockchains with the longest chain. A fork in the Bitcoin network could adversely affect an investment in our securities or our ability to operate.

We may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect an investment in our securities. If we hold Bitcoin at the time of a hard fork into two crypto assets, industry standards would dictate that we would be expected to hold an equivalent amount of the old and new assets following the fork. However, we may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, we may determine that there is no safe or practical way to custody the new asset, that trying to do so may pose an unacceptable risk to our holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new crypto asset exceed the benefits of owning the new crypto asset. Additionally, laws, regulation or other factors may prevent us from benefiting from the new asset even if there is a safe and practical way to custody and secure the new asset.

There is a possibility of Bitcoin mining algorithms transitioning to proof of stake validation and other mining related risks, which could make us less competitive and ultimately adversely affect our business and the value of our stock.

Proof of stake is an alternative method for validating Bitcoin transactions. Should Bitcoin's algorithm shift from a proof of work validation method to a proof of stake method, mining would require less energy and may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. We, as a result of our efforts to optimize and improve the efficiency of our Bitcoin mining operations, may be exposed to the risk in the future of losing the benefit of our capital investments and the competitive advantage we hope to gain form this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. Such events could have a material adverse effect on our ability to continue as a going concern or

to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

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

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on any crypto asset network, including the Bitcoin network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new crypto assets or transactions using such control. Using alternate blocks, the malicious actor could "double-spend" its own crypto assets (i.e., spend the same crypto assets in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power or the crypto asset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in us.

For example, in late May and early June 2014, a mining pool known as GHash.io approached and, during a 24- to 48-hour period in early June may have exceeded, the threshold of 50% of the processing power on the Bitcoin network. To the extent that GHash.io did exceed 50% of the processing power on the network, reports indicate that such threshold was surpassed for only a short period, and there are no reports of any malicious activity or control of the blockchain performed by GHash.io. Furthermore, the processing power in the mining pool appears to have been redirected to other pools on a voluntary basis by participants in the GHash.io pool, as had been done in prior instances when a mining pool exceeded 40% of the processing power on the Bitcoin network.

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

Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.
As with any computer code generally, flaws in crypto asset codes, including Bitcoin codes, may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitations of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite our efforts and processes to prevent breaches, our devices, as well as our miners, computer systems and those of third parties that we use in our operations, are vulnerable to cyber security risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our miners and computer systems or those of third parties that we use in our operations. As technological change occurs, the security threats to our cryptocurrencies will likely change and previously unknown threats may emerge. Human error and the constantly evolving state of cybercrime and hacking techniques may render present security protocols and procedures ineffective in ways which we cannot predict. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

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

As the number of Bitcoins awarded for solving a block in a blockchain decreases, our ability to achieve profitability worsens. Decreased use and demand for Bitcoin rewards may adversely affect our incentive to expend processing power to solve blocks. If the award of Bitcoin rewards for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease our mining operations. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to a blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on a blockchain, potentially permitting such actor

or botnet to manipulate a blockchain in a manner that adversely affects our activities. A reduction in confidence in the confirmation process or processing power of the network could result and be irreversible. Such events could have a material adverse effect on our ability to continue to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin we mine or otherwise acquire or hold for our own account.

Transactional fees may decrease demand for Bitcoin and prevent expansion that could adversely impact an investment in us.

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

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

The award of new Bitcoin for solving blocks continually declines, so that Bitcoin miners must invest in increasing processing power in order to maintain or increase their yield of Bitcoin. If the pricing of Bitcoin were to decline significantly, there can be no assurance that we would be able to recover our investment in the computer hardware and processing power required to upgrade our mining operations. There can, moreover, be no assurance that we will have the resources to upgrade our processing power in order to maintain the continuing profitability of our mining operations. Also, the developers of the Bitcoin network or other programmers could propose amendments to the network's protocols and software that, if accepted, might require us to modify our Bitcoin operations, and increase our investment in Bitcoin, in order to maintain profitability. There can be no assurance, however, that we will be able to do so.

Bitcoin mining is capital intensive.

Remaining competitive in the Bitcoin mining industry requires significant capital expenditure on new chips and other hardware necessary to increase processing power as the Bitcoin network difficulty increases. If we are unable to fund our capital expenditures, either through our revenue stream or through other sources of capital, we may be unable to remain competitive and experience a deterioration in our result of operations and financial condition.

Our crypto assets may be subject to loss, damage, theft or restriction on access. Additionally, incorrect or fraudulent cryptocurrency transactions may be irreversible.

There is a risk that part or all of our crypto assets could be lost, stolen or destroyed. Crypto assets are stored in crypto asset sites commonly referred to as "wallets" which may be accessed to exchange a holder's crypto assets. Access to our Bitcoin assets could also be restricted by cybercrime (such as a denial of service attack) against a service at which we maintain a hosted wallet. We believe that our crypto assets will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal our crypto assets. Hackers or malicious actors may attempt to steal Bitcoins, such as by attacking the Bitcoin network source code, exchange miners, third-party platforms, storage locations or software, our general computer systems or networks, or by other means. We cannot guarantee that we will prevent loss, damage or theft, whether caused intentionally, accidentally or by act of God. Access to our crypto assets could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). Any of these events may adversely affect the Company's operations and, consequently, an investment in us.

Further, it is possible that, through computer or human error, theft or criminal action, our crypto assets could be transferred in incorrect amounts or to unauthorized third parties or accounts. In general, Bitcoin transactions are irrevocable, and stolen or incorrectly transferred cryptocurrencies may be irretrievable, and we may have extremely limited

or no effective means of recovering such Bitcoins. As a result, any incorrectly executed or fraudulent Bitcoin transactions could adversely affect our business.

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

The crypto assets held by us are not insured. Therefore, a loss may be suffered with respect to our crypto assets which is not covered by insurance and for which no person is liable in damages which could adversely affect our operations and, consequently, an investment in us.

Digital assets held by us are not subject to FDIC or SIPC protections.

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

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

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

Power Generation Related Risks

Our financial performance, as relating to both our power sales and Bitcoin mining operations, may be impacted by price fluctuations in the wholesale power market, as well as fluctuations in coal markets and other market factors that are beyond our control.

Our revenues, cost of doing business, results of operations and operating cash flows generally may be impacted by price fluctuations in the wholesale power market and other market factors beyond our control. Market prices for power, capacity, ancillary services, natural gas, coal and oil are unpredictable and tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility due to supply and demand imbalances, especially in the day-ahead and spot markets. Long- and short-term power prices may also fluctuate substantially due to other factors outside of our control, including:

- changes in generation capacity in our markets, including the addition of new supplies of power as a result of the development of new plants, expansion of existing plants, the continued operation of uneconomic power plants due to state subsidies, or additional transmission capacity;
- environmental regulations and legislation;
- electric supply disruptions, including plant outages and transmission disruptions;
- changes in power transmission infrastructure;
- fuel transportation capacity or delivery constraints or inefficiencies and changes in the supply of fuel;
- changes in law, including judicial decisions;
- weather conditions, including extreme weather conditions and seasonal fluctuations, including the effects of climate change;
- changes in commodity prices and the supply of commodities, including but not limited to natural gas, coal and oil;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices, distributed generation, and more efficient end-use technologies;

- development of new fuels, new technologies and new forms of competition for the production of power;
- fuel price volatility;
- economic and political conditions;
- supply and demand for energy commodities;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal and customer-usage of energy-efficient equipment that reduces energy demand;
- ability to procure satisfactory levels of inventory, such as coal refuse; and
- changes in capacity prices and capacity markets.

Such factors and the associated fluctuations in power and prices could affect wholesale power generation profitability and cost of power for crypto asset mining activities.

Maintenance, expansion and refurbishment of power generation facilities involve significant risks that could result in unplanned power outages or reduced output and could have a material adverse effect on our Bitcoin mining and power sales revenues, results of operations, cash flows and financial condition. We are subject to liability risks relating to our competitive power generation business operations.

Our current power generation facility and plants that we may acquire in the future require periodic maintenance and repair. We have experienced higher-than-anticipated maintenance costs related to the Scrubgrass Plant, and we may continue to experience unexpected expenses at the Scrubgrass Plant or our other facilities in the future. During the fourth quarter of 2021 and continuing into 2022, the Scrubgrass Plant had downtime that was greater than anticipated, driven largely by mechanical failures. The upgrades we made that are necessary as a result of the deferred maintenance have taken longer and are more extensive than originally anticipated, although we expect these investments to be completed in the second half of 2022. Once finished, the Scrubgrass Plant is expected to be operational at nameplate capacity with higher uptime and lower operating costs, in line with original expectations. Nonetheless, the unexpected maintenance required to remedy plant downtime is necessarily coupled with decreased mining capacity while miners are out of operation during the downtime, which has resulted in and could continue to have significant impacts on our profitability. These or any other such unexpected plant expenses or failures, including failures associated with breakdowns, forced outages or any unanticipated capital expenditures, could have an adverse impact on our financial conditions.

We cannot be certain of the level of capital expenditures that will be required due to changing environmental and safety laws (including changes in the interpretation or enforcement thereof), needed facility repairs and unexpected events (such as natural disasters or terrorist attacks). The unexpected requirement of large capital expenditures could have a material adverse effect on our liquidity and financial condition. If we significantly modify a unit, we may be required to install the best available control technology or to achieve the lowest achievable emission rates as such terms are defined under the new source review provisions of the federal CAA, as amended from time to time, which would likely result in substantial additional capital expenditures.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Natural or man-made events may cause our power production to fall below our expectations.

Our electricity generation depends upon our ability to maintain the working order of our coal refuse power generation facility. A natural or manmade disaster, severe weather such as snow and ice storms, or accident could impede our ability to access the coal refuse that is necessary for our plant to operate, damage our transmission line preventing us from distributing power to the PJM grid and our miners or require us to shut down our plant or related equipment and facilities. To the extent we experience a prolonged interruption at our plant or a transmission outage due to natural or manmade events, our electricity generation levels could materially decrease. We may also incur significant repair and clean-up costs associated with these events. The effect of the failure of our plant to operate as planned as described above could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to operate the power generation facility as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Our operation of the power generation facility, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, plant downtimes and related maintenance costs, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased or unexpected costs, expenses or losses. Planned and unplanned outages at our power generation facilities may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them. Having to purchase power at then-market rates could also have a negative impact on the cost structure of our crypto asset mining operations.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us fully in the event losses occur.

Changes in tax credits related to coal refuse power generation could have a material adverse effect on our business, financial condition, results of operations and future development efforts.

Our profitability depends, in part, on the continued availability of state renewable energy tax credits offered by the Commonwealth of Pennsylvania through programs such as the one established under The Alternative Energy Portfolio Standards Act of 2004 or the Coal Refuse Energy and Reclamation Tax Credit Program established by Act 84 of July 13, 2016. This tax credit program could be changed or eliminated as a result of state budget considerations or otherwise. Reduction or elimination of such credits could materially and adversely harm our business, financial condition, results of operations and future development efforts.

Land reclamation requirements may be burdensome and expensive.

We operate in partnership with the Pennsylvania Department of Environmental Protection and local environmental authorities to reclaim coal refuse piles. Reclamation may include requirements to control dispersion of potentially deleterious effluents, treat ground and surface water to drinking water standards and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations, we must allocate financial resources that might otherwise be spent on implementing our business plan. We have established reserves for our reclamation obligations, but these reserves may not be adequate. If the costs associated with our reclamation work are higher than we anticipate, our financial position could be adversely affected.

Fluctuations in fuel costs could affect our business, financial condition and results of operations.

We rely on third party carriers for delivery of the coal refuse used at our plant. The price and supply of fuel is unpredictable and fluctuates based on events beyond our control, including among others, geopolitical developments, supply and demand for oil and gas, sanctions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. Because fuel is needed to deliver coal refuse to our facility, any future increases in shipping rates could have a material adverse effect on our business, financial condition and results of operations.

Competition in power markets may have a material adverse effect on our results of operations, cash flows and the market value of our assets.

We have numerous competitors in all aspects of our business, and additional competitors may enter the industry. New parties may offer wholesale electricity bundled with other products or at prices that are below our rates.

Other companies with which we compete may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses or greater flexibility in the timing of their sale of generation capacity and ancillary services than we do. Competitors may also have better access to subsidies or other out-of-market payments that put us at a competitive disadvantage.

Our competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to marketing of wholesale power than we can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant

market share. There can be no assurance that we will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on our business, financial condition, results of operations and cash flow.

Changes in technology may negatively impact the value of our power generation facility.

Research and development activities are ongoing in the industry to provide alternative and more efficient technologies to produce power. There are alternate technologies to supply electricity, most notably fuel cells, micro turbines, batteries, windmills and photovoltaic (solar) cells, the development of which has been expanded due to global climate change concerns. Research and development activities are ongoing to seek improvements in alternate technologies. It is possible that advances will reduce the cost of alternative generation to a level that is equal to or below that of certain central station production. Also, as new technologies are developed and become available, the quantity and pattern of electricity usage by customers could decline, with a corresponding decline in revenues derived by generators. These alternative energy sources could result in a decline to the dispatch and capacity factors of our plants. As a result of all of these factors, the value of our generation facilities could be significantly reduced.

Our results of operations and financial condition could be materially and adversely affected if energy market participants continue to construct additional generation facilities (i.e., new-build) or expand or enhance existing generation facilities despite relatively low power prices and such additional generation capacity results in a reduction in wholesale power prices.

Given the overall attractiveness of certain of the markets in which we operate, and certain tax benefits associated with renewable energy, among other matters, energy market participants have continued to construct new generation facilities (i.e., new-build) or invest in enhancements or expansions of existing generation facilities despite relatively low wholesale power prices. If this market dynamic continues, and/or if our crypto asset mining competitors begin to build or acquire their own power plants to fuel their crypto asset mining operations, our results of operations and financial condition could be materially and adversely affected if such additional generation capacity results in a cheaper supply of electricity to our crypto asset mining competitors.

We sell capacity, energy, and ancillary services to the wholesale power grid managed by PJM. Our business may be affected by state interference in the competitive wholesale marketplace.

We sell capacity, energy, and ancillary services to the wholesale power grid managed by PJM. The competitive wholesale marketplace may be impacted by out-of-market subsidies provided by states or state entities, including bailouts of uneconomic nuclear plants, imports of power from Canada, renewable mandates or subsidies, mandates to sell power below its cost of acquisition and associated costs, as well as out-of-market payments to new or existing generators. These out-of-market subsidies to existing or new generation undermine the competitive wholesale marketplace, which can lead to premature retirement of existing facilities, including those owned by us. If these measures continue, capacity and energy prices may be suppressed, and we may not be successful in our efforts to insulate the competitive market from this interference. Our wholesale power revenue may be materially impacted by rules or regulations that allow regulated utilities to participate in competitive wholesale markets or to own and operate rate-regulated facilities that provide capacity, energy and ancillary services that could be provided by competitive market participants.

Because our coal refuse power generation facility is a member of PJM, a regional transmission organization, we may be required to supply power to the grid at a time that is not optimal to our operations.

As a member of PJM, we are subject to the operations of PJM, and our coal refuse power generation facility is under dispatch control of PJM. PJM balances its participants' power requirements with the power resources available to supply those requirements. Based on this evaluation of supply and demand, PJM schedules and dispatches available generating facilities throughout its region in a manner intended to meet the demand for energy in the most reliable and cost-effective manner. Thus we may be required to supply power to PJM, diverting capacity away from our mining operations, at a time that is not economical for our business strategy. To the extent we are required to supply power to PJM for a sustained period of time, we could experience unplanned and extended outages of our mining operations, which could have a material adverse effect on our business, financial condition and results of operations.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits and licenses from federal, state and local governmental agencies. The process of obtaining and renewing necessary permits and licenses can be lengthy and complex and can sometimes result in the establishment of conditions that make the project or activity for which the permit or license

was sought unprofitable or otherwise unattractive. In addition, such permits or licenses may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or licenses, or failure to comply with applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our delivery of electricity to our customers and may subject us to penalties and other sanctions. Although various regulators routinely renew existing permits and licenses, renewal of our existing permits or licenses could be denied or jeopardized by various factors, including (i) failure to provide adequate financial assurance for closure, (ii) failure to comply with environmental, health and safety laws and regulations or permit conditions, (iii) local community, political or other opposition and (iv) executive, legislative or regulatory action.

Our inability to procure and comply with the permits and licenses required for our operations, or the cost to us of such procurement or compliance, could have a material adverse effect on us. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws, may cause activities at our facilities to need to be changed to avoid violating applicable laws and regulations or elicit claims that historical activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in the case of any such violations, we may be required to undertake significant capital investments and obtain additional operating permits or licenses, which could have a material adverse effect on us.

Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on our revenues and results of operations, and we may not have adequate insurance to cover these risks and hazards. Our employees, contractors, customers and the general public may be exposed to a risk of injury due to the nature of our operations.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of equipment and delivering electricity to transmission and distribution systems, including the transmission lines that run from our power generation facility to our Bitcoin mining operations and operating the pods that house our miners at our power generation facilities. In addition to natural risks such as earthquake, flood, lightning, hurricane and wind, other human-made hazards, such as nuclear accidents, dam failure, gas or other explosions, mine area collapses, fire, structural collapse, machinery failure and other dangerous incidents are inherent risks in our operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant, equipment, and transmission lines, contamination of, or damage to, the environment and suspension of operations. Further, our employees and contractors work in, and customers and the general public may be exposed to, potentially dangerous environments at or near our operations. As a result, employees, contractors, customers and the general public are at risk for serious injury, including loss of life.

The occurrence of any one of these events may result in us being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. We maintain an amount of insurance protection that we consider adequate, but we cannot provide any assurance that our insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject and, even if we do have insurance coverage for a particular circumstance, we may be subject to a large deductible and maximum cap. A successful claim for which we are not fully insured could hurt our financial results and materially harm our financial condition. Further, due to rising insurance costs and changes in the insurance markets, we cannot provide any assurance that our insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on our financial condition, results of operations or cash flows.

Adverse economic conditions could adversely affect our wholesale power business, financial condition, results of operations and cash flows.

Adverse economic conditions and declines in wholesale energy prices, partially resulting from adverse economic conditions, may impact the results of our operations. The breadth and depth of negative economic conditions may have a wide-ranging impact on the U.S. business environment, including our wholesale power businesses. In addition, adverse economic conditions also reduce the demand for energy commodities. Reduced demand from negative economic conditions continues to impact the key domestic wholesale energy markets we serve. The combination of lower demand for power and increased supply of natural gas has put downward price pressure on wholesale energy markets in general, further impacting our energy marketing results. In general, economic and commodity market conditions will continue to impact our unhedged future energy margins, liquidity, earnings growth and overall financial condition. In addition, adverse economic conditions, declines in wholesale energy prices, reduced demand for power and other factors may negatively impact the value of our securities and impact forecasted cash flows, which may require us to evaluate its goodwill and other long-lived assets for impairment. Any such impairment could have a material impact on our financial statements.

Our use of hedging instruments could impact our liquidity.

We use various hedging instruments, including forwards, futures, financial transmission rights, and options, to manage our power market price risks. These hedging instruments generally include collateral requirements that require us to deposit funds or post letters of credit with counterparties when a counterparty's credit exposure to us is in excess of agreed upon credit limits. When commodity prices decrease to levels below the levels where we have hedged future costs, we may be required to use a material portion of our cash or liquidity facilities to cover these collateral requirements. Additionally, existing or new regulations related to the use of hedging instruments may impact our access to and use of hedging instruments.

Financial, Tax and Accounting-Related Risks

Future developments regarding the treatment of crypto assets for U.S. federal income and foreign tax purposes could adversely impact our business.

Due to the new and evolving nature of crypto assets and the absence of comprehensive legal guidance with respect to crypto asset products and transactions, many significant aspects of the U.S. federal income and foreign tax treatment of transactions involving crypto assets, such as Bitcoin, are uncertain, and it is unclear what guidance may be issued in the future on the treatment of crypto asset transactions, including mining, for U.S. federal income and foreign tax purposes. Current Internal Revenue Service ("IRS") guidance indicates that crypto assets such as Bitcoin should be treated and taxed as property, and that transactions involving the payment of crypto assets such as Bitcoin for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for circumstances in which a Bitcoin passes from one person to another, usually by means of Bitcoin transactions (including off-blockchain transactions), it preserves the right to apply capital gains (as opposed to ordinary income) treatment to those transactions generally.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing position with respect to crypto assets in the future or that a court would uphold the treatment of Bitcoin or other crypto assets as property, rather than currency. Any such alteration of existing IRS and foreign tax authority positions or additional guidance regarding crypto asset products and transactions could result in adverse tax consequences for holders of digital assets and could have an adverse effect on the value of crypto assets and the broader crypto assets markets. Future technological and operational developments that may arise with respect to crypto assets may increase the uncertainty of the treatment of crypto assets for U.S. federal income and foreign tax purposes. The uncertainty regarding the tax treatment of crypto asset transactions, as well as the potential promulgation of new U.S. federal income, state or foreign tax laws or guidance relating to crypto asset transactions, or changes to existing laws or guidance, could adversely impact the price of Bitcoin or other crypto assets, our business and the trading price of our Class A common stock.

Changes to applicable U.S. tax laws and regulations or exposure to additional income tax liabilities could affect our and Stronghold LLC's business and future profitability.

We have no material assets other than our equity interests in Stronghold LLC, which holds, directly or indirectly, all of the operating assets of our business. Stronghold LLC generally is not subject to U.S. federal income tax, but may be subject to certain U.S. state and local and non-U.S. taxes. We are a U.S. corporation that is subject to U.S. corporate income tax on our worldwide operations, including our share of income of Stronghold LLC. Moreover, our operations and customers are located in the United States, and as a result, we and Stronghold LLC are subject to various and evolving U.S. federal, state and local taxes. New U.S. laws and policy relating to taxes may have an adverse effect on us and our business and future profitability.

U.S. federal, state and local tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us or Stronghold LLC, in each case, possibly with retroactive effect, and may have an adverse effect on our business and future profitability. For example, several tax proposals have been set forth that would, if enacted, make significant changes to U.S. tax laws. Such proposals include an increase in the U.S. income tax rate applicable to corporations (such as us) from 21%, the imposition of a minimum tax on book income for certain corporations and the imposition of an excise tax on certain corporate stock repurchases that would be borne by the corporation repurchasing such stock. The U.S. Congress may consider, and could include, some or all of these proposals in connection with tax reform that may be undertaken. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals and other similar changes in U.S. federal income tax laws could adversely affect our or Stronghold LLC's business and future profitability.

In addition, the Infrastructure Investment and Jobs Act (the "IIJA"), enacted November 15, 2021, contains, among other things, an expanded definition of the term "broker" for certain tax reporting obligations that could require cryptocurrency miners, including us, to provide to the IRS information relating to cryptocurrency transactions that cryptocurrency miners, including us, generally do not, and may not be able to, obtain, potentially rendering compliance impossible. Generally, the cryptocurrency provisions contained in the IIJA would apply to digital transactions beginning in 2023.

In the event our business expands internationally or domestically, including to jurisdictions in which tax laws may not be favorable, our and Stronghold LLC's obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our or Stronghold LLC's after-tax profitability and financial results.

In the event our operating business expands domestically or internationally, our and Stronghold LLC's effective tax rates may fluctuate widely in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. GAAP, changes in deferred tax assets and liabilities, or changes in tax laws. Additionally, we may be subject to tax on more than one-hundred percent of our income and Stronghold LLC may be subject to tax on more than one-hundred percent of its income as a result of such income being subject to tax in multiple state, local or non-U.S. jurisdictions. Factors that could materially adversely affect our and Stronghold LLC's future effective tax rates include, but are not limited to: (a) changes in tax laws or the regulatory environment, (b) changes in accounting and tax standards or practices, (c) changes in the composition of operating income by tax jurisdiction and (d) pre-tax operating results of our business.

Additionally, we and Stronghold LLC may be subject to significant income, withholding and other tax obligations in the United States and may become subject to taxation in numerous additional state, local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Our and Stronghold LLC's after-tax profitability and financial results could be subject to volatility or be affected by numerous factors, including (a) the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities, (b) changes in the valuation of deferred tax assets and liabilities, if any, (c) the expected timing and amount of the release of any tax valuation allowances, (d) the tax treatment of stock-based compensation, (e) changes in the relative amount of earnings subject to tax in the various jurisdictions, (f) the potential business expansion into, or otherwise becoming subject to tax in, additional jurisdictions, (g) changes to existing intercompany structure (and any costs related thereto) and business operations, (h) the extent of intercompany transactions and the extent to which taxing authorities in relevant jurisdictions respect those intercompany transactions and (i) the ability to structure business operations in an efficient and competitive manner. Outcomes from audits or examinations by taxing authorities could have an adverse effect on our or Stronghold LLC's after-tax profitability and financial condition. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our or Stronghold LLC's intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we or Stronghold LLC, as applicable, do not prevail in any such disagreements, our profitability may be adversely affected.

Our or Stronghold LLC's after-tax profitability and financial results may also be adversely affected by changes in relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect.

Risks Relating to Us and our Organizational Structure

Q Power LLC ("Q Power") owns the majority of our voting stock and will have the right to appoint a majority of our board members, and its interests may conflict with those of other stockholders.

Q Power owns the majority of our voting stock and appointed the majority of our Board. Q Power and its affiliates own approximately 56.1% of our voting stock. As a result, we are a controlled company within the meaning of Nasdaq corporate governance standards and Q Power will be able to substantially influence matters requiring our stockholder or Board approval, including the election of directors, approval of any potential acquisition of us, changes to our organizational documents and significant corporate transactions, and certain decisions we make as the managing member of Stronghold LLC. In particular, for so long as Q Power continues to own a majority of our voting stock, Q Power will be able to cause or prevent a change of control of us or a change in the composition of our Board and could preclude any unsolicited acquisition of us. This concentration of ownership makes it unlikely that any other holder or group of holders of our common stock or preferred stock will be able to affect the way we and Stronghold LLC are managed or the direction of our business. Furthermore, the concentration of ownership could deprive you of an opportunity to receive a premium for

your shares of Class A common stock as part of a sale of us and ultimately might affect the market price of our Class A common stock. The interests of Q Power with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other stockholders.

For example, Q Power may have different tax positions from us, especially in light of the TRA, that could influence its decisions regarding whether and when to support the disposition of assets, the incurrence or refinancing of new or existing indebtedness, the timing or amount of distributions by Stronghold LLC, or the termination of the TRA and acceleration of our obligations thereunder. In addition, the determination of future tax reporting positions, the structuring of future transactions and the handling of any challenge by any taxing authority to our tax reporting positions may take into consideration tax or other considerations of Q Power, including the effect of such positions on our obligations under the TRA and with respect to the amount of tax distributions, which may differ from the considerations of us or other stockholders. These decisions could adversely affect our liquidity or financial condition.

We are a holding company whose sole material asset is our equity interests in Stronghold LLC; accordingly, we will be dependent upon distributions from Stronghold LLC to pay taxes, make payments under the Tax Receivable Agreement and cover our corporate and other overhead expenses.

We are a holding company and we have no material assets other than our equity interests in Stronghold LLC and no independent means of generating revenue or cash flow. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fourth 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 *pro rata* cash distributions to holders of Class A common units of Stronghold LLC ("Stronghold LLC Units"), in an amount sufficient to allow us to pay our taxes and to make payments under the TRA. We generally expect Stronghold LLC to fund such distributions out of available cash, and if payments under the TRA are accelerated, we generally expect to fund such accelerated payment out of the proceeds of the change of control transaction giving rise to such acceleration. When Stronghold LLC makes regular distributions, the holders of Stronghold LLC Units are entitled to receive proportionate distributions based on their interests in Stronghold LLC at the time of such distribution. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-*pro rata* payments to us to reimburse us for our corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. To the extent that we need funds and Stronghold LLC or its subsidiaries do not have sufficient funds, or are restricted from making such distributions or payments under applicable law or regulation or under the terms of any current or future financing arrangements, or are otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.

Moreover, because we will have no independent means of generating revenue, our ability to make tax payments and payments under the TRA is dependent on the ability of Stronghold LLC to make distributions to us in an amount sufficient to cover our tax obligations and obligations under the TRA. This ability, in turn, may depend on the ability of Stronghold LLC's subsidiaries to make distributions to it. The ability of Stronghold LLC, its subsidiaries and other entities in which it directly or indirectly holds an equity interest to make such distributions will be subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable jurisdiction) that may limit the amount of funds available for distribution and (ii) restrictions in relevant debt instruments issued by Stronghold LLC or its subsidiaries and other entities in which it directly or indirectly holds an equity interest. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid.

We are required to make payments under the Tax Receivable Agreement for certain tax benefits that we may receive or be deemed to receive, and the amounts of such payments could be significant.

We entered into a TRA on April 1, 2021 with Q Power and an agent named by Q Power. This agreement generally provides for the payment by us to Q Power (or its permitted assignees) of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using simplifying assumptions to address the impact of state and local taxes) that we actually realize (or are deemed to realize in certain circumstances) as a result of certain increases in tax basis available to us as a result of this or prior offerings, the acquisition of Stronghold LLC Units pursuant to an exercise of the Redemption Right (as defined herein) or the Call Right (as defined herein) and payments under the TRA, and certain benefits attributable to imputed interest. We will retain the remaining net cash savings, if any.

The term of the TRA commenced on April 1, 2021 and will continue until all tax benefits that are subject to the TRA have been utilized or expired, and all required payments are made, unless we exercise our right to terminate the TRA (or the TRA is terminated due to other circumstances, including our breach of a material obligation thereunder or certain

mergers or other changes of control), in which case we will make the termination payment specified in the TRA. In addition, payments we make under the TRA will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return. In the event that the TRA is not terminated early, the payments under the TRA are anticipated to continue for several years after the date of the last redemption of Stronghold LLC Units.

The payment obligations under the TRA are our obligations and not obligations of Stronghold LLC, and we expect that the payments we will be required to make under the TRA will be substantial. Estimating the amount and timing of our realization of tax benefits subject to the TRA is by its nature imprecise. The actual increases in tax basis covered by the TRA, as well as the amount and timing of our ability to use any deductions (or decreases in gain or increases in loss) arising from such increases in tax basis, are dependent upon future events, including but not limited to the timing of redemptions of Stronghold LLC Units, the value of our common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming member's tax basis in its Stronghold LLC Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount, character, and timing of taxable income we generate in the future, the timing and amount of any earlier payments that we may have made under the TRA, the U.S. federal income tax rate then applicable, and the portion of our payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis. Accordingly, estimating the amount and timing of payments that may become due under the TRA is also by its nature imprecise. For purposes of the TRA, net cash savings in tax generally are calculated by comparing our actual tax liability (determined by using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the TRA. Thus, the amount and timing of any payments under the TRA are also dependent upon significant future events, including those noted above in respect of estimating the amount and timing of our realization of tax benefits. Any distributions made by Stronghold LLC to us to enable us to make payments under the TRA, as well as any corresponding *pro rata* distributions made to the other holders of Stronghold LLC Units, could have an adverse impact on our liquidity.

Payments under the TRA are not conditioned upon a holder of rights under the TRA having an ownership interest in us or Stronghold LLC. In addition, certain rights of the holders of Stronghold LLC Units (including the right to receive payments) under the TRA are transferable in connection with transfers permitted under the Stronghold LLC Agreement of the corresponding Stronghold LLC Units or after the corresponding Stronghold LLC Units have been acquired pursuant to the Redemption Right or Call Right. For additional information regarding the TRA, see "Management's Discussion and Analysis of Financial Condition and Results of Operation - Tax Receivable Agreement" herein.

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

If we experience a change of control (as defined under the TRA, including certain mergers, asset sales and other forms of business combinations), or the TRA terminates early (at our election or as a result of our breach), we would be required to make an immediate payment equal to the present value of the future payments we would be required to make if we 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 calculation of such future payments will be based upon certain assumptions and deemed events set forth in the TRA, including (i) that we have sufficient taxable income on a current basis to fully utilize the tax benefits covered by the TRA, and (ii) that any Stronghold LLC Units (other than those held by us) outstanding on the termination date or change of control date, as applicable, are deemed to be redeemed on such date. Any early termination payment may be made significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the early termination payment relates.

If we experience a change of control (as defined under the TRA) or the TRA otherwise terminates early (at our election or as a result of our breach), our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. If our obligation to make payments under the TRA is accelerated as a result of a change of control, we generally expect 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. However, we 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. We do not currently expect to cause an acceleration due to our breach, and we do not currently expect that we will elect to terminate the TRA early, except in cases where the early termination payment would not be material. There can be no assurance that we will be able to meet our obligations under the TRA.

Please read “Management's Discussion and Analysis of Financial Condition and Results of Operations - Tax Receivable Agreement" herein.

If our payment obligations under the Tax Receivable Agreement are accelerated upon certain mergers, other forms of business combinations or other changes of control, the consideration payable to holders of our common stock could be substantially reduced.

If we experience a change of control (as defined under the TRA, which includes certain mergers, asset sales and other forms of business combinations, then our obligations under the TRA would be based upon certain assumptions and deemed events set forth in the TRA, and in such situations, payments under the TRA may be significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the payment relates. As a result of our payment obligations under the TRA, holders of our common stock could receive substantially less consideration in connection with a change of control transaction than they would receive in the absence of such obligation. Further, our payment obligations under the TRA are not conditioned upon holders of Stronghold LLC Units having a continued interest in us or Stronghold LLC. Accordingly, the interests of the holders of Stronghold LLC Units may conflict with those of the holders of our common stock.

We will not be reimbursed for any payments made under the Tax Receivable Agreement in the event that any tax benefits are subsequently disallowed.

Payments under the TRA will be based on the tax reporting positions that we will determine, and the IRS or another tax authority may challenge all or part of the tax basis increases upon which payment under the TRA are based, as well as other related tax positions we take, and a court could sustain such challenge. The holders of Stronghold LLC Units will not reimburse us for any payments previously made under the TRA if any tax benefits that have given rise to payments under the TRA are subsequently disallowed, except that excess payments made to any holder of Stronghold LLC Units will be netted against future payments that would otherwise be made to such holder of Stronghold LLC Units, if any, after our determination of such excess (which determination may be made a number of years following the initial payment and after future payments have been made). As a result, in such circumstances, we could make payments that are much greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could materially adversely affect our liquidity.

If Stronghold LLC were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, we and Stronghold LLC might be subject to potentially significant tax inefficiencies, and we would not be able to recover payments previously made by us under the Tax Receivable Agreement even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status.

We intend to operate such that Stronghold LLC does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A “publicly traded partnership” is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of Stronghold LLC Units pursuant to the Redemption Right (or the Call Right) or other transfers of Stronghold LLC Units could cause Stronghold LLC to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that redemptions or other transfers of Stronghold LLC Units qualify for one or more such safe harbors. For example, we intend to limit the number of holders of Stronghold LLC Units, and the Stronghold LLC Agreement provides for limitations on the ability of holders of Stronghold LLC Units to transfer their Stronghold LLC Units and provides us, as the managing member of Stronghold LLC, with the right to impose restrictions (in addition to those already in place) on the ability of holders of Stronghold LLC Units to redeem their Stronghold LLC Units pursuant to the Redemption Right (or Call Right) to the extent we believe it is necessary to ensure that Stronghold LLC will continue to be treated as a partnership for U.S. federal income tax purposes.

If Stronghold LLC were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, significant tax inefficiencies might result for us and Stronghold LLC, including as a result of our inability to file a consolidated U.S. federal income tax return with Stronghold LLC. In such case, we might not be able to realize tax benefits covered under the TRA, and we would not be able to recover any payments we previously made under the TRA, even if the corresponding tax benefits (including any claimed increase in the tax basis of Stronghold LLC’s assets) were subsequently determined to have been unavailable.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition.

We may be subject to taxes by the U.S. federal, state, and local tax authorities and our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation; or
- changes in tax laws, regulations or interpretations thereof.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

We are a "controlled company" within the meaning of Nasdaq rules and, as a result, qualify for exemptions from certain corporate governance requirements. As a result, you do not have the same protections afforded to stockholders of companies that are not exempt from such corporate governance requirements.

Since completion of the IPO, Q Power and its affiliates continue to collectively hold more than 50% of the voting power for the election of directors of our company. As a result, we are a controlled company within the meaning of Nasdaq corporate governance standards. Under Nasdaq rules, a company of which more than 50% of the voting power is held by an individual, company or group of persons acting together is a controlled company and may elect not to comply with certain Nasdaq corporate governance requirements, including the requirements that:

- a majority of the Board consist of independent directors under Nasdaq rules;
- the nominating and governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

These requirements will not apply to us as long as we remain a controlled company. Following the IPO, we may utilize some or all of these exemptions. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq. See "—Risks Relating to Us and our Organizational Structure" herein.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in those internal controls. For example, we are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). We are in the process of designing, implementing, and testing internal control over financial reporting required to comply with this obligation. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis.

During the course of preparing for the IPO, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting. We have concluded that our internal control over financial reporting did not result in the proper classification of our outstanding shares of Class V common stock as mezzanine equity which, due to its impact on our consolidated financial statements, we determined to be a material weakness. We identified a material weakness in our controls over the accounting for mezzanine and permanent equity and complex financial instruments. The controls to evaluate the accounting for complex financial instruments, such as mezzanine and permanent equity, did not operate effectively to appropriately apply the provisions of ASC 480-10-10-S99-3A. This material weakness

resulted in the failure to prevent a material error in the accounting for mezzanine and permanent equity and the resulting restatement of our previously issued financial statements. The reason for the reclassification from permanent equity to mezzanine equity relates to the fact that the Class V common stock, together with the corresponding Class A common units of Stronghold LLC, held by Q Power can be redeemed by Q Power and, in response to a redemption request from Q Power, can be repurchased by the Company in exchange for either shares of the Company's Class A common stock or, at the Company's election, cash of equivalent value.

In addition, during our year-end audit, we and our independent registered public accounting firm also identified deficiencies that constitute an additional material weakness in internal control over financial reporting as of and for the year ended December 31, 2021. There was a lack of cohesion between departments within our organization, reduced discipline in the accuracy of recording transactions, and a lack of review and reconciliation in areas of the accounting function. Our auditors concluded that the Company's internal controls over financial reporting did not and could not timely detect material misstatements.

Remediation of material weaknesses generally requires making changes to how controls are designed and implemented and then adhering to those changes for a sufficient period of time such that the effectiveness of those changes is demonstrated with an appropriate amount of consistency. In response to the material weaknesses, we implemented, and are continuing to implement, measures designed to improve our internal control over financial reporting. These measures include formalizing our processes and internal control documentation, strengthening supervisory reviews by our financial management, hiring additional qualified accounting and finance personnel, and engaging financial consultants to enable the implementation of internal control over financial reporting. Additionally, we are implementing certain accounting systems to upgrade our existing systems and to automate certain manual processes. The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management remains committed to the implementation of remediation efforts to address the material weakness. We will continue to implement measures to remedy our internal control deficiencies, though there can be no assurance that our efforts will ultimately have the intended effects.

We are working to enhance our internal controls, processes and related documentation necessary to remediate our material weakness and to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, such as the one we identified as described above, we may be unable to conclude that our internal controls are effective. The effectiveness of our controls and procedures may be limited by a variety of factors, including:

- faulty human judgment and simple errors, omissions or mistakes;
- fraudulent action of an individual or collusion of two or more people;
- inappropriate management override of procedures; and
- the possibility that any enhancements to controls and procedures may still not be adequate to assure timely and accurate financial control.

If we fail to remediate the material weakness in our internal control over financial reporting, or experience any additional material weaknesses in the future or otherwise fail to develop or maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our Class A common stock.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. If we fail to remediate the material weakness in our internal control over financial reporting or identify any new material weaknesses in the future, it could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and the prices of our securities may decline as a result. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

As a result of being a public company, we are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting beginning in the year following our first annual report required to be filed with the SEC. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Additionally, when we cease to be an "emerging growth company" under the federal securities laws, our independent

registered public accounting firm may be required to express an opinion on the effectiveness of our internal controls. If we are unable to confirm that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A common stock to decline.

Certain of our executive officers and directors have significant duties with, and spend significant time serving, entities that may compete with us in seeking business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our executive officers and directors, who are responsible for managing the direction of our operations, hold positions of responsibility with other entities (including affiliated entities). These executive officers and directors may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. For additional discussion of our management's business affiliations and the potential conflicts of interest of which our stockholders should be aware, see "Certain Relationships and Related Party Transactions" in the Final Prospectus.

Our second amended and restated certificate of incorporation and bylaws, as well as Delaware law, contains provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares.

Our second amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our second amended and restated certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, some of which will not apply until Q Power and its affiliates no longer collectively beneficially own 40% or more of the combined voting stock, which event we refer to as the "Trigger Event." These provisions include:

- establishing advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders;
- providing that the authorized number of directors may be changed only by resolution of the board of directors;
- providing that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- providing that, after the Trigger Event, any action required or permitted to be taken by our stockholders must be taken at a duly held annual or special meeting of stockholders and may not be taken by any consent in writing in lieu of a meeting of such stockholders, subject to the rights of holders of any series of preferred stock with respect to such series of preferred stock (prior to the Trigger Event, such actions may be taken without a meeting by written consent of holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting);
- providing that the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock entitled to vote generally in the election of directors, acting at a meeting of the stockholders or by written consent (if permitted), subject to the rights of the holders of any series of preferred stock, shall be required to remove any or all of the directors from office, and such removal may be with or without "cause";
- providing that our amended and restated certificate of incorporation may only be amended by the affirmative vote of the holders of at least 50% of our then outstanding stock entitled to voted thereon, voting together as a single class;

- permitting special meetings of our stockholders to be called only by our Chief Executive Officer, the chairman (or any co-chairman) of our board of directors, or by a majority of the board of directors;
- prohibiting cumulative voting in the election of directors;
- providing that our bylaws can be amended by the board of directors or stockholders of 66 2/3% of the voting power of the then-outstanding shares of stock entitled to vote thereon.

See "Description of the Registrant's Securities" filed as Exhibit 4.1 to this Form 10-K.

In addition, certain change of control events have the effect of accelerating the payment due under the TRA, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Please see "Risks Relating to Us and our Organizational Structure" herein. In certain cases, payments under the TRA may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the TRA.

We may issue preferred stock whose terms could adversely affect the voting power or value of our Class A common stock.

Our second amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our Class A common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our Class A common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the Class A common stock.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

We are classified as an "emerging growth company" ("EGC") under the JOBS Act. For as long as we are an EGC, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things: (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation. We will remain an EGC for up to five years, although we will lose that status sooner if we have more than $1.07 billion of revenues in a fiscal year, have more than $700.0 million in market value of our Class A common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to EGCs, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not EGCs. Additionally, we intend to take advantage of the extended transition periods for the adoption of new or revised financial accounting standards under the JOBS Act until we are no longer an EGC. Our election to use the transition periods permitted by this election may make it difficult to compare our financial statements to those of non-EGCs and other EGCs that have opted out of the extended transition periods permitted under the JOBS Act and who will comply with new or revised financial accounting standards.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our common stock held by non-affiliates equals or exceeds $250 million as of the end of that fiscal year's second fiscal quarter, and (2) our annual revenues exceeded $100 million during such completed fiscal year and the market value of our common stock held by non-affiliates exceeds $700 million as of the end of that fiscal year's second fiscal quarter. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

If some investors find our Class A common stock to be less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our Class A common stock or if our operating results do not meet their expectations, our stock price could decline.

Our second amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our second amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the Delaware General Corporation Law, our second amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Notwithstanding the foregoing, the exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act, or any other claim for which the federal courts have exclusive jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our second amended and restated certificate of incorporation described herein. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our second amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table provides certain summary information about the principal facilities owned or leased by the Company as of December 31, 2021. Our corporate headquarters, which we lease, is located at 595 Madison Avenue, 28th Floor, New York NY, 10022. The Company believes that its facilities and equipment are generally in good condition and that, together with scheduled capital improvements, they are adequate for its present and immediately projected needs.

Location	Primary Use	Segment(s)	Approximate Size
Nesquehoning, PA	Power Generation and Crypto Mining	All	33 acres
Kennerdell, PA	Power Generation and Crypto Mining	All	650 acres
Russellton, PA	Waste Coal Site	Energy	212 acres
New York, NY	Office	All	3,000 Sq. Ft.
Pittsburgh, PA	Office	All	7,000 Sq. Ft.
New Castle, PA	Storage	All	52,602 Sq. Ft.

Item 3. Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in other routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations. For more information, please reference "Note 8 – Commitments and Contingencies" in the notes to our financial statements.

The following are pending:

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 it and the Scrubgrass dated April 8, 2013 (the "Agreement"). In its demand, McClymonds alleged damages in the amount of $5,042,350.40 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. Proposed findings of fact and conclusions of law were submitted and a decision will be rendered. Management believes that this litigation is unlikely to have a material adverse effect on the Company's consolidated financial position or results of operations.

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

On February 27, 2017, Allegheny Mineral offered to sell to Scrubgrass "high calcium limestone" for use in its plant. Scrubgrass accepted. In November 2019, Allegheny Mineral filed suit against Scrubgrass seeking payment of approximately $1,200,000 in outstanding invoices. In response, Scrubgrass filed counterclaims against Allegheny Mineral asserting breach of contract, breach of express and implied warranties, and fraud in the amount of $1,300,000. The case was unsuccessfully mediated in August, 2020. At this time, there is a discovery deadline currently scheduled for June 30, 2022. Management believes that this litigation is unlikely to have a material adverse effect on the Company's consolidated financial position or results of operations.

PJM Notice of Breach

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, L.L.C. and Mid-Atlantic Interstate Transmission, LLC ("MAIT") 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 denying the breach. On January 7, 2022, Scrubgrass participated in a hearing with representatives from PJM regarding the notice of breach and Scrubgrass continues to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, we sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, we executed a necessary study agreement with respect to the Panther Creek Plant. While a reduction in our capacity payments from PJM is likely to occur, we do not believe the PJM notice of breach or the Panther Creek necessary study agreement will have a material adverse effect on our reported financial position or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

Information About Our Executive Officers and Directors

The following table sets forth certain information with respect to our executive officers and directors:

Name	Age	Position
Gregory A. Beard	50	Chief Executive Officer, President and Co-Chairman of the Board

William B. Spence	64 Co-Chairman of the Board
Ricardo R. A. Larroudé	43 Chief Financial Officer
Richard J. Shaffer	46 Senior Vice President - Asset Manager
Sarah P. James	39 Director
Thomas J. Pacchia	38 Director
Thomas R. Trowbridge, IV	47 Director
Matthew J. Smith	44 Director

Executive Officers

Gregory A. Beard has served our Chief Executive Officer, President and Co-Chairman of our Board of Directors (the "Board") since March 2021. Mr. Beard was the Global Head of Natural Resources, a Senior Partner, Member of the Management Committee, and Senior Advisor at Apollo Global Management from 2010 to 2020. In such roles, Mr. Beard oversaw Apollo's investment activities in the energy, metals and mining and agriculture sectors. Prior to Apollo, Mr. Beard was a senior Managing Director at Riverstone Holdings, an energy, power and infrastructure-focused private equity firm. He began his career as a Financial Analyst at Goldman Sachs, where he played an active role in energy-sector principal investment activities. The funds where Mr. Beard held these senior leadership positions have invested billions of dollars in natural resources related investments. During his career, Mr. Beard sourced and managed some of the most profitable deals in the energy private equity sector. Mr. Beard is a founding and managing member of Q Power. Additionally, he currently serves as the Chief Executive Officer of Beard Energy Transition Acquisition Corp. (the "Beard SPAC"), a special purpose acquisition company currently in registration. He also currently serves on the board of directors of Scrubgrass Reclamation Company, L.P. (f/k/a Scrubgrass Generating Company, L.P.) ("Scrubgrass LP"), the board of directors/advisors of Double Eagle Energy Holdings III, Skeena Resources Ltd., Andros Capital Partners LLC, and Parallaxes Capital, as well as the board of directors of The Conservation Fund, a non-profit focused on land conservation. He previously served on the boards of more than 25 public and private companies, including Spartan Energy Acquisition Corp, (now Fisker Inc., NYSE: FSR), Athlon Energy, Inc. (NYSE: ATHL), CDM Resource Management, Mariner Energy, Apex Energy, Caelus Energy, CSV Midstream, Double Eagle I / II, EP Energy Corporation, Jupiter Resources, Roundtable Energy, Talos Energy Inc. (NYSE: TALO), Pegasus Optimization, Northwoods Energy and Tumbleweed Royalty. Mr. Beard received his Bachelor of Arts from the University of Illinois at Urbana. We believe Mr. Beard's extensive background in the energy industry makes him well qualified to serve on our Board.

Ricardo R. A. Larroudé has served as our Chief Financial Officer since March 2021. Prior to that, in 2020, Mr. Larroudé was the General Manager of APFM Emerging Businesses division (a healthcare marketing company owned by General Atlantic and Silverlake), where he managed all non-core and international existing businesses and was responsible for the launch and acquisitions of new ventures. He joined APFM from Anheuser-Busch Inbev (a 3G Capital co-controlled company) where he lead the company's global financial risk management operations (including capital structure, forex and commodity management) and other merger and acquisition related responsibilities from 2017 to 2020. Prior to being a senior operating executive, from 2010 to 2017, Mr. Larroudé served at Apollo Global Management where he primarily focused on energy, metals and mining and agriculture related investments. During his private equity career, Mr. Larroudé was responsible for executing multiple investments, managing portfolio companies, starting new businesses, evaluating and executing rollup opportunities and managing investment exits. He began his career as an Investment Banking Analyst at Lehman Brothers' Global Communications and Media Group in 2003. Mr. Larroudé received his Bachelor of Business Administration degree from Fundação Getulio Vargas in São Paulo, Brazil.

Richard J. Shaffer has served as our Senior Vice President – Asset Manager since March 2021. Prior to that, Mr. Shaffer served as General Manager of the Scrubgrass Plant since March 2016. Mr. Shaffer has management responsibilities that include safety and environmental compliance, plant operations and maintenance, supply contracts, and compliance with PJM, Federal Energy Regulatory Commission, and National Electric Reliability Council (NERC). From 2013 to 2016, Mr. Shaffer was the Fuel and Environmental Manager for the Scrubgrass Plant. Mr. Shaffer started at the Scrubgrass Plant in 2003 as the Environmental Manager and was responsible for environmental compliance of the facility. Mr. Shaffer worked with the PADEP on several major permitting projects for the facility to give it both operational flexibility and to cause it to be a top emissions performer. Mr. Shaffer's reputation earned him an appointment as an industry member to the PADEP Air Quality Technical Advisory Committee in 2015, an appointment he still holds. Prior to his employment at the Scrubgrass Plant, Mr. Shaffer worked for an environmental remediation and consulting company that provided remediation and service work to industry. Mr. Shaffer graduated from Thiel College with a Bachelor of Arts in Environmental Science.

Non-Employee Directors

William B. Spence has served as Co-Chairman of our Board since March 2021. Mr. Spence has been digitally mining crypto assets since 2018 and has over 40 years of energy-related experience. Mr. Spence has been involved with coal refuse reclamation since 1993. He began his career as an engineer with Mobil Oil Corporation in Denver, Colorado. Mr. Spence became a project manager with Dr Otto Gold Engineering in Cologne, West Germany before moving to Keplinger and Associates in Houston, Texas. From there, Mr. Spence served as a Vice President with Coral Petroleum/Oil & Gas. In 1993, Mr. Spence founded Dark Diamond and later Coal Valley Resources, where he successfully mined and reclaimed millions of tons of coal refuse along with revegetating thousands of acres of land throughout Western Pennsylvania. In 2007, Mr. Spence became the Chief Executive Officer of Targe Energy, a position he held until he resigned due to health reasons in 2017. Mr. Spence is a proud cancer survivor. Mr. Spence is a founding and managing member of Q Power and serves on the board of Scrubgrass LP. Mr. Spence is a graduate of West Virginia University with a B.S. Degree in Mining Engineering. We believe Mr. Spence's background in coal refuse, and the energy industry generally, and his experience with mining crypto assets makes him well qualified to serve on our Board.

Sarah P. James has served as a member of our Board since October 2021. From March 2020 to July 2021, Ms. James served as Chief Financial Officer for Alussa Energy Acquisition Corporation (NYSE: ALUS). Additionally, Ms. James serves as the Chief Financial Officer of the Beard SPAC, a special purpose acquisition company currently in registration. From February 2013 to April 2020, Ms. James served as a vice president of finance and business development at Caelus Energy Alaska, LLC, a private company specializing in oil and gas exploration and production. Ms. James oversaw the company's business development strategy, debt and equity fundraising and ongoing financial reporting functions. From January 2008 to August 2010, she served as a private equity associate at Riverstone Holdings, an energy, power and infrastructure-focused private equity firm. Prior to that, Ms. James served as an analyst at JPMorgan Securities, Inc., in the diversified industrials and natural resources group. Ms. James currently serves on the board of directors of North American Helium Inc. Ms. James holds a Bachelor of Arts degree in Economics and English from Duke University and a Master of Business Administration and Master of Science: School of Earth Sciences from Stanford University. We believe Ms. James' financial expertise and experience makes her well qualified to serve on our board of directors.

Thomas J. Pacchia has served as a member of our Board since October 2021. Mr. Pacchia is a Bitcoin and crypto asset specialist with over eight years of dedicated industry experience. In 2017, Mr. Pacchia founded HODL Capital, a digital asset hedge fund focused on the crypto and hash rate markets. Additionally, Mr. Pacchia serves as an advisor to a number of early stage companies building critical infrastructure across the crypto asset ecosystem. Prior to founding HODL Capital, Mr. Pacchia was a Director of Fidelity Investment's Bitcoin/Blockchain Incubator from 2016 to 2017 and a founding team member of Fidelity Digital Asset Services. Mr. Pacchia was also an early product developer at blockchain software company Digital Asset Holdings in 2015. Prior to his career in Bitcoin, Mr. Pacchia was a swap and derivative lawyer at Cadwalader Wickersham & Taft LLP from 2012 to 2013. Mr. Pacchia holds an M.Sc. in Finance from New York University's Stern School of Business, a J.D. from Washburn University School of Law, an L.L.M. in Intellectual Property from Maastricht University, and a Bachelor of Arts degree from Trinity College. We believe Mr. Pacchia's experience in the crypto industry makes him well qualified to serve on our Board.

Thomas R. Trowbridge, IV has served as a member of our Board since October 2021. Mr. Trowbridge is a co-founder of Fluence Labs, which has developed and launched a decentralized computing protocol and programming language optimized for building, hosting and running peer-to-peer applications. From December 2019 to June 2020, Mr. Trowbridge served as President of Triterras, Inc. Prior to that, Mr. Trowbridge helped found and from 2017 to 2019 served as President of Hedera Hashgraph (HBAR) ("Hedera"), a leading enterprise-grade public ledger that is currently the most used distributed ledger with over 4 million transactions a day. As President, Mr. Trowbridge drove the business from concept to main net launch with a $124 million capital raise at a $6 billion valuation, a global team in eight countries, and a governing council that includes Google, LG, IBM, Deutsche Telekom, Nomura Holdings, Inc., DLA Piper and Tata Communications among others. Before launching Hedera, Mr. Trowbridge served as the Head of North American

Marketing and started and managed the New York office for Odey Asset Management from 2013 to 2017. Prior to his time at Odey Asset Management, Mr. Trowbridge served as the Head of U.S. Marketing for Lombard Odier from 2010 to 2012. Mr. Trowbridge has been advising technology companies since 1996, when he started his career as an investment banker in the telecom group of Bear, Stearns & Co. and began investing in early-stage technology companies in 1998 as a member of the private equity and venture capital firm Alta Communications. Mr. Trowbridge received his Bachelor of Arts degree from Yale University and his MBA from Columbia University. We believe Mr. Trowbridge's experience in the crypto industry makes him well qualified to serve on our Board.

Matthew J. Smith has served as a member of our Board since November 2021. He has served as the Founder and Managing Partner of Deep Basin Capital LP since January 2017. Mr. Smith has over 16 years of investment management experience in the energy, renewable, power and utility sectors across both public and private investments, including the roles of portfolio manager at Citadel's Surveyor Capital Ltd. from June 2010 through January 2016, senior analyst in the energy and other cyclical sectors for Highfields Capital Management LP from January 2009 to December 2009 and Copper Arch Capital LLC from July 2005 to December 2007 and as a financial analyst at Equity Office Properties Trust from August 2001 to May 2003. Mr. Smith is a CFA Charterholder. Mr. Smith currently serves as an independent director and audit committee member on the board of Spartan Acquisition Corp III (NYSE: SPAQ), a role that he has held since May 2021. He holds a M.S. in Finance from the University of Wisconsin-Madison's Applied Security Analysis Program (ASAP) and a B.B.A. from the University of Iowa Tippie College of Business. We believe Mr. Smith's experience in the energy, renewable, power and utility sectors across both public and private investments makes him well qualified to serve on our Board.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Class A common stock of the Company is listed on the Nasdaq Global Market under the symbol “SDIG.” As of March 11, 2022, there were 20,020,877 shares of Class A common stock outstanding and 28,209,600 shares of Class V common stock outstanding. There is no market for our Class V common stock. Each share of Class V common stock has no economic rights but entitles its holders to one vote per share of Class V common stock on all matters to be voted on by the shareholders generally.

Holders of Record

As of March 11, 2022, there were 90 and two stockholders of record of our Class A common stock and Class V common stock, respectively. In the case of our Class A common stock, the actual number of holders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or held by other nominees. The number of holders of record of Class A common stock also does not include stockholders whose shares may be held in trust by other entities.

Dividends

The Company has never paid quarterly dividends to shareholders, and has no present intention to do so.

Performance Graph

Not applicable.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-K, 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 "Risk Factors" and discussed elsewhere in this Form 10-K.

Overview

We are a vertically integrated crypto asset mining company currently focused on mining Bitcoin. We wholly own and operate two low-cost, environmentally-beneficial coal refuse power generation facilities that we have upgraded: (i) our first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which we acquired the remaining interest of in April 2021 and currently has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant") and (ii) a facility located near Nesquehoning, Pennsylvania, which we acquired in November of 2021 and which has the capacity to generate approximately 80 MW of electricity (the "Panther Creek Plant"), each of which are recognized 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). We are committed to generating our energy and managing our assets sustainably, and we believe that we are one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations. Owning our own source of power helps us to produce Bitcoin at one of the lowest prices among our publicly traded peers. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors. We completed our previously disclosed acquisition of a second coal refuse power generation facility and have entered into a non-binding letter of intent to purchase a third coal refuse power generation facility (the "Third Plant"). We intend to leverage these competitive advantages to continue to grow our business through the opportunistic acquisition of additional power generating assets and miners.

Bitcoin Mining Growth

During 2018 and 2019, we began providing Bitcoin mining services to third parties and also began operating our own Bitcoin mining equipment to generate Bitcoin, which we then exchange for U.S. Dollars. We have been expanding our mining operations since such date. As of December 31, 2021 we operated approximately 8,000 crypto asset mining computers (known as "miners") with hash rate exceeding 0.8 EH/s. As of December 31, 2021 we had entered into definitive agreements with suppliers to purchase approximately 39,000 additional miners, including the remaining MinerVa Semiconductor Corp. ("MinerVa") miners that were not yet delivered at year end, with a total hash capacity equal to approximately 4.0 EH/s. We do not know when the remaining 11,700 MinerVa miners will be delivered, if at all. Additionally, we are evaluating all available remedies under the MinerVa Purchase Agreement (as defined herein). We intend to house our miners at the Scrubgrass Plant, the Panther Creek Plant, the Third Plant or other power assets that we identify.

With the full deployment of these new miners, including the remaining 11,700 MinerVa miners, which we do not know when they will be delivered, if at all, our total fleet is currently expected to comprise approximately 57,000 total miners by December 2022 and consume approximately 200 MW of electricity.

Trends and Other Factors Impacting Our Performance

COVID-19 and Supply Chain Constraints

The coronavirus ("COVID-19") global pandemic has resulted and is likely to continue to result in significant national and global economic disruption, which may adversely affect our business. Among other things, the COVID-19 pandemic

has caused supply chain disruptions that may have lasting impacts. Additionally, the global supply chain for Bitcoin miners is presently further constrained due to unprecedented demand coupled with a global shortage of mining equipment and mining equipment parts. Based on our current assessments, however, we do not expect any material impact on long-term development, operations, or liquidity due to the spread of COVID-19. However, we are actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, and industry.

China's Crackdown on Bitcoin Mining

In May 2021, the Chinese government called for a crackdown on Bitcoin mining and trading. Following this, the majority of Bitcoin miners in China were taken offline. This resulted in (i) a significant reduction in the Bitcoin global network hash rate, (ii) an increase in the availability of Bitcoin miners for purchase and (iii) an increase in the demand for power outside of China. Further, in September 2021, Chinese regulators instituted a blanket ban on all crypto mining and transactions, including overseas crypto exchange services taking place in China, effectively making all crypto-related activities illegal in China. The reduction in network hash rate has improved Bitcoin mining profitability, with plugged-in Bitcoin miners representing a larger percentage of the global hash rate. We do not believe that higher demand for power will have a negative impact on our business because we own and operate our power sources.

Scrubgrass Plant

During the fourth quarter of 2021 and continuing into 2022, the Scrubgrass Plant had downtime that was greater than anticipated, driven largely by mechanical failures. The upgrades and maintenance that are necessary have taken longer and are more extensive than originally anticipated. We expect these investments to be completed in the second half of 2022. Once finished, the Scrubgrass Plant is expected to be operational at nameplate capacity with high uptime and low operating costs.

2021 Highlights

Acquisitions

On March 3, 2021, Stronghold Digital Mining LLC ("SDM") entered into a non-binding letter of intent with Olympus Power, LLC (together with its affiliates, "Olympus") (the "Olympus LOI") for the purchase of (i) the ownership interest in Scrubgrass Reclamation Company, L.P. (f/k/a Scrubgrass Generating Company, L.P.) ("Scrubgrass LP") held by Aspen Scrubgrass Participant, LLC (the "Aspen Interest"), (ii) the Panther Creek Plant, and (iii) the Third Plant.

On July 9, 2021, Stronghold Digital Mining Holdings LLC ("Stronghold LLC") entered into a purchase agreement for the Panther Creek Plant (the "Panther Creek Acquisition"), as contemplated by the Olympus LOI, from Olympus. The Panther Creek Acquisition includes all of the assets of Panther Creek Power Operating LLC, comprised primarily of the Panther Creek Plant. The Panther Creek Plant is a coal refuse reclamation facility with 80 MW of net electricity generation capacity located near Nesquehoning, Pennsylvania. We completed the Panther Creek Acquisition on November 2, 2021. The consideration for the Panther Creek Plant was approximately $2.2 million ($3 million less $800 thousand in shared land closing costs) in cash and 1,152,000 Class A common units of Stronghold LLC ("Stronghold LLC Units"), together with a corresponding number of shares of Class V common stock. Effective November 2, 2021, we closed on this acquisition. Refer to "Note 25 - Acquisition" in the notes to our financial statements.

We continue to evaluate the acquisition of the Third Plant as contemplated by the Olympus LOI, although the acquisition of the Third Plant is subject to further due diligence and the negotiation of a definitive agreement, and there is no assurance that the acquisition will be completed. The acquisition of the Third Plant is subject to further due diligence and the negotiation of a definitive agreement, and there is no assurance that the acquisition will be completed. The consideration for the Third Plant is expected to be approximately $3.0 million in cash and 6,250,000 of Stronghold LLC Units, together with a corresponding number of shares of Class V common stock. If acquired, we plan to store newly acquired miners at or near the Third Plant and use power generated by the Third Plant to power crypto asset mining operations in an environmentally conscious manner. We are also strategically pursuing acquisitions of additional assets.

Northern Data

On August 17, 2021, we entered into an agreement with Northern Data PA, LLC ("Northern Data") whereby Northern Data will construct and operate a colocation datacenter facility located on the Scrubgrass Plant (the "Hosting Agreement"), the primary business purpose of which will be to provide hosting services and support the cryptocurrency miners that we have purchased but not yet received entirely. On March 28, 2022, we restructured the Hosting Agreement to obtain an

additional 2,675 miners at cost of $37.5 per terahash (to be paid five months after delivery) and temporarily reduced the profit share for Northern Data while incorporating performance thresholds until the data center build-out is complete. Refer to "Note 28 - Hosting Services Agreement" in the notes to our financial statements.

Initial Public Offering

We completed the issuance and sale of our Class A common stock, par value $.0001 per share, in an initial public offering (the "IPO") on October 22, 2021, and our Class A common stock is listed on Nasdaq under the symbol “SDIG.” Refer to "Note 27 - Initial Public Offering" in the notes to our financial statements.

Stock Split

We effected 2.88-for-1 stock split on October 22, 2021, pursuant to which each share of common stock held of record by the holder thereof was reclassified into approximately 2.88 shares of common stock. No fractional shares were issued. Pursuant to the Second Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time, each Stronghold LLC Unit was also split on a corresponding 2.88-for-1 basis, such that there are an equivalent number of Stronghold LLC Units outstanding as the aggregate number of shares of Class V common stock and Class A common stock outstanding following the stock split. We refer to this collectively as the “Stock Split.”

Bitmain

On October 28, 2021, we entered into an agreement with Bitmain Technologies Limited (“Bitmain”) to purchase 12,000 miners, which will be delivered in six equal batches on a monthly basis beginning in April 2022 (the "First Bitmain Purchase Agreement"). Per the First Bitmain Purchase Agreement, on October 29, 2021, we made an initial payment of $23,300,000 to Bitmain for the miners, On November 18, 2021, we made an additional payment of $4,550,000. Subsequent payments will be made in the future in connection with additional deliveries of miners under the First Bitmain Purchase Agreement.

On November 16, 2021, we entered into a second agreement with Bitmain to purchase 1,800 miners, which will be delivered in six equal batches on a monthly basis beginning in July 2022 (the "Second Bitmain Purchase Agreement"). Per the Second Bitmain Purchase Agreement, on November 18, 2021, we made an initial payment of $6,835,000 to Bitmain for the miners. Subsequent payments will be made in the future in connection with additional deliveries of miners under the Second Bitmain Purchase Agreement.

The miners purchased pursuant to the two agreements with Bitmain will have an aggregate hash rate capacity of approximately 1,450 PH/s.

Nowlit Solutions Corp.

We paid for two separate purchases of miners from Nowlit Solutions Corp. The first purchase payment was made on November 23, 2021, in the amount of $1,605,360 for 190 miners. The second purchase payment was made on November 26, 2021, in the amount of $2,486,730 for an additional 295 miners.

Luxor Technology Corporation

We paid for three separate purchases of miners from Luxor Technology Corporation ("Luxor"). The first purchase payment was made on November 26, 2021, in the amount of $4,312,650 for 770 miners. The second and third purchase payments were made on November 29, 2021, in the amount of $5,357,300 and $3,633,500 respectively, for an additional 750 and 500 miners.

On November 30, 2021, we entered into a fourth purchase agreement with Luxor to acquire 400 Antminer T19 miners with a hash rate of 84 TH/s and 400 Antminer T19 miners with a hash rate of 88 terahash per second ("TH/s") for a total purchase price of $6,260,800.

Cryptech Purchase Agreement

On December 7, 2021, we entered into a Hardware Purchase and Sales Agreement (the “Cryptech Purchase Agreement”) with Cryptech Solutions, Inc ("Cryptech") to acquire 1,000 Bitmain S19a miners (the “Cryptech Miners”) with a hash rate of 96 TH/s for a total purchase price of $8,592,000. Pursuant to the Cryptech Purchase Agreement, all hardware will be paid for in advance of being shipped to the Company.

Supplier Purchase Agreements

On December 10, 2021, we entered into a Hardware Purchase and Sale Agreement (the "First Supplier Purchase Agreement") to acquire 3,000 MicroBT WhatsMiner M30S miners (the "M30S Miners") with a hash rate per unit of 87 "TH/s". Pursuant to the First Supplier Purchase Agreement, the unit price per M30S Miner is $6,960 for a cumulative purchase price of $20,880,000 that was paid in full within five business days of the execution of the First Supplier Purchase Agreement.

On December 16, 2021, we entered into a Second Hardware Purchase and Sale Agreement (the "Second Supplier Purchase Agreement") to acquire a cumulative amount of approximately 4,280 M30S Miners and MicroBT WhatsMiner M30S+ miners with a hash rate per unit of 100 TH/s (the "M30S+ Miners"). Pursuant to the Second Supplier Purchase Agreement, the unit price per M30S Miner is $2,714 and the unit price per M30S+ Miner is $3,520 for a cumulative purchase price of $11,340,373.

NYDIG ABL LLC

On December 15, 2021, we entered into a Master Equipment Finance Agreement (the "Second NYDIG Financing Agreement") with NYDIG ABL LLC ("NYDIG") whereby NYDIG agreed to lend Stronghold Digital Mining BT, LLC ("Digital Mining BT") up to $53,952,000 to finance the purchase of certain Bitcoin miners and related equipment (the "Second NYDIG-Financed Equipment"). Outstanding borrowings under the Second NYDIG Financing Agreement are secured by the Second NYDIG-Financed Equipment, contracts to acquire Second NYDIG-Financed Equipment, and the Bitcoin mined by the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement includes customary restrictions on additional liens on the Second NYDIG-Financed Equipment. The NYDIG Second Financing Agreement may not be terminated by Digital Mining BT or prepaid in whole or in part. Refer to "Note 6 - Long-Term Debt" and "Note 32 - Subsequent Events" in our notes to our financial statements.

O&M Agreement

On November 2, 2021, we entered into the Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services will provide certain operations and maintenance services to Stronghold LLC, as well as employ certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. Stronghold LLC will reimburse 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 shall be approved by Stronghold LLC. Stronghold LLC will also pay Olympus Stronghold Services a management fee at the rate of $1,000,000 per year, payable monthly, and an additional one-time mobilization fee of $150,000 upon the effective date of the Omnibus Services Agreement. Refer to "Note 9 - Related Party Transactions" in the notes to our financial statements.

Reorganization

On April 1, 2021, we effected the corporate reorganization described in "Note 1 - Business Combinations" in the notes to our financial statements.

Key Performance Metrics

We rely on Adjusted EBITDA (as defined below), a non-GAAP (as defined below) key performance metric, to evaluate our business, measure our performance, and make strategic decisions.

Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization, further adjusted by the removal of one-time transaction costs, periodic impairment of digital currencies, realized gains and losses on the sale of long-term assets, expenses related to stock-based compensation, gains or losses on derivative contracts, gain on extinguishment of debt, realized gain or loss on sale of digital currencies, waste coal credits, commission on sale of ash, or changes in fair value of warrant liabilities in the period presented.

Our board of directors (the "Board") and management team use Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense and income), asset base (such as depreciation, amortization, impairment, and realized gains and losses on sale of long-term assets) and other items (such as one-time transaction costs, expenses related to stock-based compensation, and unrealized gains and losses on derivative contracts)

that impact the comparability of financial results from period to period. We present Adjusted EBITDA because we believe it provides useful information regarding the factors and trends affecting our business in addition to measures calculated under accounting principles generally accepted in the United States of America ("GAAP"). Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure will provide useful information to investors and analysts in assessing our financial performance and results of operations across reporting periods by excluding items we do not believe are indicative of our core operating performance. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measure should not be considered as an alternative to the most directly comparable GAAP financial measure. You are encouraged to evaluate each of these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in the future, and any such modification may be material. Adjusted EBITDA has important limitations as an analytical tool and you should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Critical Accounting Policies and Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, investments, intangible assets, stock-based compensation and business combinations. Our financial position, results of operations and cash flows are impacted by the accounting policies we have adopted. In order to get a full understanding of our financial statements, one must have a clear understanding of the accounting policies employed.

A summary of our critical accounting policies follows:

Fair Value Measurements

We measure at fair value certain of our financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data; and

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cryptocurrency Machines

Management has assessed the basis of depreciation of our cryptocurrency machines used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a two-year period. The rate at which we generate digital assets and, therefore, consume the economic benefits of our transaction verification servers, is influenced by a number of factors including the following:

1. The complexity of the transaction verification process which is driven by the algorithms contained within the Bitcoin open source software;

2. The general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in petahash units); and

3. Technological obsolescence reflecting rapid development in the transaction verification server industry such that more recently developed hardware is more economically efficient to run in terms of digital assets generated as a function of operating costs, primarily power costs, (i.e., the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase).

We operate in an emerging industry for which limited data is available to make estimates of the useful economic lives of specialized equipment. Management has determined that two years best reflects the current expected useful life of transaction verification servers. This assessment takes into consideration the availability of historical data and management's expectations regarding the direction of the industry including potential changes in technology. Management will review this estimate annually and will revise such estimate as and when data becomes available.

To the extent that any of the assumptions underlying management's estimate of useful life of its transaction verification servers are subject to revision in a future reporting period either as a result of changes in circumstances or through the availability of greater quantities of data then the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these assets.

Revenue Recognition

We recognize revenue under ASC 606, Revenue from Contracts with Customers. The core principle of this revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

1. Step 1: Identify the contract with the customer

2. Step 2: Identify the performance obligations in the contract

3. Step 3: Determine the transaction price

4. Step 4: Allocate the transaction price to the performance obligations in the contract

5. Step 5: Recognize revenue when we satisfy a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Noncash consideration

- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate. There were no revenue streams with variable consideration during the twelve months ended December 31, 2021 and 2020.

There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the Financial Accounting Standards Board (the "FASB"), we may be required to change our policies, which could have an effect on our condensed consolidated financial position and results from operations.

Fair value of the digital asset award received is determined using the quoted price of the related cryptocurrency at the time of receipt.

Our policies with respect to our revenue streams are detailed below.

Energy Revenue

We operate as a market participant through PJM Interconnection, a Regional Transmission Organization (“RTO”) that coordinates the movement of wholesale electricity. We sell energy in the wholesale generation market in the PJM RTO. Energy revenues are delivered as a series of distinct units that are substantially the same and that have the same pattern of transfer to the customer over time and are therefore accounted for as a distinct performance obligation. The transaction price is based on pricing published in the day ahead market which constitute the stand-alone selling price.

Energy revenue is recognized over time as energy volumes are generated and delivered to the RTO (which is contemporaneous with generation), using the output method for measuring progress of satisfaction of the performance obligation. We apply the invoice practical expedient in recognizing energy revenue. Under the invoice practical expedient, energy revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for our performance obligation completed to date.

Reactive energy power is provided to maintain a continuous voltage level. Revenue from reactive power is recognized ratably over time as we stand ready to provide it if called upon by the PJM RTO.

Capacity Revenue

We provide capacity to a customer through participation in capacity auctions held by the PJM RTO. Capacity revenues are a series of distinct performance obligations that are substantially the same and that have the same pattern of transfer to the customer over time and are therefore accounted for as a distinct performance obligation. The transaction price for capacity is market-based and constitutes the stand-alone selling price. As capacity represents our stand-ready obligation, capacity revenue is recognized as the performance obligation is satisfied ratably over time, on a monthly basis, since we stand ready equally throughout the period to deliver power to the PJM RTO if called upon. We apply the invoice practical expedient in recognizing capacity revenue. Under the invoice practical expedient, capacity revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for our performance obligation completed to date. Penalties may be assessed by the PJM RTO against generation facilities if the facility is not available during the capacity period. The penalties assessed by the PJM RTO, if any, are recorded as a reduction to capacity revenue when incurred.

Cryptocurrency Hosting

We have entered into customer hosting contracts whereby we provide electrical power to cryptocurrency mining customers, and the customers pay a stated amount per MWh (“Contract Capacity”). This amount is paid monthly in advance. Amounts used in excess of the Contract Capacity are billed based upon calculated formulas as contained in the contracts. If any shortfalls occur due to outages, make-whole payment provisions contained in the contracts are used to offset the billings to the customer which prevented them from cryptocurrency mining. Advanced payments and customer deposits are reflected as contract liabilities.

Cryptocurrency Mining

We have entered into digital asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and our enforceable right to compensation only begins when we provide computing power to the mining pool operator. In exchange for providing computing power, we are entitled to a fractional share of the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are recorded as a component of cost of revenues), for successfully adding a block to the blockchain. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. Our fractional share is based on the proportion of computing power we contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power in digital asset transaction verification services is an output of our ordinary activities. The provision of providing such computing power is the only performance obligation in our contracts with mining pool operators. The transaction consideration we receive, if any, is noncash consideration, which we measure at fair value on the date received, which is not materially different than the fair value at contract inception or the time we have earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and we receive confirmation of the consideration we will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt. There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, we may be required to change our policies, which could have an effect on our consolidated financial position and results from operations.

Asset Retirement Obligations

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for other than the carrying amount of the liability, we recognize a gain or loss on settlement. Our asset retirement obligation represents the cost we would incur to perform environmental clean-up or dismantle certain portions of the Facility.

Impairment of long-lived assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A long-lived asset (group) that is held and used must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset (group) might not be recoverable (i.e., information indicates that an impairment might exist). We are responsible for routinely assessing whether impairment indicators are present and should have systems or processes to assist in the identification of potential impairment indicators.

We are not required to perform an impairment analysis (i.e., test the asset (group) for recoverability and potentially measure an impairment loss) if indicators of impairment are not present. We have assessed the need for an impairment write-down only if an indicator of impairment (e.g., a significant decrease in the market value of a long-lived asset (group)) is present. Based on our analysis, no impairment indicators existed as of December 31, 2021 and 2020, respectively, that would require impairment testing of our long-lived assets.

Derivative Contracts

In accordance with guidance on accounting for derivative instruments and hedging activities all derivatives should be recognized at fair value. Derivatives or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the accompanying combined balance sheets. Certain contracts that require physical delivery may qualify for and be designated as normal purchases/normal sales. Such contracts are accounted for on an accrual basis.

We use derivative instruments to mitigate our exposure to various energy commodity market risks. We do not enter into any derivative contracts or similar arrangements for speculative or trading purposes. We will, at times, sell our forward unhedged electricity capacity to stabilize its future operating margins.

We also use derivative instruments to mitigate the risks of bitcoin market pricing volatility. We entered into a variable prepaid forward sale contract that mitigates bitcoin market pricing volatility risks between a low and high collar of bitcoin market prices during the contract term. This contract settles in September 2022. The contract meets the definition of a derivative transaction pursuant to guidance under ASC 815 and is considered a compound derivative instrument which is required to be presented at fair value subject to remeasurement each reporting period. The changes in fair value is recorded as changes in fair value of forward sale derivative as part of earnings.

Stock Based Compensation

For equity-classified awards, compensation expense is recognized over the requisite service period based on the computed fair value on the grant date of the award. Equity classified awards include the issuance of stock options and restricted stock units ("RSUs").

Notes Payable

We record notes payable net of any discounts or premiums. Discounts and premiums are amortized as interest expense or income over the life of the note in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period.

Warrant Liabilities

We record warrant liabilities at their fair value as of the balance sheet date, and recognizes changes in the balances, over the comparative periods of either the issuance date or the last reporting date, as part of changes in fair value of warrant liabilities expense. At the issuance date, each series of warrants were convertible and redeemable to preferred stock.

Loss per share

Basic net (loss) income per share ("EPS") of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding or shares subject to exercise for a nominal value 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.

Income Taxes

The amount of income taxes we record requires interpretations of complex rules and regulations of federal, state, and local tax jurisdictions. We use the asset and liability method of accounting for income taxes, under which deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying values and the tax bases of existing assets and liabilities, and for operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period the rate change is enacted. A valuation allowance is provided for deferred tax assets when it is more likely than not the deferred tax assets will not be realized after considering all positive and negative evidence available concerning the realizability of our deferred tax assets.

As of the year ended December 31, 2021, we maintained a valuation allowance on our deferred tax assets. The valuation allowance remains in place based on the uncertainty of future events, including the Company's ability to generate future taxable income in light of its recent losses, and management considered this and other factors in evaluating the realizability of our deferred tax assets. Any changes in the positive or negative evidence evaluated when determining if our deferred tax assets will be realized could result in a material change to our consolidated financial statements.

The accruals for deferred tax assets and liabilities are often based on assumptions that are subject to a significant amount of judgment by management. These assumptions and judgments are reviewed and adjusted as facts and circumstances change. Material changes to our income tax accruals may occur in the future based on the potential for income tax audits, changes in legislation or resolution of pending matters.

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 therefore is 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. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fourth 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 pro rata cash distributions to holders of Stronghold LLC Units ("Stronghold Unit Holders"), including Stronghold Inc., 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, management has determined that the utilization of our deferred tax assets is not more likely than not, and therefore we have recorded a valuation allowance against our net deferred 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., resulting in an estimated blended statutory rate of 28.89% of pre-tax earnings or losses attributable to the Company.

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 ("G&A") expenses relative to historical periods. Our future results will depend on our ability to efficiently manage our combined 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 great proportion of our revenue and expenses will relate to crypto asset mining.

As previously discussed in the Critical Accounting Policies section, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, 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- for the twelve months ended December 31, 2021 and December 31, 2020

Twelve months ended December 31, 2021 and December 31, 2020

	Twelve months ended December 31,					
	2021	% of Total	2020	% of Total	$ Change	% Change vs. 2020
OPERATING REVENUES						
Energy	$ 11,870,817	38.4 %	$ 518,397	12.6 %	$ 11,352,420	2,189.9 %
Capacity	4,238,921	13.7 %	2,816,457	68.4 %	1,422,464	50.5 %
Crypto asset hosting	2,297,489	7.4 %	252,413	6.1 %	2,045,076	810.2 %
Crypto asset mining	12,494,581	40.4 %	339,456	8.2 %	12,155,125	3,580.8 %
Other	13,329	0.0 %	191,661	4.7 %	(178,332)	(93.0)%
Total operating revenues	30,915,137	100.0 %	4,118,384	100.0 %	26,796,753	650.7 %
OPERATING EXPENSES						
Fuel	13,190,828	24.8 %	389,633	6.0 %	12,801,195	3,285.4 %
Operations and maintenance	15,492,763	29.2 %	3,305,833	50.7 %	12,186,930	368.6 %
General and administrative	14,955,626	28.2 %	2,269,525	34.8 %	12,686,101	559.0 %
Impairments on digital currencies	1,870,274	3.5 %	—	0.0 %	1,870,274	0.0 %
Depreciation and amortization	7,607,721	14.3 %	558,630	8.6 %	7,049,091	1,261.9 %
Total operating expenses	53,117,212	100.0 %	6,523,621	100.0 %	46,593,591	714.2 %
NET OPERATING INCOME	(22,202,075)	100.0 %	(2,405,237)	100.0 %	(19,796,838)	823.1
OTHER INCOME (EXPENSE)						
Interest Expense	(4,622,655)	91.5 %	(205,480)	(9.1)%	(4,417,175)	2,149.7 %
Gain on extinguishment of PPP loan	638,800	(12.6)%	10,000	0.4 %	628,800	6,288.0 %
Realized gain (loss) on sale of digital currencies	149,858	(3.0)%	31,810	1.4 %	118,048	371.1 %
Changes in fair value of warrant liabilities	(1,143,809)	22.6 %	—	0.0 %	(1,143,809)	0.0 %
Changes in fair value of forward sale derivative	(116,488)	2.3 %	—	0.0 %	(116,488)	0.0 %
Realized gain on sales of derivatives	—	0.0 %	1,207,131	53.4 %	(1,207,131)	(100.0)%
Waste coal credit	47,752	(0.9)%	1,188,210	52.6 %	(1,140,458)	(96.0)%
Other income / (expense)	(6,712)	0.1 %	28,572	1.3 %	(35,284)	(123.5)%
Total other income / (expense)	(5,053,254)	100.0 %	2,260,243	100.0 %	(7,313,497)	(323.6)%
NET LOSS	$ (27,255,329)		$ (144,994)		$ (27,110,335)	18,697.6 %

Highlights of our consolidated results of operations for twelve months ended December 31, 2021 compared to the twelve months ended December 31, 2020 include the effect of the Panther Creek Acquisition (refer to Note 25 - Acquisitions" in notes to our financial statements) that closed on November 2, 2021. The Panther Creek Plant operates as part of our Energy Segment.

Including $3.8 million from the Panther Creek Plant, total revenue from all segments increased by $26.8 million, or 650.7%, to approximately $30.9 million primarily driven by large increases in both the energy and crypto asset mining revenues. Energy generation and the continued ramp up to full MW capacity contributed to approximately $11.4 million or 2189.9%. Additionally, total crypto asset revenue growth of approximately $14.2 million included approximately $2.0

million from hosting and an increase of $12.2 million from mining. The growth in the crypto asset mining revenue is the result of the significant ramp up of miner and transformer installations during the second half of 2021.

Including $5.8 million from the Panther Creek Plant, total operating expenses increased by $46.6 million or 714.2%; The increase in total operating expenses was partially attributable to increases of $12.8 million in fuel for the Scrubgrass Plant to produce higher MW capacity to provide power to the energy operations and cryptocurrency operations segments. The Scrubgrass Plant was relatively dormant for the twelve months ended December 31, 2020. Additionally, we experienced an increase of $12.2 million in operations and maintenance expenses related to the energy ramp-up requiring labor, vehicles, and major upgrades so the Scrubgrass Plant can be fully operational at the required higher capacities. Further, we had an increase of $12.7 million in general and administrative expenses due to legal and professional fees, consulting fees, stock compensation expenses, increased insurance costs, and compensation as we continue to organize and scale to a larger legal structure. Impairment costs of $1.9 million were attributed to the declines in the Bitcoin market pricing, primarily during the August 2021 to December 2021 timeframes. We also recorded $7.6 million in depreciation, an increase of approximately $7.0 million over the comparable period in 2020, due to the ramp-up of capital expenditures required for miners and transformers to grow the cryptocurrency hosting and mining infrastructures that produce increased hash rates.

During the twelve months ended December 31, 2021, other income (expense) amounted to $(5.1) million of expense compared to $2.3 million of income for the twelve months ended December 31, 2020. Interest expense increased in 2021 to $4.6 million compared to $205.5 thousand in December 31, 2020. The increase in interest expense was driven by $(1.1) million from changes in fair value of warrant liabilities, and $(116.5) thousand from changes in fair value of forward sale derivatives. We did not have outstanding warrants for the twelve months ended December 31, 2020 as the equity offerings occurred as part of the reorganization on April 1, 2021, and the subsequent private placement funding. During the twelve months ended December 31, 2021, we significantly improved our liquidity and capability to expand our power and mining assets through borrowings and master equipment financing agreements. As a result, the $(4.4) million increase in interest expenses, from this required financing, was realized so we could purchase miners and transformers to support the acceleration of the crypto asset ramp ups. Negative impacts of these increases are partially offset by the gains from the extinguishment of the $638.8 thousand PPP loan in January 2021. The prior comparable period, the twelve months ended December 31, 2020, benefited from the $1.2 million gains from closing out all derivatives (i.e. hedging positions), and $1.1 million in waste coal credits discussed above.

Segment Results

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

	Twelve Months Ended			
	December 31, 2021	December 31, 2020	$ Change	% Change vs. 2020
Operating Revenues				
Energy Operations	$ 16,123,067	$ 3,526,515	$ 12,596,552	357.2 %
Cryptocurrency Operations	14,792,070	591,869	14,200,201	2,399.2 %
Total Operating Revenues	$ 30,915,137	$ 4,118,384	$ 26,796,753	650.7 %
Net Operating Income/(Loss)				
Energy Operations	$ (17,284,860)	$ (2,454,197)	$ (14,830,663)	604.3 %
Cryptocurrency Operations	$ (4,917,216)	48,960	(4,966,176)	(10,143.3)%
Net Operating Income/(Loss)	$ (22,202,076)	$ (2,405,237)	$ (19,796,839)	823.1 %
Other Income, net (a)	(5,053,254)	2,260,243	$ (7,313,497)	(323.6)%
Net Loss	$ (27,255,330)	$ (144,994)	$ (27,110,336)	18,697.6 %
Depreciation and Amortization				
Energy Operations	$ (1,305,402)	$ (558,630)	$ (746,772)	133.7 %
Cryptocurrency Operations	(6,302,319)	—	(6,302,319)	— %
Total Depreciation & Amortization	$ (7,607,721)	$ (558,630)	$ (7,049,091)	1,261.9 %

Interest Expense			
Energy Operations	$ (80,866)	$ (205,480)	$ 124,614	(60.6)%
Cryptocurrency Operations	(4,541,789)	—	(4,541,789)	— %
Total Interest Expense	$ (4,622,655)	$ (205,480)	$ (4,417,175)	2,149.7 %

(a) We do not allocate other income, net for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to our consolidated statement of operations for the twelve months ended December 31, 2021 and 2020 for further details.

Energy Operations Segment

	Twelve months ended December 31,					
	2021	**% of Total**	**2020**	**% of Total**	**$ Change**	**% Change vs. 2020**
OPERATING REVENUES						
Energy	$ 11,870,817	73.6 %	$ 518,397	14.7 %	$ 11,352,420	2189.9 %
Capacity	$ 4,238,921	26.3 %	$ 2,816,457	79.9 %	$ 1,422,464	50.5 %
Other	$ 13,329	0.1 %	$ 191,661	5.4 %	$ (178,332)	— %
Total operating revenues	$ 16,123,067	100.0 %	$ 3,526,515	100.0 %	$ 12,596,552	357.2 %
OPERATING EXPENSES						
Fuel - net of crypto segment subsidy	$ 10,674,145	32.3 %	$ 315,956	5.3 %	$ 10,358,189	3,278.4 %
Operations and maintenance	$ 14,440,664	43.6 %	$ 3,305,833	55.3 %	$ 11,134,831	336.8 %
General and administrative	$ 6,674,799	20.2 %	$ 1,800,293	30.1 %	$ 4,874,506	270.8 %
Depreciation and amortization	$ 1,305,402	3.9 %	$ 558,630	9.3 %	$ 746,772	133.7 %
Total operating expenses	$ 33,095,010	100.0 %	$ 5,980,712	100.0 %	$ 27,114,298	453.4 %
NET OPERATING LOSS	$ (16,971,943)	100.0 %	$ (2,454,197)	100.0 %	$ (14,517,746)	591.5 %
DEPRECIATION & AMORTIZATION	$ (1,305,402)	100.0 %	$ (558,630)	100.0 %	$ (746,772)	133.7 %
INTEREST EXPENSE	$ (80,866)	100.0 %	$ (205,480)	100.0 %	$ 124,614	(60.6)%

Operating Revenues

Total operating revenues increased by $12.6 million, or 357.2%, to $16.1 million for the twelve months ended December 31, 2021, from $3.5 million for the twelve months ended December 31, 2020.

Energy Generation

Including $3.1 million from the Panther Creek Plant, revenue from the generation of energy increased by $11.4 million, or 2,189.9%, to approximately $11.9 million for the twelve months ended December 31, 2021 from $518.4 thousand for the twelve months ended December 31, 2020. The increase was the result of the plant energy production no longer remaining relatively dormant as was the case during the twelve months ended December 31, 2020. Full plant power utilization is optimal for our revenue growth as it also drives a higher volume of Tier II Renewable Energy Credits ("RECs"), waste coal tax credits, and beneficial use ash sales, as well as the increased power bandwidths for the crypto asset operations.

Capacity

Including $681.7 thousand from the Panther Creek Plant, revenue generated from capacity increased by $1.4 million, or 50.5%, to approximately $4.2 million for the twelve months ended December 31, 2021 from $2.8 million for the twelve months ended December 31, 2020. The increase was primarily the result of the successful ramp up of MW capacity in 2021; coupled with higher pricing per kilowatt hour ("kWh") on the higher capacity usages.

Operating Expenses

Operating expenses increased by $27.1 million, or 453.4%, to approximately $33.1 million for the twelve months ended December 31, 2021 from $6.0 million for the twelve months ended December 31, 2020.

Fuel – net of crypto segment subsidy

Including $2.6 million from Panther Creek, fuel expense, after $(2.5) million in subsidized power costs from the crypto operations segment, increased by $10.4 million, or 3,278.4%, to approximately $10.7 million for the twelve months ended December 31, 2021 from $316.0 thousand for the twelve months ended December 31, 2020. The subsidized power costs are for providing power to the crypto hosting and mining assets at a market price of $0.027 per kWh. The $10.4 million increase in fuel expenses compared to the twelve months ended December 31, 2020 was attributable to the continued expansions of energy production and the required coal, ash and limestone fuel purchases to generate energy to support the expansions. The fuel purchases for the twelve months ended December 31, 2020 were very minimal as the Scrubgrass Plant was just starting to ramp up capacity, and both the crypto hosting and mining assets were relatively non-existent and did not purchase power from the Scrubgrass Plant.

Operations and maintenance

Including $1.7 million from the Panther Creek Plant, operations and maintenance expenses increased by $11.1 million, or 336.8%, to approximately $14.4 million for the twelve months ended December 31, 2021 from $3.3 million for the twelve months ended December 31, 2020. The increases result from the required costs to properly support and maintain the Scrubgrass Plant versus the twelve months ended December 31, 2020. These costs include payroll, plant-related treatment, major maintenance and upgrade expenditures to get the Scrubgrass Plant to full capacity, and vehicles. Including approximately $1.8 million in major repairs and upgrades that were considered out of the ordinary. The relative amount of these costs, particularly payroll and major maintenance and upgrade expenditures, for the twelve months ended December 31, 2020, were comparatively small as the Scrubgrass Plant was just beginning to increase MW production after being dormant.

General and administrative

General and administrative expenses include legal and professional fees, consulting costs, executive and support payroll, stock compensation expense, property taxes, insurance premiums related to coverages and rates, and management fees. The majority of general and administrative costs are allocated between 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. Panther Creek G&A was $115.4 thousand.

As a result, general and administrative expenses increased by $4.9 million, or 270.8%, to approximately $6.7 million for the twelve months ended December 31, 2021 from $1.8 million for the twelve months ended December 31, 2020. The cryptocurrency operations segment revenue was minimal for the twelve months ended December 31, 2020, so the energy operations segment realized large portion of the general and administrative costs during this time. The majority of the $4.9 million increase was due to legal and professional fees, consulting startup costs, stock compensation expenses, as well as the execution of additional contracts to scale our legal structures and borrowing capabilities during this period. In addition, the payment of delinquent property taxes and the increases in insurance coverages and rates due to the purchase of a director and officer liability insurance policy, higher asset exposures, as well as higher rates in the risk markets contributed to the increase.

Depreciation and Amortization

The majority of the depreciation and amortization expense that marginally increased by $746.8 thousand, or 133.7%, to approximately $1.3 million for the twelve months ended December 31, 2021, from $558.6 thousand for the twelve months ended December 31, 2020 was due to $732.1 thousand from Panther Creek.

Interest Expense

Interest expense decreased by $124.6 thousand, or (60.6)%, to $(80.9) thousand for the twelve months ended December 31, 2021 from $(205.5) thousand for the twelve months ended December 31, 2020 as loans were either paid off or later in their terms with lower interest portions of their payments. Panther Creek had marginal impacts to Interest Expense.

Cryptocurrency Operations Segment

	Twelve months ended December 31,					
	2021	% of Total	2020	% of Total	$ Change	% Change vs. 2020
OPERATING REVENUES						
Crypto asset hosting	$ 2,297,489	15.5 %	$ 252,413	42.6	$ 2,045,076	810.2 %
Crypto asset mining	$ 12,494,581	84.5 %	$ 339,456	57.4 %	$ 12,155,125	3,580.8 %
Total operating revenues	$ 14,792,070	100.0 %	$ 591,869	100.0 %	$ 14,200,201	2,399.2 %
OPERATING EXPENSES						
Fuel - purchased from energy segment	$ 2,516,683	12.8 %	$ 73,677	13.6	$ 2,443,006	3,315.8 %
Operations and maintenance	$ 1,052,100	5.3 %	$ —	— %	$ 1,052,100	— %
General and administrative	$ 7,967,910	40.4 %	$ 469,232	86.4 %	$ 7,498,678	1,598.1 %
Impairments on digital currencies	$ 1,870,274	9.5 %	$ —	—	$ 1,870,274	— %
Depreciation and amortization	$ 6,302,319	32.0 %	$ —	—	$ 6,302,319	— %
Total operating expenses	$ 19,709,286	100.0 %	$ 542,909	100.0 %	$ 19,166,377	3,530.3 %
NET OPERATING INCOME/(LOSS)	$ (4,917,216)	100.0 %	$ 48,960	100.0 %	$ (4,966,176)	(10,143.3)%
DEPRECIATION & AMORTIZATION	$ (6,302,319)	100.0 %	$ —	0.0 %	$ (6,302,319)	—
INTEREST EXPENSE	$ (4,541,789)	100.0 %	$ —	0.0 %	$ (4,541,789)	—

Operating Revenues

Total operating revenues increased by $14.2 million, or 2,399.2%, to $14.8 million for the twelve months ended December 31, 2021, from $591.9 thousand for the twelve months ended December 31, 2020.

Crypto asset hosting revenue

Revenue generated from crypto asset hosting increased by $2.0 million to $2.3 million for the twelve months ended December 31, 2021. This increase was due to the continued expansion of generated power sales to crypto asset mining customers for which we are providing hosting services.

Crypto asset mining revenue

Revenue generated from crypto asset mining increased by $12.2 million, or 3,580.8%, to approximately $12.49 million for the twelve months ended December 31, 2021 from $339.5 thousand for the twelve months ended December 31, 2020. The increase was primarily the result of the significant purchases of miners and transformers, with the expansions that started during the fourth quarter of 2020 through the end of 2021. The deployments of these miners and transformers are significantly increasing total hash rates and Bitcoin awards.

Operating Expenses

Operating expenses increased to $19.7 million for the twelve months ended December 31, 2021 from $542.9 thousand for the twelve months ended December 31, 2020. There were minimal hosting customers and a very insignificant hash rate output due to a small number of miners for the twelve months ended December 31, 2020, resulting in very small costs to operate. Of the $19.7 million in operating expenses, approximately 32.0% are attributed to depreciation and amortization relative to the ramping up of our cryptocurrency miner assets that have two year useful lives; whereas 40.4% of the $19.7 million operating expenses are general and administrative expenses that includes stock compensation expenses, and startup costs related to legal and consulting.

Fuel - purchased from energy segment

The cryptocurrency operations segment purchases power from the Scrubgrass Plant at $0.027 per kWh to provide power to both the hosted customer and Bitcoin mining equipment. The $2.4 million increase compared to the twelve months ended December 31, 2020 was attributable to the continued expansions of these assets and customer strategy, as discussed previously, starting in the fourth quarter of 2020 with significant ramp up starting in the second half of 2021.

Operations and maintenance

Operations and maintenance expenses increased by $1.1 million for the twelve months ended December 31, 2021 from zero for the twelve months ended December 31, 2020. The increase includes technicians now required to support multiple data centers and maintenance, as well as repairs and operating parts to maintain a larger base of miners.

General and administrative

General and administrative expenses include legal and professional fees, consulting fees, stock compensation expenses, executive and support payroll, property taxes, insurance premiums related to coverages and rates, and management fees. The majority of general and administrative costs are allocated between 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.

As a result, general and administrative expenses were $8.0 million for the twelve months ended December 31, 2021, compared to $469.2 thousand for the twelve months ended December 31, 2020. The percentage of crypto asset segment revenues to the total segment revenues is increasing; thus a higher relative allocation of these shared costs. The majority of the $8.0 million was due to legal and professional fees, consulting startup costs, stock compensation expenses, as well as the execution of additional contracts to scale our legal structures and borrowing capabilities during this period. In addition, the payment of delinquent property taxes and the increases in insurance coverages and rates due to the purchase of a director and officer liability insurance policy, higher asset exposures, as well as higher rates in the risk markets.

Impairments on digital currencies

The crypto spot market is volatile and can have a negative impact on the mark-to-market of our digital currencies as of the ending balance sheet reporting date. As a result, a $1.9 million impairment charge was recognized as a result of the negative impacts from the crypto coin spot market declines against the held crypto coin inventories not yet converted to cash. As of December 31, 2021, the Company held on its balance sheet approximately 182 Bitcoin and the spot market price of Bitcoin was $47,686.81 per Coinbase Global Inc.

Depreciation and Amortization

Depreciation and amortization expense of $6.3 million for the twelve months ended December 31, 2021 from zero for the twelve months ended December 31, 2020. The increase is the result of the continued purchase of infrastructure assets and miners for the crypto asset operations driving a higher depreciable base for 2021. This ramp up has significantly accelerated starting in the second half of 2021.

Interest Expense

Interest expense of $(4.5) million for the twelve months ended December 31, 2021 from zero for the twelve months ended December 31, 2020 and was attributed to the required increased financing to purchase and ramp up both the miners and transformers operating bases. We have executed on a large number of hardware purchase and master equipment financing agreements that has provided both liquidity and the capability to scale the transformer and miner installation bases that generate our cryptocurrency mining revenues.

Comparison of Non-GAAP Financial Measure

Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization, further adjusted by the removal of one-time transaction costs, periodic impairment of digital currencies, realized gains and losses on the sale of long-term assets, expenses related to stock-based compensation, gains or losses on derivative contracts, gain on extinguishment of debt, realized gain or loss on sale of digital currencies, waste coal credits, commission on sale of ash, or changes in fair value of warrant liabilities in the period presented.

Our Board and management team use Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense and income), asset base (such as depreciation, amortization, impairment, and realized gains and losses on sale of long-term assets) and other items (such as one-time transaction costs, expenses related to stock-based compensation, and unrealized gains and losses on derivative contracts) that impact the comparability of financial results from period to period. We present Adjusted EBITDA because we believe it provides useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP. Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure will provide useful information to investors and analysts in assessing our financial performance and results of operations across reporting periods by excluding items we do not believe are indicative of our core operating performance. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measure should not be considered as an alternative to the most directly comparable GAAP financial measure. You are encouraged to evaluate each of these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in the future, and any such modification may be material. Adjusted EBITDA has important limitations as an analytical tool and you should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

The following table presents a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income (loss) for the twelve months ended December 31, 2021 and 2020.

	Twelve Months Ended December 31,	
	2021	2020
	(in thousands)	
Net Income (loss)	$ (27,255.3)	$ (145.0)
Interest	4,622.7	202.5
Depreciation and amortization	7,607.7	558.6
Impairment costs of digital currencies	1,870.3	—
One time non-recurring expenses [1]	7,070.4	—
Expenses related to stock-based compensation	4,015.3	—
(Gains)/Losses on derivative contracts	—	(1,207.1)
Waste coal credits	(47.8)	(1,188.2)
Gain on extinguishment of PPP loan	(638.8)	—
Realized (gain)/loss on sale of digital currencies	(149.9)	(31.8)
Changes in fair value of forward sale derivative….....	116.5	—
Changes in fair value of warrant liabilities	1,143.8	—
Adjusted EBITDA	**$ (1,645.1)**	**$ (1,811.0)**

[1] Includes the following non-recurring expenses: legal fees related to the Panther Creek Acquisition and the Northern Data Hosting Agreement, bad debt write-offs, startup costs related to initial crypto asset stores inventories, out-of-the-ordinary major repairs and upgrades to the power plant, and other one-time items.

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 will 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 and working capital to support equipment financing and the purchase of additional miners. 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 buildout costs associated with enabling such facilities to house miners to mine Bitcoin.

We have historically relied on funds from equity issuances, equipment financings, and revenue from sales of Bitcoin and power generated at our power plants to provide for our liquidity needs. During 2021, we received $63.2 million (net of loan fees and debt issuance costs) in proceeds from the financing agreements with WhiteHawk and NYDIG, net proceeds of $131.5 million from the IPO and net proceeds of $96.8 million from two private placements of convertible preferred securities. Additionally, on March 28, 2022, we received an additional $25.0 million from WhiteHawk as a result of the Second WhiteHawk Amendment. Please see "—Debt Agreements - Equipment Purchase and Financing Transactions" for more information regarding our financing arrangements. These cash sources provided additional short and long-term liquidity to support our operations in fiscal year 2021 and through the first quarter of 2022. Taking into account the Second WhiteHawk Amendment and other sources of capital, such as proceeds from asset sales or additional sources of debt or equity financing, to which we believe we have access, we believe we have sufficient liquidity for the next twelve months. We anticipate also that we will need additional sources of capital and will need to increase our cash flow from operations and financing activities for our long-term capital needs including to fund our business plan and to meet our long-term operating requirements. We may sell assets or seek potential additional debt or equity financing to fund our short-term and long-term needs. If we are unable to ramp up our Bitcoin mining efforts and 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. As of December 31, 2021 and March 24, 2022, we had 182 and 344 Bitcoins on hand, respectively. As of December 31, 2021 and March 28, 2022, we had approximately $39.5 million and approximately $32 million of cash and cash equivalents on our balance sheet, respectively. As of December 31, 2021 and March 28, 2022, we had outstanding indebtedness of $68.5 million and $117.8 million, respectively, and availability under our financing agreements of $35.4 million and $18.0 million, respectively.

We have not yet established a consistent, ongoing source of revenue sufficient to cover our operating costs, and we incurred a net loss of $27.3 million in fiscal 2021 and an accumulated deficit of $338.7 million as of December 31, 2021. The losses incurred in recent years, with the associated substantial accumulated deficit, are a result of our Bitcoin mining ramp-up, which is a capital intensive industry. We experienced a number of setbacks and unexpected challenges, including a longer-than-expected delay of the MinerVa miners and longer than expected downtime at our Scrubgrass Plant for maintenance. As a result of the delay in delivery of the MinerVa miners, we were at risk of defaulting on our obligations under the WhiteHawk debt facility because those miners were to be provided as collateral to WhiteHawk by April 30, 2022. We spent approximately $5.1 million in fiscal year 2021 on maintenance and repair costs at the Scrubgrass Plant, and we estimate that we will spend an aggregate of $30 million on total repair and maintenance cost in fiscal 2022. In addition to incurred expenses, we are also unable to mine Bitcoin at the Scrubgrass Plant during such downtime, which directly and negatively affects our results of operations. Due to these and the other operational setbacks discussed herein, we estimate that such factors have negatively impacted our cash on hand by approximately $40 million to $45 million as of March 24, 2022 compared to if miners had been delivered in accordance with the original delivery schedules under purchase agreements and the Scrubgrass Plant's uptime was as expected. As a result of these events, we faced a significant liquidity shortfall that reduced our cash position to approximately $3 million on March 28, 2022, with available funding of another $18 million. In response, we sought and obtained the Second WhiteHawk Amendment to substitute collateral, avoid an event of default, and obtain additional funding to address our near-term liquidity needs. We believe our liquidity position, combined with expected operating cash flow and the proceeds of additional debt or equity financings or asset sales, will be sufficient to meet our existing commitments and fund our operations for the next twelve months.

Cash Flows

Analysis of Cash Flow Changes Between the Twelve Months Ended December 31, 2021 and 2020

The following table summarizes our cash flows for the periods indicated:

	Twelve Months Ended December 31,		
	2021	2020	Change
	(in thousands)		
Net cash provided by (used in) operating activities	$ (5,664.8)	$ 587.2	$ (6,252.0)
Net cash provided by (used in) investing activities	$ (257,018.4)	$ (1,827.8)	(255,190.6)
Net cash provided by (used in) financing activities	$ 294,170.1	$ 1,409.6	292,760.5
Net change in cash	$ 31,486.9	$ 169.0	$ 31,317.9

Operating Activities. Net cash used in operating activities was $(5.7) million for the twelve months ended December 31, 2021 compared to $587.2 thousand of net cash provided by operating activities for the twelve months ended December 31, 2020. The $(5.7) million increase in net cash used in operating activities was primarily attributable to increases in operations and G&A costs due to the expansions in energy production and the crypto asset mining operations, and significant increases in investments by holding digital currencies versus converting to cash equivalents in the spot markets. Those changes were partially offset by managing positive cash float with our trade payable vendors. The energy production was relatively dormant for the twelve months ended December 31, 2020, and crypto asset mining operations ramped up significantly starting in the fourth quarter of 2020 The end result of the dormant energy production, in 2020, did not require the relatively higher net operating cash outflows as compared to the twelve months ended December 31, 2021.

Investing Activities. Net cash used in investing activities was $(257.0) million for the twelve months ended December 31, 2021 compared to $(1.8) million used in investing activities for the twelve months ended December 31, 2020. The $(257.0) million net cash used in investing activities was attributable to the continued ramp up of the crypto asset segment. These investments require significant deposits by equipment vendors as commitments for future deliveries of miners, increasing the production bandwidths by building out our power and container infrastructures, and the implementation of any additional miners starting in the fourth quarter of 2020 into the full year ending 2021. This decrease was partially offset by an increase of $490.0 thousand in acquired Panther Creek cash. The $(1.8) million in net cash used in investing activities for the twelve months ended December, 2020 includes $(2.0) million in construction in progress and miner acquisition costs due to the start of developing the power and mining infrastructure for future cryptocurrency miners.

Financing Activities. Net cash provided by financing activities was $294.2 million for the twelve months ended December 31, 2021 compared to $1.4 million provided by financing activities for the twelve months ended December 31, 2020. The significant increase of $292.8 million in cash provided by financing activities was a culmination of receiving $131.5 million in proceeds from the initial public offering (net of transaction fees) and $96.8 million (net of transaction fees) from our private placement equity raises of Series A Stock and Series B Stock. In addition, proceeds from the WhiteHawk Promissory Note of $39.1 million (net of debt issuance costs), as discussed in “Note 14 - Stocks Issued Under Master Financing Agreements and Warrants," in the notes to our financial statements, $24.2 million (net of debt issuance costs) drawn against the Arctos/NYDIG Financing Agreement (as defined below), discussed in "Note 14 - Stocks Issued Under Master Financing Agreements and Warrants" in the notes our financial statements; $17.2 million (net of debt issuance costs) received in advances from the Second NYDIG Financing Agreement as discussed in “Note 8 - Commitments and Contingencies", the $7.0 million prepayment from the variable forward asset sales contract . This was partially offset by a $(2.0) million payoff of two related-party notes, $(2.0) million cash portion of the $(7.0) million buyout of the Aspen Interest, and (16.3) million in debt payments that are substantially related to the loans previously mentioned, and -$2.6 million paid on the financed insurance premium as discussed in Note 29 - Commercial Premium Financing Agreement. We received a second round PPP loan in March 2021 in the amount of $841.7 thousand. The first PPP loan received in May 2020 for $638.8 thousand was forgiven in January 2021. We are in the process of seeking forgiveness of our second PPP loan of $841.7 thousand. Additionally, the Economic Injury Disaster Loan received in June 2020 in the amount of $150.0 thousand was paid off on June 7, 2021.

Debt Agreements

We have entered into various debt agreements used to purchase equipment to operate our business.

We entered into the WhiteHawk Financing Agreement on June 30, 2021. As of December 31, 2021, the amount owed under the debt agreements totaled $40.7 million with repayment terms extending through June 30, 2023. As of December 31, 2021, the monthly repayment amounts, including interest, total 30.7 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Two draws against the Arctos/NYDIG Financing Agreement (as defined below) totaled $24.2 million (net of debt issuance costs) secured by our equipment contract commitments for future miner deliveries. As of December 31, 2021, the amount owed under the debt agreements totaled $21.9 million with repayment terms extending through July 25, 2023. Of the total amount outstanding of $21.9 million, $12.0 million was classified as current portion of long-term debt (less discounts and debt issuance costs) and will be repaid as of July 25, 2023. The remaining portion of long-term debt is $9.9 million (less discounts and debt issuance costs). As of December 31, 2021, the monthly repayment amounts, including interest, totaled $19.0 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Two draws against the Second NYDIG Financing Agreement totaled $17.2 million (net of debt issuance costs) secured by our equipment contract commitments for future miner deliveries. As of December 31, 2021, the amount owed under the debt agreements totaled $17.2 million with repayment terms extending through December 2023. Of the total amount outstanding of $17.2 million, $13.8 million was classified as current portion of long-term debt (less discounts and debt issuance costs) and will be repaid as of December 15, 2023. The remaining portion of long-term debt is $3.4 million (less discounts and debt issuance costs). As of December 31, 2021, the monthly repayment amounts, including interest, totaled $18.6 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Total net obligations under all debt agreements as of December 31, 2021, including a second round PPP loan of $841.7 thousand, were $65.0 million.

Effective October 21, 2021, we entered into a director and officer insurance policy with annual premiums totaling $6.9 million. We have executed a Commercial Premium Finance Agreement with AFCO Premium Credit LLC over a term of nine months, with an annual interest rate of 3.454%, that finances the payment of the total premiums owed. The agreement requires a $1.4 million down payment, with the remaining $5.5 million plus interest paid over nine months. Monthly payments of $621.3 thousand started November 21, 2021 and end July 21, 2022. As of December 31, 2021, the unpaid balance is $4.3 million.

Equipment Purchase and Financing Transactions

MinerVa Semiconductor Corp Purchase Agreement

On April 2, 2021, we entered into a purchase agreement with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment (miners) with a total terahash to be delivered equal to 1.5 million terahash. The price per miner is $4,892.50 for an aggregate purchase price of $73,387,500 to be paid in installments. The first installment of 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 December 31, 2021, there are no remaining deposits owed. In December 2021, we 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 has only delivered approximately 3,200 of the 15,000 miners. We do not know when the remaining MinerVa miners will be received, if at all. As a result, we may write off some or all of the approximately 11,700 undelivered MinerVa miners. MinerVa continues to tell us that MinerVa anticipates shipping no less than 15,000 miners by April 2022. Refer to Note 30 - Covenants that describe covenants referencing the anticipated final delivery timeframe of April 2022. Please see "Note 32 - Subsequent Events" in the notes to our financial statements for further disclosure on payment of the remaining 20%. In exchange for the delivery of the miners that are operating under the specifications set forth in the purchase agreement, we will grant the seller 443,848 shares of our Class A common stock at a price per share of $8.68 (adjusted for the Stock Split). The aggregate purchase price does not include shipping costs, which are our responsibility and shall be determined at which time the miners are ready for shipment.

Nowlit Solutions Corp Purchase Agreement

We entered into a hardware purchase and sales agreement with Nowlit Solutions Corp effective April 1, 2021. Hardware includes, but is not limited to, ASIC miners, power supply units, power distribution units and replacement fans for ASIC miners. All hardware must be paid for in advance before it is shipped to us. We made payments totaling $5,657,432 in April 2021 and costs have been capitalized and reported as property and equipment.

We also entered into two additional separate purchases of miners from Nowlit Solutions Corp. The first purchase payment was made on November 23, 2021, in the amount of $1,605,360 for 190 miners. The second purchase payment was made on November 26, 2021, in the amount of $2,486,730 for an additional 295 miners.

Cryptech Solutions Purchase Agreement

We entered into a hardware purchase and sales agreement with Cryptech effective April 1, 2021. Hardware includes, but is not limited to, ASIC miners, power supply units, power distribution units and replacement fans for ASIC miners. Total purchase price is $12,660,000 for 2,400 BitmainS19j miners to be delivered monthly in equal quantities (200 per month) from November 2021 through October 2022. All hardware must be paid for in advance before it is shipped to us. We made a 30% down payment of $3,798,000 on April 1, 2021 with the remaining 70% or $8,862,000, agreed to be paid in 17 installments.

On December 7, 2021, we entered into the Cryptech Purchase Agreement with Cryptech to acquire the Cryptech Miners with a hash rate of 96 TH/s for a total purchase price of $8,592,000. Pursuant to the Cryptech Purchase Agreement, all hardware will be paid for in advance of being shipped to the Company.

Supplier Purchase Agreements

On April 14, 2021, we entered into an agreement with a supplier to provide approximately 9,900 miners for $21,011,287. We were required to make an initial payment on the miners that are currently being delivered starting in October 2021 (refer to "Note 32 - Subsequent Events" in the notes to our financial statements for further discussions). We made a 75% deposit of $15,758,432 in April 2021, and the remaining 25%, or $5,252,755 plus sales taxes has been invoiced in October 2021. Once operational, after deducting an amount equal to $0.027 per kWh for the actual power used, 65% of all cryptocurrency revenue generated by the miners in the supplier's pods shall be payable to us and 35% of all cryptocurrency revenue generated by the miners shall be payable to this party or its designee. As of December 31, 2021, there are no miners operating that will contractually obligate the Company to pay the 35% revenue share (refer to "Note 32 - Subsequent Events" in the notes to our financial statements for further discussions).

On December 10, 2021, we entered into a Hardware Purchase and Sale Agreement (the “First Supplier Purchase Agreement”) to acquire 3,000 MicroBT WhatsMiner M30S miners (the “M30S Miners”) with a hash rate per unit of 87 TH/s. Pursuant to the First Supplier Purchase Agreement, the unit price per M30S Miner is $6,960 for a cumulative purchase price of $20,880,000 that was paid in full within five business days of the execution of the First Supplier Purchase Agreement.

On December 16, 2021, we entered into a Second Hardware Purchase and Sale Agreement (the “Second Supplier Purchase Agreement") to acquire a cumulative amount of approximately 4,280 M30S Miners and MicroBT WhatsMiner M30S+ miners with a hash rate per unit of 100 TH/s (the “M30S+ Miners”). Pursuant to the Second Supplier Purchase Agreement, the unit price per M30S Miner is $2,714 and the unit price per M30S+ Miner is $3,520 for a cumulative purchase price of $11,340,373.

Bitmain Technologies Limited Purchase Agreement

On October 28, 2021, we entered into the first of two Non-Fixed Price Sales and Purchase Agreement with Bitmain. This first agreement covers six batches of 2,000 miners, or 12,000 in total, arriving on a monthly basis from April through September 2022. Each batch has an assigned purchase price that totals to $75,000,000, to be paid in three installments of 25%, 35% and 40% over the six-month delivery period. Per the agreement, on October 29, 2021, the Company made a $23,300,000 payment comprised of the 25% installment payment plus 35% of the April 2022 batch of 2,000 miners that have an assigned purchase price of $13,000,000. On November 18, 2021, the Company made an additional payment of 35% or $4,550,000 towards the April 2022 batch of miners.

On November 16, 2021, we entered into the second Non-Fixed Price Sales and Purchase Agreement with Bitmain. This second agreement covers six batches of 300 miners, or 1,800 in total, arriving on a monthly basis from July 2022 through December 2022. Each batch has an assigned purchase price that totals $19,350,000, to be paid in three installments of 35%, 35%, and 30% of the total purchase price over the six month delivery period. Per the second Non-Fixed Price Sales and Purchase Agreement, on November 18, 2021, the Company paid the first installment payment of 35% or $6,835,000.

The miners purchased pursuant to the two agreements with Bitmain will have an aggregate hash rate capacity of approximately 1,450 PH/s.

Luxor Technology Corporation Purchase Agreement

We paid for three separate purchases of miners from Luxor. The first purchase payment was made on November 26, 2021, in the amount of $4,312,650 for 770 miners. The second and third purchase payments were made on November 29, 2021, in the amount of $5,357,300 and $3,633,500 respectively; for an additional 750 and 500 miners.

On November 30, 2021, we entered into a fourth purchase agreement with Luxor to acquire 400 Antminer T19 miners with a hash rate of 84 TH/s and 400 Antminer T19 miners with a hash rate of 88 TH/s for a total purchase price of $6,260,800.

Arctos/NYDIG Financing Agreement

On June 25, 2021, we entered into a $34,481,700 ("Maximum Advance Amount") master equipment financing agreement with an affiliate of Arctos Credit, LLC (“Arctos,” now known as “NYDIG”) (the “Arctos/NYDIG Financing Agreement. The aggregate principal outstanding bears interest of 10% and will be repaid in 24 monthly payments, with a 1.25% fee due if the Maximum Advance Amount is not requested prior to August 15, 2021. Outstanding borrowings under the Arctos/NYDIG Financing Agreement are secured by certain miners and the contracts to acquire the such miners. The Arctos/NYDIG Financing Agreement includes customary restrictions on additional liens on the Arctos/NYDIG-Financed Equipment. As of September 30, 2021, $24.2 million (net of debt issuance costs) has been borrowed, leaving, approximately $10.3 million remaining available to be drawn under the Arctos/NYDIG Financing Agreement. The Arctos/NYDIG Financing Agreement may not be terminated by us or prepaid in whole or in part. In conjunction with the Arctos/NYDIG Financing Agreement, we issued 126,273 shares of Class A common stock to Arctos (adjusted for the Stock Split) and may issue additional shares of Class A common stock to Arctos in consideration of future financings.

On January 31, 2022, we and NYDIG amended the Arctos/NYDIG Financing Agreement (the “NYDIG Amendment”) to include (i) 2,140 MicroBT WhatsMiner M30S+ miners and (ii) 2,140 MicroBT WhatsMiner M30S miners we purchased pursuant to a purchase agreement dated December 16, 2021, totaling $12,622,816 of additional borrowing capacity. We will pay an aggregate closing fee of $504,912 to NYDIG. The NYDIG Amendment requires that we maintain a blocked wallet or other account for deposits of all Mined Currency.

NYDIG ABL LLC Financing Agreement

On December 15, 2021, we entered into the Second NYDIG Financing Agreement with NYDIG whereby NYDIG agreed to lend us up to $53,952,000 to finance the purchase of the Second NYDIG-Financed Equipment. Outstanding borrowings under the Second NYDIG Financing Agreement are secured by the Second NYDIG-Financed Equipment, contracts to acquire Second NYDIG-Financed Equipment, and the Bitcoin mined by the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement includes customary restrictions on additional liens on the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement may not be terminated by us or prepaid in whole or in part.

WhiteHawk Financing Agreement

On June 30, 2021, we entered into an equipment financing agreement (the “WhiteHawk Financing Agreement”) with WhiteHawk Finance LLC ("Whitehawk") whereby WhiteHawk agreed to lend to us an aggregate amount not to exceed $40.0 million (the “Total Advance”) to finance the purchase of certain Bitcoin miners and related equipment (the “WhiteHawk-Financed Equipment”). At August 30, 2021, the entirety of the Total Advance was drawn under the WhiteHawk Financing Agreement. The aggregate principal outstanding bears interest of 10% and will be repaid in 24 monthly payments. Outstanding borrowings under the WhiteHawk Financing Agreement are secured by the WhiteHawk-Financed Equipment and the contracts to acquire the WhiteHawk-Financed Equipment. The WhiteHawk Financing Agreement includes customary restrictions on additional liens on the WhiteHawk-Financed Equipment and is guaranteed by the Company. The WhiteHawk Financing Agreement may be terminated early if we, among other things, pay the Early Termination Fee (as defined therein). In conjunction with the WhiteHawk Financing Agreement, we issued a stock purchase warrant to WhiteHawk, which provides for the purchase of a number of shares of Class A common stock at $0.01 per share, equal to approximately $2.0 million, subject to adjustment as described in the warrant agreement (the “WhiteHawk Warrant”). The WhiteHawk Warrant expires on June 30, 2031.

On December 31, 2021, we amended the WhiteHawk Financing Agreement (the “WhiteHawk Amendment”) to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $250,000 to WhiteHawk. On March 28, 2022, Equipment LLC and WhiteHawk again amended the WhiteHawk Financing Agreement (the "Second WhiteHawk Amendment") to

exchange the collateral under the WhiteHawk Financing Agreement. Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement will be exchanged as collateral for additional miners received by us from other suppliers and (ii) WhiteHawk agreed to lend to us an additional amount not exceed $25.0 million to finance certain previously purchased Bitcoin miners and related equipment (the "Second Total Advance"). Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek and Scrubgrass each agreed to a negative pledge of the Panther Creek Plant and Scrubgrass Plant, respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, we issued a warrant to WhiteHawk to purchase 125,000 shares of Class A common stock, subject to certain antidilution and other adjustment provisions as described in the warrant agreement, at an exercise price of $0.01 per share (the “Second WhiteHawk Warrant”). The Second WhiteHawk Warrant expires on March 28, 2032. While we continue to engage in discussions with MinerVa on the delivery of the remaining miners, we do not know when the remaining miners will be delivered, if at all.

Tax Receivable Agreement

The TRA generally provides for the payment by Stronghold Inc. to certain of the Stronghold Unit 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 Redemption Right or the Call Right 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 Q Power (or its permitted assignees) in connection with the TRA will be substantial. Any payments made by Stronghold Inc. to Q Power (or its 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 pro rata cash distributions to holders of Stronghold LLC Units, including Stronghold Inc., in an amount sufficient to allow Stronghold Inc. 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

As an "emerging growth company" ("EGC"), the Jumpstart Our Business Startups Act ("JOBS Act") allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

As of January 1, 2020, we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606 supersedes the revenue recognition requirements in Financial Accounting Standards Board ("FASB") ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. We adopted Topic 606 under the modified retrospective approach whereby the cumulative effect of adopting the new guidance was recognized on the date of initial application. The adoption of ASC 606 did not result in a change to the accounting for revenue, as such, no cumulative effect adjustment was recorded.

In February 2016, FASB issued ASU 2016-02, Leases ("Topic 842"), which supersedes ASC Topic 840, Leases. Topic 842 requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. Topic 842 will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In November 2020, FASB deferred the effective date for implementation of Topic 842 by one year and, in June 2020, FASB deferred the effective date by an additional year. Beginning after December 15, 2021 and the six months ended June 30, 2021, the guidance under Topic 842 is effective. We are still in the process of developing our new accounting policies and determining the potential aggregate impact this guidance is likely to have on our financial statements as of its adoption date.

Off Balance Sheet Arrangements

We have no material off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Management's Report on Financial Statements and Practices

The accompanying consolidated financial statements of the Company were prepared by Management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with U.S. generally accepted accounting principles and include amounts that are based on Management's best judgments and estimates. The other financial information included in the 10-K is consistent with that in the financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of host countries in which the Company operates and potentially conflicting outside business interests of its employees. The Company maintains a systematic program to assess compliance with these policies.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Stronghold Digital Mining, Inc.
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Stronghold Digital Mining, Inc. and subsidiaries (the "Company" and successor to Scrubgrass Generating Company, L.P. and Stronghold Digital Mining, LLC) as of December 31, 2021 and 2020, the related consolidated statements of operations, partners' deficit and stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

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

/s/ Urish Popeck & Co., LLC

Pittsburgh, PA

March 29, 2022

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
CURRENT ASSETS		
Cash	$ 31,790,115	$ 303,187
Digital currencies	7,718,221	228,087
Digital currencies restricted	2,699,644	—
Accounts receivable	2,111,855	65,900
Due from related party	—	302,973
Prepaid insurance	6,301,701	—
Inventory	3,372,254	396,892
Other current assets	661,640	65,831
Total Current Assets	54,655,430	1,362,870
EQUIPMENT DEPOSITS	130,999,398	—
PROPERTY, PLANT AND EQUIPMENT, NET	166,657,155	7,814,199
LAND	1,748,440	—
BONDS	211,958	185,245
SECURITY DEPOSITS	348,888	—
TOTAL ASSETS	$ 354,621,269	$ 9,362,314
CURRENT LIABILITIES		
Current portion of long-term debt-net of discounts/issuance fees	$ 50,099,372	$ 449,447
Forward sale contract	7,116,488	—
Related-party notes	—	2,024,250
Accounts payable	28,650,659	8,479,187
Due to related parties	1,430,660	698,338
Accrued liabilities	5,053,957	828
Total Current Liabilities	92,351,136	11,652,050
LONG-TERM LIABILITIES		
Asset retirement obligation	973,948	446,128
Contract liabilities	187,835	40,000
Economic Injury Disaster Loan	—	150,000
Paycheck Protection Program Loan	841,670	638,800
Long-term debt-net of discounts/issuance fees	18,378,841	482,443
Total Long-Term Liabilities	20,382,294	1,757,371
Total Liabilities	112,733,430	13,409,421
Commitments and contingencies		
Common Stock - Class V, $0.0001 par value; 34,560,000 shares authorized and 27,057,600 shares issued and outstanding	301,052,617	—
Total redeemable common stock	301,052,617	—
STOCKHOLDERS' DEFICIT & PARTNERS' DEFICIT		
General partners	—	(2,710,323)
Limited partners	—	(1,336,784)
Non-controlling - Series A convertible preferred units with shares of Class V common stock. 1,152,000 issued and outstanding as of December 31, 2021	37,670,161	—
Common Stock – Class A, $0.0001 par value; 685,440,000 shares authorized and 20,016,067 shares issued and outstanding	2,002	—
Accumulated deficit	(338,709,688)	—
Additional paid-in capital	241,872,747	—
Stockholders' deficit or partners' deficit	(59,164,778)	(4,047,107)
Total	241,887,839	(4,047,107)
TOTAL LIABILITIES, REDEEMABLE COMMON AND DEFICIT	$ 354,621,269	$ 9,362,314

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

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended	
	December 31, 2021	**December 31, 2020**
OPERATING REVENUES		
Energy	$ 11,870,817	$ 518,397
Capacity	4,238,921	2,816,457
Cryptocurrency hosting	2,297,489	252,413
Cryptocurrency mining	12,494,581	339,456
Other	13,329	191,661
Total operating revenues	30,915,137	4,118,384
OPERATING EXPENSES		
Fuel	13,190,828	389,633
Operations and maintenance	15,492,763	3,305,833
General and administrative	14,955,626	2,269,525
Impairments on digital currencies	1,870,274	—
Depreciation and amortization	7,607,721	558,630
Total operating expenses	53,117,212	6,523,621
NET OPERATING LOSS	(22,202,075)	(2,405,237)
OTHER INCOME (EXPENSE)		
Interest expense	(4,622,655)	(205,480)
Gain on extinguishment of PPP loan	638,800	10,000
Realized gain on sale of digital currencies	149,858	31,810
Changes in fair value of warrant liabilities	(1,143,809)	—
Changes in fair value of forward sale derivative	(116,488)	—
Realized gain on sale of derivatives	—	1,207,131
Waste coal credits	47,752	1,188,210
Other income / (expense)	(6,712)	28,572
Total other income / (expense)	(5,053,254)	2,260,243
NET LOSS	$ (27,255,329)	$ (144,994)
NET LOSS - attributable to predecessor (1/1-3/31)	$ (238,948)	
NET LOSS - attributable to non-controlling interest	$ (15,803,234)	
NET LOSS - Stronghold Digital Mining, Inc	$ (11,213,147)	
NET LOSS attributable to Class A Common Shares(1)		
Basic	$ (2.03)	
Diluted	$ (2.03)	
Class A Common Shares Outstanding(1)		
Basic	5,518,752	
Diluted	5,518,752	

Basic and diluted loss per share of Class A common stock is presented only for the period after the Company's Reorganization Transactions. See Note 1 - Business Combinations for a description of the Reorganization Transactions. See Note 17 - Earnings (Loss) Per Share for the calculation of loss per share.

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

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIT AND STOCKHOLDERS' DEFICIT

December 31, 2021 and 2020

	Year ended December 31, 2020							
			Redeemable Preferred		Common A			
	Limited Partners	General Partners	Non-controlling Series A Shares/Units	Amount 1	Common A Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Partners' Deficit
Balance – January 1, 2020	$ (833,875)	$ (1,947,086)	—	—	—	—	—	—	$ (2,780,961)
Net gain (loss)	(147,546)	2,552	—	—	—	—	—	—	(144,994)
Distributions	(355,363)	(765,789)	—	—	—	—	—	—	(1,121,152)
Balance – December 31, 2020	$ (1,336,784)	$ (2,710,323)	—	$ —	—	$ —	$ —	$ —	$ (4,047,107)

	Year ended December 31, 2021								
			Redeemable Preferred		Common A				Partners' Deficit
	Limited Partners	General Partners	Non-controlling Series A Shares/Units	Amount 1	Common A Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Stockholders' Deficit
Balance – January 1, 2021	$ (1,336,784)	$ (2,710,323)	—	$ —	—	$ —	$ —	$ —	$ (4,047,107)
Net loss attributable to legacy partners	(71,687)	(167,261)	—	—	—	—	—	—	(238,948)
Balance prior to the reorganization on April 1, 2021	(1,408,471)	(2,877,584)	—	—	—	—	—	—	(4,286,055)
Effect of reorganizations									
Opco formation and contributions	—	$ 2,877,584	—	—	—	—	—	—	2,877,584
Aspen Scrubgrass Participant, LLC ["Olympus"] contribution	1,408,471	—	—	—	—	—	(1,408,471)	—	—
Buyout of Aspen Interest	—	—	—	—		—	(7,000,000)	4,999,942	(2,000,058)
Converted to Common Class A	—	—	—	—	576,000	58	—	—	58
Exchange of common units for Class A common shares	—	—	—	—	14,400	1	—	—	1
Common stock issued as part of debt financing	—	—	—	—	126,273	12	—	1,389,887	1,389,899
Warrants issued as part of debt financing	—	—	—	—	—	—	—	1,999,396	1,999,396
Conversion of Series A convertible redeemable preferred units to common stock	—	—	—	—	9,792,000	979	—	77,823,388	77,824,369
Conversion of Series B convertible redeemable preferred units to common stock	—	—	—	—	1,816,994	182	—	18,182,739	18,182,921
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	(303,930,195)	—	(303,930,195)
Issuance of Series A convertible redeemable preferred units	—	—	1,152,000	38,315,520	—	—	—	—	38,315,520
Net losses for the period from reorganization December 31, 2021	—	—	—	—	—	—	(11,213,147)	—	(11,213,147)
Net losses attributable to non controlling interest	—	—	—	(645,359)	—	—	(15,157,875)	—	(15,803,234)
Net proceeds from initial public offering, net of offering costs	—	—	—	—	7,690,400	769	—	131,537,789	131,538,558
Warrants issued and outstanding	—	—	—	—	—	—	—	1,924,281	1,924,281
Stock-based compensation	—	—	—	—	—	—	—	4,015,324	4,015,324
Balance – December 31, 2021	—	$ —	1,152,000	$ 37,670,161	20,016,067	$ 2,002	$ (338,709,688)	$ 241,872,747	$ (59,164,778)

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

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (27,255,329)	$ (144,994)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and Amortization	7,607,721	558,630
Accretion of asset retirement obligation	—	21,821
Forgiveness of PPP loan	(638,800)	(10,000)
Realized loss on sale of derivatives	—	505,747
Realized gain on sale of digital currency	(149,858)	(31,810)
Write-off of bad debts	244,924	
Amortization of debt issuance costs	1,404,732	—
Stock Compensation	4,015,324	—
Impairments on digital currencies	1,870,274	—
Changes in fair value of warrant liabilities	1,143,809	—
Changes in fair value of forward sale derivative	116,488	—
(Increase) decrease in assets:		
Digital currencies	(12,494,581)	(339,456)
Accounts receivable	(1,176,239)	70,618
Prepaid Insurance	588,808	—
Due from related party	302,973	(302,975)
Inventory	(1,417,689)	132,591
Other current assets	(2,619,911)	(7,871)
Increase (decrease) in liabilities:		
Accounts payable	17,395,556	546,719
Due to related parties	268,182	(448,868)
Accrued liabilities	4,981,013	(2,929)
Contract liabilities	147,835	40,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5,664,768)	587,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of digital currencies	584,387	158,615
Acquisition of Panther Creek, net of cash acquired	(3,914,362)	—
Purchase of land	(21,439)	—
Purchase of reclamation bond	(26,712)	—
Purchase of property, plant and equipment; including construction in progress	(122,640,861)	(1,986,401)
Equipment purchase deposits	(130,999,398)	—
NET CASH USED IN INVESTING ACTIVITIES	(257,018,385)	(1,827,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(16,283,900)	(292,292)
Payments on financed insurance premiums	(2,590,788)	—
Proceeds from promissory note	39,100,000	—
Proceeds from master equipment financing agreements	41,435,466	—
Proceeds from equipment financed	517,465	—
Proceeds from PPP loan	841,670	638,800
Proceeds from private placements net of fees	96,786,629	—
Initial Public Offering proceeds, net of fees	131,537,789	—
(Payments) proceeds on EIDL Loan	(150,000)	160,000
(Repayments) proceeds on related-party notes	(2,024,250)	2,024,250

Buyout of Aspen Interest	(2,000,000)	—
Forward sale contract prepayment	7,000,000	—
Distributions paid	—	(1,121,151)
NET CASH PROVIDED BY FINANCING ACTIVITIES	294,170,081	1,409,607
NET INCREASE IN CASH	31,486,928	169,044
CASH - BEGINNING OF YEAR	303,187	134,143
CASH - END OF YEAR	$ 31,790,115	$ 303,187

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

STRONGHOLD DIGITAL MINING, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 – BUSINESS COMBINATIONS

Reorganization

Stronghold Digital Mining, Inc. (“Stronghold Inc.” or the "Company") was incorporated as a Delaware corporation on March 19, 2021. On April 1, 2021, contemporaneously with the Series A Private Placement (as defined below), Stronghold Inc. underwent a corporate reorganization pursuant to a Master Transaction Agreement, which will be referred to herein as the “Reorganization.”

Immediately prior to the Reorganization, Q Power LLC (“Q Power”) directly held all of the equity interests in Stronghold Digital Mining LLC (“SDM”), and indirectly held 70% of the limited partner interests, and all of the general partner interests, in Scrubgrass Reclamation Company, L.P. (f/k/a Scrubgrass Generating Company, L.P.) (“Scrubgrass LP”), through wholly owned subsidiaries EIF Scrubgrass LLC (“EIF Scrubgrass”), Falcon Power LLC (“Falcon”) and Scrubgrass Power LLC. Aspen Scrubgrass Participant, LLC ("Aspen") held the remaining 30% of the limited partner interests in Scrubgrass LP (the “Aspen Interest”). Scrubgrass LP is a Delaware limited partnership originally formed on December 1, 1990 under the name of Scrubgrass Generating Company, L.P. SDM is a Delaware limited liability company originally formed on February 12, 2020 under the name Stronghold Power LLC (“Stronghold Power”).

On April 1, 2021 Stronghold Inc. entered into a Series A Preferred Stock Purchase Agreement pursuant to which Stronghold Inc. issued and sold 9,792,000 shares of Series A Convertible Redeemable Preferred Stock (the “Series A Preferred Stock”) in a private offering (the “Series A Private Placement”) at a price of $8.68 per share to various accredited individuals in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Regulation D thereunder for aggregate consideration of approximately $85.0 million. In connection with the Series A Private Placement, the Company incurred approximately $6.3 million in fees and $631,897 as debt issuance costs for warrants issued as part of the Series A Private Placement.

Contemporaneously with the Reorganization, Stronghold Inc. acquired the Aspen Interest using 576,000 shares of newly issued Series A Preferred Stock and $2,000,000 from a portion of the proceeds from the Series A Private Placement. The acquisition of the Aspen Interest is a total consideration of $7,000,000 that consists of the $2,000,000 in cash plus a valuation of $5,000,000 for the 576,000 shares of the Series A Preferred Stock at the issuance per share price of $8.68, and are classified as permanent equity and not subject to mandatory redemptions as outlined in Stronghold Inc.'s certificate of incorporation, as amended (the “Charter”). Pursuant to the Reorganization, Q Power contributed all of its ownership interests in EIF Scrubgrass, Falcon and SDM to Stronghold Digital Mining Holdings LLC (“Stronghold LLC”) in exchange for 27,072,000 Class A common units of Stronghold LLC (“Stronghold LLC Units”), Stronghold Inc. contributed cash (using the remaining proceeds from the Series A Private Placement, net of fees, expenses and amounts paid to Aspen), 27,072,000 shares of Class V common stock of Stronghold Inc. and the Aspen Interest to Stronghold LLC in exchange for 10,368,000 preferred units of Stronghold LLC, and Stronghold LLC immediately thereafter distributed the 27,072,000 shares of Class V common stock to Q Power. In addition, effective as of April 1, 2021, Stronghold Inc. acquired 14,400 Stronghold LLC Units held by Q Power (along with an equal number of shares of Class V common stock) in exchange for 14,400 newly issued shares of Class A common stock.

As a result of the Reorganization, the acquisition of the Aspen Interest and the acquisition of Stronghold LLC Units by Stronghold Inc. discussed above, (a) Q Power acquired and retained 27,057,600 Stronghold LLC Units, 14,400 shares of Class A common stock of Stronghold Inc., and 27,057,600 shares of Class V common stock of Stronghold Inc., effectively giving Q Power approximately 69% of the voting power of Stronghold Inc. and approximately 69% of the economic interest in Stronghold LLC, (b) Stronghold Inc. acquired 10,368,000 preferred units of Stronghold LLC and 14,400 Stronghold LLC Units, effectively giving Stronghold Inc. approximately 31% of the economic interest in Stronghold LLC, (c) Stronghold Inc. became the sole managing member of Stronghold LLC and is responsible for all operational, management and administrative decisions relating to Stronghold LLC’s business and will consolidate financial results of Stronghold LLC and its subsidiaries, (d) Stronghold Inc. became a holding company whose only material asset consists of membership interests in Stronghold LLC, and (e) Stronghold LLC directly or indirectly owns all of the outstanding equity interests in the subsidiaries through which we operate the Company's assets, including Scrubgrass LP and SDM.

On May 14, 2021, the Company completed a private placement of shares of the Company’s Series B Convertible Redeemable Preferred Stock of Stronghold Inc. (the “Series B Preferred Stock,” and, together with the Series A Preferred

Stock, the “Preferred Stock”) (the “Series B Private Placement,” and, together with the Series A Private Placement, the “Private Placements”). The terms of the Series B Preferred Stock are substantially similar to the Series A Preferred Stock, except for differences in the stated value of such shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or certain deemed liquidation events. In connection with the Series B Private Placement, the Company sold 1,817,035 shares of its Series B Preferred Stock for an aggregate purchase price of $20.0 million. In connection with the Series B Private Placement, the Company incurred approximately $1.6 million in fees and expenses and $148,575 as debt issuance costs for warrants issued as part of the Series B Private Placement.

Pursuant to the terms of the Preferred Stock, on (i) the date that a registration statement registering the shares of Class A common stock issuable upon the conversion of the Preferred Stock is declared effective by the U.S. Securities and Exchange Commission (the "SEC") or (ii) the date on which a “Significant Transaction Event” occurs, as defined in the Company's amended and restated certificate of incorporation, such shares of Preferred Stock will automatically convert into shares of Class A common stock of Stronghold Inc. on a one-to-one basis, subject to certain adjustments as set forth in the Charter. Correspondingly, pursuant to the Second Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the “Stronghold LLC Agreement”), preferred units in Stronghold LLC automatically convert into Stronghold LLC Units on a one-to-one basis under like circumstances (subject to corresponding adjustments). On October 19, 2021, the registration statement registering the shares of Class A common stock issuable upon conversion of the Preferred Stock was declared effective by the SEC, and all of the outstanding shares of Preferred Stock converted into shares of Class A common stock at that time. Correspondingly, all of the preferred units in Stronghold LLC converted into Stronghold LLC Units.

On June 29, 2021, Stronghold LLC formed Stronghold Digital Mining Equipment, LLC (“Equipment LLC”). On October 27, 2021, Stronghold Digital Mining Operating, LLC ("Operating LLC") formed Stronghold Digital Mining BT, LLC ("Digital Mining BT"). On December 10, 2021, Operating LLC formed Stronghold Digital Mining TH, LLC ("TH LLC").

Prior to the Reorganization

Prior to the Reorganization date of April 1, 2021, Scrubgrass Generating Company, L.P. (“Scrubgrass”) existed as a Delaware limited partnership formed on December 1, 1990. Q Power LLC existed as a multi-member limited liability company and indirectly held limited and general partner interests of Scrubgrass. Additionally, Aspen, a wholly-owned subsidiary of Olympus Power, LLC (together with its affiliates “Olympus”), was a limited partner of Scrubgrass.

Scrubgrass had two subsidiaries: Clearfield Properties, Inc. (“Clearfield”), which was formed for the purpose of purchasing a 175-acre site in Clearfield County, Pennsylvania, and acquiring access to certain coal material; and Leechburg Properties, Inc. (“Leechburg”), which was formed for the purpose of acquiring access rights to certain waste coal sites. Leechburg was a dormant entity as of December 31, 2021 and 2020.

Pursuant to an equity Assignment and Assumption agreement dated September 24, 2020, Q Power assigned a 50%-member interest to a second individual. As a result, two individuals were the sole members of Q Power. Stronghold Power was established on February 12, 2020 as a Delaware limited liability company and is 100% owned by Q Power. Stronghold Power was created to pursue opportunities involving cryptocurrency mining as well as providing hosting services for third-party miners.

Scrubgrass and Stronghold Power were under common control prior to the Reorganization date of April 1, 2021, and consolidated results reported as of December 31, 2020, and included in the consolidated results for the year ended December 31, 2021 and 2020.

NOTE 2 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

In most instances, Stronghold Inc. and its subsidiaries will collectively be referred to as the “Company” if a discussion applies to all. Where it may not apply to all, then each company, described as itself, will be specifically noted.

Nature of 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 an Energy Management Agreement (“EMA”) with Direct Energy Business Marketing, LLC (“DEBM”) effective February 1, 2015. The Company’s primary fuel source is waste coal which is provided by various third parties. Waste coal credits are earned by the Company by generating electricity utilizing coal refuse.

Under the EMA, which was entered into as of January 23, 2015, DEBM agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily operations of the facility, daily marketing and managing of a certain electric generating facility located in Kennerdell, Pennsylvania, energy management, capacity management and providing market and system information. The term of the agreement was initially through January 31, 2018, with three additional automatic renewal terms that now extends through January 31, 2022. DEBM was paid a monthly fee of $7,500 in satisfaction of its performance obligation during the term. The total revenue recognized under the EMA is 100% of the reported energy revenue and the total transaction price for the performance obligations varies depending upon market conditions and demand, such as usage and available capacities.

The Company is also a vertically integrated digital currency mining business. The Company buys and maintains a fleet of digital/cryptocurrency mining equipment and the required infrastructure, it also provides power to third party digital currency miners under favorable Power Purchase Agreement ("PPA") agreements, and it sells energy as a merchant power producer and receives capacity payments from PJM for making its energy available to the grid. 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.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with existing accounting principles generally accepted in the United States of America ("GAAP"), under the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. The Company maintains its cash in non-interest bearing accounts that are insured by the Federal Deposit Insurance Company up to $250,000. The Company's deposits may, from time to time, exceed the $250,000 limit; however, management believes that there is no unusual risk present, as the Company places its cash with financial institutions which management considers being of high quality.

Digital Currencies

Digital currencies are included in current assets in the reported balance sheets and are considered an intangible asset with an indefinite useful life. Digital currencies are recorded at cost less any impairment. Currently Bitcoin constitutes the only cryptocurrency the Company mines or holds in material amounts.

Cryptocurrencies held are accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. However, in most cases the Company's qualitative assessment indicates impairment when the quoted price of the cryptocurrency subsequently falls below its carrying amount and we are required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

The Company performed an impairment test on its digital currencies and $(1,870,274) and $0 are recognized as impairment expenses for the years ended December 31, 2021 and 2020, respectively.

The following table presents the activities of the digital currencies for the years ended December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Digital currencies at beginning of year	$ 228,087	$ 15,436
Additions of digital currencies	12,494,581	339,456
Realized gain on sale of digital currencies	149,858	31,810
Impairments	(1,870,274)	—
Proceeds from sale of digital currencies	(584,387)	(158,615)
Digital currencies, including restricted amounts	$ 10,417,865	$ 228,087

On December 15, 2021, the Company entered into a Prepaid Variable Digital Asset Forward Transaction with NYDIG Derivatives Trading LLC ("NYDIG Trading") providing for the sale of 250 Bitcoin (the "Sold Bitcoin") at a floor price of $28,000 per Bitcoin (the "Forward Sale"). Pursuant to the Forward Sale, NYDIG Trading paid SDMI an amount equal to the floor price per Bitcoin (the "Initial Sale Price") on December 16, 2021. On September 24, 2022, the Sold Bitcoin will be sold to NYDIG Trading at a price equal to the market price for Bitcoin on September 23, 2022, less the Initial Sale Price, subject to a capped final sale price of $85,500 per Bitcoin. The Company was advanced $7,000,000 and, in return, is required to pledge 250 Bitcoins as collateral. As of December 31, 2021, the Company held an aggregate amount of digital currencies that comprised of restricted and unrestricted Bitcoin of $10,417,865. Of that amount, $2,699,644 and $7,718,221 was restricted and unrestricted, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. An allowance for doubtful accounts is provided when necessary and is based upon management's evaluation of outstanding accounts receivable at year end. The potential risk is limited to the amount recorded in the financial statements. For the year ended December 31, 2021, outstanding customer balances totaling $244,924 were considered not collectable and written off to bad debts expense. No further allowance was considered necessary as of December 31, 2021 and 2020.

Inventory

Waste coal, fuel oil and limestone are valued at the lower of average cost or net realizable value and includes all related transportation and handling costs.

The Company performs periodic assessments to determine the existence of obsolete, slow-moving, and unusable inventory and records necessary provisions to reduce such inventories to net realizable value.

Derivative Contracts

In accordance with guidance on accounting for derivative instruments and hedging activities all derivatives should be recognized at fair value. Derivatives or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the accompanying combined balance sheets. Certain contracts that require physical delivery may qualify for and be designated as normal purchases/normal sales. Such contracts are accounted for on an accrual basis.

The Company uses derivative instruments to mitigate its exposure to various energy commodity market risks. The Company does not enter into any derivative contracts or similar arrangements for speculative or trading purposes. The Company will, at times, sell its forward unhedged electricity capacity to stabilize its future operating margins. As of December 31, 2021 and December 31, 2020, there are no open energy commodity derivatives outstanding.

The Company also uses derivative instruments to mitigate the risks of Bitcoin market pricing volatility. The Company entered into a variable prepaid forward sale contract that mitigates Bitcoin market pricing volatility risks between a low and high collar of Bitcoin market prices during the contract term. This contract settles in September 2022. The contract meets the definition of a derivative transaction pursuant to guidance under ASC 815 and is considered a compound derivative

instrument which is required to be presented at fair value subject to remeasurement each reporting period. The changes in fair value are recorded as changes in fair value of forward sale derivative as part of earnings. Refer to Note 26 - Variable Prepaid Forward Sales Contract Derivative. As of December 31, 2021, this is the only derivative contract open. As of December 31, 2020, there are no similar derivative contracts open.

Fair Value Measurements

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data; and

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. As of December 31, 2021, the Company's redeemable preferred warrants are recorded at fair value. Refer to Note 14 – Stock Issued Under Master Financing Agreements and Warrants. As of December 31, 2020, the Company did not have any assets or liabilities remeasured at fair value.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. The Company records all assets associated with the cryptocurrency mining operations at cost. These assets are comprised of storage trailers and the related electrical components. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the remaining estimated useful lives ("EUL") of the related assets using the straight-line method.

The Company's depreciation is based on its Facility being considered a single property unit. Certain components of the Facility may require replacement or overhaul several times over its estimated life. Costs associated with overhauls are recorded as an expense in the period incurred. However, in instances where a replacement of a Facility component is significant and the Company can reasonably estimate the original cost of the component being replaced, the Company will write-off the replaced component and capitalize the cost of the replacement. The component will be depreciated over the lesser of the EUL of the component or the remaining useful life of the Facility.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of property and equipment may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of property and equipment. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property and equipment is used, and the effects of obsolescence, demand, competition, and other economic factors.

Cryptocurrency Machines

Management has assessed the basis of depreciation of the Company's cryptocurrency machines used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a two-year period. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its transaction verification servers, is influenced by a number of factors including the following:

1. The complexity of the transaction verification process which is driven by the algorithms contained within the Bitcoin open source software;

2. The general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in petahash units); and

3. Technological obsolescence reflecting rapid development in the transaction verification server industry such that more recently developed hardware is more economically efficient to run in terms of digital assets generated as a function of operating costs, primarily power costs, (i.e., the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase).

The Company operates in an emerging industry for which limited data is available to make estimates of the useful economic lives of specialized equipment. Management has determined that two years best reflects the current expected useful life of transaction verification servers. This assessment takes into consideration the availability of historical data and management's expectations regarding the direction of the industry including potential changes in technology. Management will review this estimate annually and will revise such estimate as and when data becomes available.

To the extent that any of the assumptions underlying management's estimate of useful life of its transaction verification servers are subject to revision in a future reporting period either as a result of changes in circumstances or through the availability of greater quantities of data then the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these assets.

Asset Retirement Obligations

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement. The Company's asset retirement obligation represents the cost the Company would incur to perform environmental clean-up or dismantle certain portions of the Facility.

Impairment of Long-Lived Assets

In conjunction with ASC 360 - Property, Plant and Equipment, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A long-lived asset or asset group that is held and used must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset or asset group might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Based on the Company's analysis, no impairment indicators existed as of December 31, 2021 and 2020, respectively, that would require impairment testing of the Company's long-lived assets.

Revenue Recognition

The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of this revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

1. Step 1: Identify the contract with the customer

2. Step 2: Identify the performance obligations in the contract

3. Step 3: Determine the transaction price

4. Step 4: Allocate the transaction price to the performance obligations in the contract

5. Step 5: Recognize revenue when the Company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Noncash consideration
- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the Financial Accounting Standards Board (the "FASB"), the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Fair value of the digital asset award received is determined using the quoted price of the related cryptocurrency at the time of receipt.

The Company's policies with respect to its revenue streams are detailed below.

Energy Revenue

The Company operates as a market participant through PJM Interconnection, a Regional Transmission Organization ("RTO") that coordinates the movement of wholesale electricity. The Company sells energy in the wholesale generation market in the PJM RTO. Energy revenues are delivered as a series of distinct units that are substantially the same and that have the same pattern of transfer to the customer over time and are therefore accounted for as a distinct performance obligation. The transaction price is based on pricing published in the day ahead market which constitute the stand-alone selling price.

Energy revenue is recognized over time as energy volumes are generated and delivered to the RTO (which is contemporaneous with generation), using the output method for measuring progress of satisfaction of the performance obligation. The Company applies the invoice practical expedient in recognizing energy revenue. Under the invoice practical expedient, energy revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date.

Reactive energy power is provided to maintain a continuous voltage level. Revenue from reactive power is recognized ratably over time as the Company stands ready to provide it if called upon by the PJM RTO.

Capacity Revenue

The Company provides capacity to a customer through participation in capacity auctions held by the PJM RTO. Capacity revenues are a series of distinct performance obligations that are substantially the same and that have the same pattern of transfer to the customer over time and are therefore accounted for as a distinct performance obligation. The transaction price for capacity is market-based and constitutes the stand-alone selling price. As capacity represents the Company's stand-ready obligation, capacity revenue is recognized as the performance obligation is satisfied ratably over time, on a monthly basis, since the Company stands ready equally throughout the period to deliver power to the PJM RTO if called upon. The Company applies the invoice practical expedient in recognizing capacity revenue. Under the invoice practical expedient, capacity revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date. Penalties may be assessed by the PJM RTO against generation facilities if the facility is not available during the capacity period. The penalties assessed by the PJM RTO, if any, are recorded as a reduction to capacity revenue when incurred.

Cryptocurrency Hosting

The Company has entered into customer hosting contracts whereby the Company provides electrical power to cryptocurrency mining customers, and the customers pay a stated amount per megawatt-hour ("MWh") ("Contract Capacity"). This amount is paid monthly in advance. Amounts used in excess of the Contract Capacity are billed based upon calculated formulas as contained in the contracts. If any shortfalls occur to due to outages, make-whole payment provisions contained in the contracts are used to offset the billings to the customer which prevented them from cryptocurrency mining. Advanced payments and customer deposits are reflected as contract liabilities.

Cryptocurrency Mining

The Company has entered into digital asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of the fixed cryptocurrency award the mining pool operator receives (less digital asset transaction fees to the mining pool operator which are recorded as a component of cost of revenues), for successfully adding a block to the blockchain. The terms of the agreement provide that neither party can dispute settlement terms after thirty-five days following settlement. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm.

Providing computing power in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of providing such computing power is the only performance obligation in the Company's contracts with mining pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency at the time of receipt. There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Waste Coal Credits

Waste coal credits are issued by the Commonwealth of Pennsylvania. Facilities that generate electricity by using coal refuse for power generation, control acid gases for emission control, and use the ash produced to reclaim mining-affected sites are eligible for such credits. Income related to these credits is recorded upon cash receipt and within other income.

Renewable Energy Credits ("RECs")

The Company uses coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, to produce energy to sell to the open market ("the grid"). A third party acts as the benefactor, on behalf of the Company, in the open market and is invoiced as RECs are realized. These credits are recognized as a contra-expense to offset the fuel costs to produce this refuse.

Waste Ash Sales

The Company sells fly ash and scrubber material collected. This is a by-product from their coal refuse reclamation used as fuel. Buyer pays 50% of a resale price, up to 50,000 tons, unless agreed to in writing to exceed this weight limit, Income related to these sales are recorded within other income. The Company has executed a Sales Order with Waste Management National Services, Inc. for December 3, 2021 through March 1, 2022, and has not yet realized any income as of December 31, 2021.

Stock Based Compensation

For equity-classified awards, compensation expense is recognized over the requisite service period based on the computed fair value on the grant date of the award. Equity classified awards include the issuance of stock options and restricted stock units ("RSUs").

Notes Payable

The Company records notes payable net of any discounts or premiums. Discounts and premiums are amortized as interest expense or income over the life of the note in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period.

Warrant Liabilities

The Company records warrant liabilities at their fair value as of the balance sheet date, and recognizes changes in the balances, over the comparative periods of either the issuance date or the last reporting date, as part of changes in fair value of warrant liabilities expense. At the issuance date, each series of warrants were convertible and redeemable to preferred stock. As of October 22, 2021 (the closing date of the IPO (as defined below)), all preferred stock converted to common stock one for one. As such, the warrant liability was revalued and reclassified to equity due to the equity offering and conversion as common shares.

Segment Information

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"). The role of the CODM is to make decisions about allocating resources and assessing performance. The Company's operations are based on its Energy Operations and Cryptocurrency Operations and thus the Company concluded its business operates in two operating segments. The CODM reviews financial information presented on each of these two operating segments for purposes of allocating resources and evaluating financial performance. The Company's chief executive officer has been identified as its CODM. The Company's two operating segments are also its reportable segments: Energy Operations and Cryptocurrency Operations.

Common Stock – Class V

The Company accounts for the 56.1% interest represented by the Class V common stock outside of permanent equity as a result of certain redemption rights held by the holders that are outside the control of the Company. As such, the Company adjusts the Common Stock - Class V to its maximum redemption amount at the balance sheet date, if higher than the carrying amount. The redemption amount is based on a third-party valuation methodology of the Company's Class A common stock at the end of the reporting period. Changes in the redemption value are recognized immediately as they occur, as if the end of the reporting period was also the redemption date for the instrument, with an offsetting entry to accumulated deficit.

For each share of Class V common stock outstanding, there is a corresponding outstanding Class A common unit of Stronghold LLC. The redemption of any share of Class V common stock would be accompanied by a concurrent redemption of the corresponding Class A common unit of Stronghold LLC, such that both the share of Class V common stock and the corresponding Class A common unit of Stronghold LLC are redeemed as a combined unit in exchange for

either a single share of Class A common stock or cash of equivalent value based on the fair value of the Class A common stock at the time of the redemption. For accounting purposes, the value of the Class A common units of Stronghold LLC is attributed to the corresponding shares of Class V common stock on the December 31, 2021 balance sheet.

Loss per Share

Basic net (loss) income per share ("EPS") of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding or shares subject to exercise for a nominal value 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.

Since the Company has incurred a loss for the period ended December 31, 2021, basic and diluted net loss per share is the same. At December 31, 2020 there were no potentially dilutive securities outstanding.

Income Taxes

Reorganization

Upon completion of the Reorganization, the Company is organized as an "Up-C" structure in which substantially all of the assets and business of the consolidated Company are held by Stronghold Inc. through its subsidiaries, and the Company's direct assets largely consist of cash and investments in subsidiaries. For income tax purposes, the portion of the Company's earnings allocable to Stronghold Inc. is subject to corporate income tax rates at the federal and state levels. Therefore, the income taxes recorded prior to the Reorganization are not representative of the income taxes after the Reorganization.

The Company accounts for income taxes under the asset and liability method, in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is required to the extent any deferred tax assets may not be realizable. Based on the Company's evaluation and application of ASC Topic 740, Income Taxes ("ASC 740"), the Company has determined that the utilization of the deferred tax assets is not more likely than not, and therefore the Company has recorded a valuation allowance against the net deferred tax assets of the Company. Factors contributing to this assessment include the Company's cumulative and current losses, as well as the evaluation of other sources of income as outlined in ASC 740. The Company continues to evaluate the likelihood of the utilization of deferred tax assets, and while the valuation allowance remains in place, we expect to record no deferred income tax expense or benefit.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. Although the Company has not yet filed a corporate tax return, the basis of tax positions applied to our tax provisions substantially comply with applicable federal and state regulations. We acknowledge the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to our provision or benefit for income taxes in the period in which a final determination is made. As of December 31, 2021, the Company's tax years ended December 31, 2018 through 2021 are open for potential examination by taxing authorities.

Certain of Stronghold Inc.'s subsidiaries are structured as flow-through entities; and therefore the taxable income or loss of such subsidiaries is included in the income tax returns of the partners, including Stronghold Inc. Application of ASC 740 to these entities results in no recognition of federal or state income taxes at the entity level. The portion of such subsidiaries' activities that are allocable to the Company will increase the Company's taxable income or loss and be accounted for under ASC 740 at the Company.

Prior to the Reorganization

Scrubgrass and Stronghold LLC were structured as a limited partnership and limited liability company, respectively; therefore the taxable income or loss of the Company is included in the income tax returns of the individual partners. Accordingly, no recognition has been given to federal or state income taxes in the accompanying financial statements.

Two of Scrubgrass' subsidiaries, Clearfield and Leechburg, are corporations for federal and state income tax purposes. Income taxes attributable to Clearfield and Leechburg are provided based on the asset and liability method of accounting pursuant to the Income Taxes Topic of FASB ASC 740, both prior to and subsequent to the Reorganization. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all, of the deferred tax asset will not be realized. Clearfield and Leechburg have not recorded any temporary differences resulting in either a deferred tax asset or liability as of December 31, 2021, or 2020.

Recently Issued Accounting Standards

In February 2016, FASB issued ASU 2016-02, Leases ("Topic 842"), which supersedes ASC Topic 840, Leases. Topic 842 requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. Topic 842 will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In November 2020, FASB deferred the effective date for implementation of Topic 842 by one year and, in June 2020, FASB deferred the effective date by an additional year. Topic 842 is effective for the Company on January 1, 2022. The Company is currently in the process of developing its new accounting policies and determining the potential aggregate impact that the adoption of Topic 842 will have on its financial statements. The Company does not believe the adoption of this standard will have a material impact on the consolidated financial statements.

NOTE 3 - INVENTORY

Inventory consisted of the following components as of:

	December 31, 2021	December 31, 2020
Waste coal	$ 3,238,383	$ 342,476
Fuel oil	94,913	33,243
Limestone	38,958	21,173
TOTALS	$ 3,372,254	$ 396,892

NOTE 4 – EQUIPMENT DEPOSITS

Equipment deposits are contractual agreements with five vendors to deliver and install miners at future dates. The following details the vendors, miner models, miner counts, and expected delivery months. The Company is contractually committed to take future deliveries, and portions of the equipment are collateralized against the WhiteHawk Promissory Note (as defined below) as disclosed in Note 6 – Long-Term Debt. With the exception of Cryptech Solutions ("Cryptech"), where there is an installment payments plan, all unpaid deposits will be made on the last month referenced in the timeframe

below. The delivery timeframe for the 2,400 Cryptech miners will be in equal installments of 200 per month for 12 months starting in November 2021. Deliveries for the other vendors vary within the referenced timeframes.

The following table details the total equipment deposits of $130,999,398 as of December 31, 2021:

Vendor	Model	Count	Delivery Timeframe	Total Commitments	Unpaid [A]	Transferred to PP&E [B]	Equipment Deposits
MinerVa [C]	MinerVA	15,000	Oct '21 - Apr '22	$ 69,387,550	$ —	$ (4,542,572)	$ 64,844,978
Cryptech	Bitmain	2,400	Nov '21 - Oct '22	12,660,000	(5,591,500)	—	7,068,500
Northern Data	MicroBT	9,900	Oct '21 - Jan '22	22,061,852	—	(10,716,712)	11,345,140
Bitmain Technologies Limited	Antminer	12,000	Apr '22 - Dec '22	75,000,000	(35,764,500)	—	39,235,500
Northern Data PA. LLC	WharsMiners	4,280	Jan '22 - June '22	11,340,374	(2,835,094)	—	8,505,280
Totals		43,580		$ 190,449,776	$ (44,191,094)	$ (15,259,284)	$ 130,999,398

[A] Future commitments still owed to each vendor. Refer to Note 8 - Commitments and Contingencies for further details.
[B] Miners that are delivered and physically placed in service are transferred to a fixed asset account at the respective unit price as defined in the agreement.
[C] Refer to Note 8 - Commitments and Contingencies for a $3,999,980 refund that reduced the total commitments to $69,387,550 for this vendor.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	Useful Lives (Years)	December 31, 2021	Dec 31, 2020
Electric Plant	10 - 60	$ 66,153,985	$ 30,288,979
Power Transformers	8 - 30	7,489,472	—
Machinery and equipment	5 - 20	12,015,811	2,862,736
Rolling Stock	5 - 7	261,000	—
Cryptocurrency Machines & Powering Supplies	2 - 3	78,505,675	—
Computer hardware and software	2 - 5	56,620	5,062
Vehicles & Trailers	2 - 7	155,564	81,733
Construction in progress	Not Depreciable	36,067,776	1,544,536
Asset retirement obligation	10 - 30	580,452	79,848
		201,286,355	34,862,894
Accumulated depreciation and amortization		(34,629,200)	(27,048,695)
TOTALS		$ 166,657,155	$ 7,814,199

Construction in Progress

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 $36,067,776, as of December 31, 2021, represents open contracts with a vendor that have future completion dates scheduled for 2022.

Depreciation and Amortization

Depreciation and amortization charged to operations was $7,607,721 and $558,630 for the years ended December 31, 2021 and 2020 respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following as of:

	December 31, 2021		December 31, 2020
$66,076 loan, with interest at 5.55%, due July 2021.	$ 3,054		$ 16,440
$75,000 loan, with interest at 12.67%, due April 2021.	7,312		14,934
$142,000 loan, with interest at 11.21%, due April 2021.	—		18,056
$70,000 loan, with interest at 11.92%, due April 2021.	—		8,974
$499,520 loan, with interest at 2.49% due December 2023.	232,337		333,599
$499,895 loan, with interest at 2.95% due July 2023.	246,720		371,490
$212,675 loan, with interest at 6.75% due October 2022.	103,857		168,397
$517,465 loan, with interest at 4.78% due October 2024.	490,600		—
$431,825 loan, with interest at 7.60% due April 2024.	204,833		—
financing agreement for insurance with interest at 3.45% due July 2022.	4,299,721		—
$40,000,000 loan, with interest at 10.00% due June 2023.	30,734,045	[A]	—
$10,641,362 loan, with interest at 10.00% due June 2023.	8,176,302	[B]	—
$14,077,800 loan, with interest at 10.00% due June 2023.	10,816,694	[C]	—
$17,984,000 maximum advance loan, interest at 9.99% due December 2023. Balance is what has been advanced as of December 31, 2021.	10,790,400	[D]	—
$17,984,000 maximum advance loan, with interest at 9.99% due December 2023. Balance is what has been advanced as of December 31, 2021.	7,769,088	[E]	—
$17,984,000 maximum advance loan, 2022 with interest at 9.99% due December 2023. Balance is what has been advanced as of December 31, 2021.	—	[F]	—
	73,874,963		931,890
Less current portions, deferred costs, & discounts			
Outstanding loans	50,099,372		449,447
Deferred debt issuance costs	2,854,787		—
Discounts from issuance of stock	1,042,416		—
Discounts from issuance of warrants	1,499,547		—
	$ 18,378,841		$ 482,443

[A] The WhiteHawk Promissory Note has a term of 24 months. Refer to Note 14 – Stock Issued Under Financing Agreements and Warrants for further discussions. On December 31, 2021, the Company amended the WhiteHawk Financing Agreement (the "WhiteHawk Amendment") to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment paid an amendment fee in the amount of $250,000 to WhiteHawk. These fees are included in deferred debt issuance costs.

[B] Arctos/NYDIG Financing Agreement [loan #1] with a term of 24. Refer to Note 14 - Stock Issued Under Financing Agreements and Warrants for further discussions. Refer to Note 32 - Subsequent Events for details of the amendment to this agreement.
[C] Arctos/NYDIG Financing Agreement [loan #2] with a term of 24. Refer to Note 14 - Stock Issued Under Financing Agreements and Warrants for further discussions. Refer to Note 32 - Subsequent Events for details of the amendment to this agreement.
[D] NYDIG ABL Master Equipment Finance Agreement with a term of 24. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method. Refer to Note 32 - Subsequent Events for further advances after December 31, 2021.
[E] NYDIG ABL Master Equipment Finance Agreement with a term of 24. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method. Refer to Note 32 - Subsequent Events for further advances after December 31, 2021.
[F] NYDIG ABL Master Equipment Finance Agreement with a term of 24. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method. Refer to Note 32 - Subsequent Events for further advances after December 31, 2021.

Future scheduled maturities on the outstanding borrowings for each of the next three years as of December 31, 2021 are as follows:

Years ending December 31:		
2022	$	51,777,764
2023		21,955,328
2024		141,871
	$	73,874,963

NOTE 7 – 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 crypto 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 crypto mining and energy industry.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. Cash and cash equivalents customarily exceed federally insured limits. The Company's significant credit risk is primarily concentrated with DEBM, which amounted to approximately 100% of the Company's energy revenues for the years ended December 31, 2021 and 2020. DEBM accounted for 100% and 14% of the Company's accounts receivable balance as of December 31, 2021 and 2020, respectively.

For the year ended December 31, 2021 and 2020, the Company purchased 30% and 63% of coal from two related parties, respectively. See Note 9- Related-Party Transactions for further information.

The Company has entered into various Master Equipment Financing Agreements that have future delivery and installation timeframes for approximately 43,580 miners. There can exist a risk of not achieving the expected delivery timelines as well as the timeliness of generating guaranteed targeted terahash by each miner. This risk is not quantifiable at this time. See Note 8 – Commitments and Contingencies for further information.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments:

Equipment Agreements

As discussed in Note 4 - Equipment Deposits, the Company has entered into various equipment contracts to purchase miners. Most of these contracts require a percentage of deposits upfront and subsequent future payments to cover the contracted purchase price of the equipment. Details of each agreement are summarized below.

MinerVa Semiconductor Corp

On April 2, 2021, the Company entered into a purchase agreement with MinerVa Semiconductor Corp (“MinerVa”) for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment (miners) with a total terahash to be delivered equal to 1.5 million terahash (total terahash) (the "MinerVa Purchase Agreement"). The price per miner is $4,892.50 for an aggregate purchase price of $73,387,500 to be paid in installments. On December 21, 2021, MinerVa issued a refund of $3,999,980 that is applied against the original purchase price; thus reducing the total purchase price to $69,387,550 (reference Note 4 - Equipment Deposits). 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 June 2, 2021. As of December 31, 2021, there are no remaining deposits owed. In December 2021, we 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 has only delivered approximately 3,200 of the 15,000 miners. As a result, we may write off some or all of the approximately 12,000 undelivered MinerVa miners. We do not know when the remaining MinerVa miners will be delivered, if at all. Refer to Note 30 - Covenants that describe covenants referencing the anticipated final delivery timeframe of April 2022. The aggregate purchase price does not include shipping costs, which are the responsibility of the Company and shall be determined at which time the miners are ready for shipment.

Nowlit Solutions Corp

The Company entered into a hardware purchase and sales agreement with Nowlit Solutions Corp effective April 1, 2021. Hardware includes, but is not limited to, ASIC Miners, power supply units, power distribution units and replacement fans for ASIC Miners. All hardware must be paid for in advance before being shipped to the Company. The Company made payments to this party totaling $5,657,432 in April 2021 and costs have been capitalized and reported as property and equipment. As of December 31, 2021, there are no outstanding commitments owed to this vendor.

The Company paid for two separate purchases of miners from Nowlit Solutions Corp. The first purchase payment was made on November 23, 2021, in the amount of $1,605,360 for 190 miners. The second purchase payment was made on November 26, 2021, in the amount of $2,486,730 for an additional 295 miners.

Cryptech Solutions

The Company entered into a hardware purchase and sales agreement with Cryptech effective April 1, 2021. Hardware includes, but is not limited to ASIC Miners, power supply units, power distribution units and replacement fans for ASIC Miners. Total purchase price is $12,660,000 for 2,400 BitmainS19j miners to be delivered monthly in equal quantities (200 per month) from November 2021 through October 2022. All hardware must be paid for in advance before being shipped to the Company.

The Company made a 30% down payment of $3,798,000 on April 1, 2021 with the remaining 70% or $8,862,000 agreed to be paid in 17 installments. There have been eight installments totaling $3,270,500 paid before December 31, 2021, with the outstanding amount still owed under this agreement of $5,591,500 as of December 31, 2021. Representing nine installments remaining through September 2022:

				Remaining
		Purchase Price	$	12,660,000
		April 2021 - 30%	$	(3,798,000)
#	Date	After down payment	$	8,862,000
1	05/01/21	$ (211,000)	$	8,651,000
3	06/01/21	$ (211,000)	$	8,440,000
4	07/01/21	$ (211,000)	$	8,229,000
5	08/01/21	$ (211,000)	$	8,018,000
6	09/01/21	$ (211,000)	$	7,807,000
7	10/01/21	$ (738,500)	$	7,068,500
8	11/01/21	$ (738,500)	$	6,330,000
9	12/01/21	$ (738,500)	$	5,591,500
10	01/01/22	$ (738,500)	$	4,853,000
11	02/01/22	$ (738,500)	$	4,114,500
12	03/01/22	$ (738,500)	$	3,376,000
13	04/01/22	$ (738,500)	$	2,637,500
14	05/01/22	$ (527,500)	$	2,110,000
15	06/01/22	$ (527,500)	$	1,582,500
16	07/01/22	$ (527,500)	$	1,055,000
17	08/01/22	$ (527,500)	$	527,500
18	09/01/22	$ (527,500)	$	—

On December 7, 2021, the Company entered into a Hardware Purchase and Sales Agreement (the “Cryptech Purchase Agreement”) with Cryptech Solutions, Inc to acquire 1,000 Bitmain S19a miners (the “Cryptech Miners”) with a hash rate of 96 TH/s for a total purchase price of $8,592,000. Pursuant to the Cryptech Purchase Agreement, all hardware will be paid for in advance of being shipped to the Company.

Bitmain Technologies Limited

On October 28, 2021, the Company entered into the first of two Non-Fixed Price Sales and Purchase Agreements with Bitmain Technologies Limited ("Bitmain"). The first agreement covers six batches of 2,000 miners, or 12,000 in total, arriving on a monthly basis from April through September 2022. Each batch has an assigned purchase price that totals to $75,000,000, to be paid in three installments of 25%, 35% and 40% over the six-month delivery period. On October 29, 2021, the Company made a $23,300,000 payment comprised of the 25% installment payment plus 35% of the April 2022 batch of 2,000 miners that have an assigned purchase price of $13,000,000. On November 18, 2021, the Company made an additional payment of 35% or $4,550,000 towards the April 2022 batch of miners.

On November 16, 2021, the Company entered into the second Non-Fixed Price Sales and Purchase Agreement with Bitmain. This second agreement covers six batches of 300 miners, or 1,800 in total, arriving on a monthly basis from July 2022 through December 2022. Each batch has an assigned purchase price that totals $19,350,000, to be paid in three installments of 35%, 35%, and 30% of the total purchase price over the six-month delivery period. Per the second Non-Fixed Price Sales and Purchase Agreement, on November 18, 2021, the Company paid the first installment payment of 35% or $6,835,000.

Luxor Technology Corporation

The Company paid for three separate purchases of miners from Luxor Technology Corporation ("Luxor"). The first purchase payment was made on November 26, 2021, in the amount of $4,312,650 for 770 miners. The second and third purchase payments were made on November 29, 2021, in the amounts of $5,357,300 and $3,633,500, respectively, for an additional 750 and 500 miners.

On November 30, 2021, the Company entered into a fourth purchase agreement with Luxor to acquire 400 Antminer T19 miners with a hash rate of 84 TH/s and 400 Antminer T19 miners with a hash rate of 88 TH/s for a total purchase price of $6,260,800.

Northern Data

On December 10, 2021 the Company entered into a Hardware Purchase and Sale Agreement (the "First Supplier Purchase Agreement") to acquire 3,000 MicroBT WhatsMiner M30S miners (the "M30S Miners") with a hash rate per unit of 87 TH/s. Pursuant to the First Supplier Purchase Agreement, the unit price per M30S Miner is $6,960 for a cumulative purchase price of $20,880,000 that was paid in full within five business days of the execution of the First Supplier Purchase Agreement.

On December 16, 2021, the Company entered into a Second Hardware Purchase and Sale Agreement (the "Second Supplier Purchase Agreement") to acquire a cumulative amount of approximately 4,280 M30S Miners and MicroBT WhatsMiner M30S+ miners with a hash rate per unit of 100 TH/s (the "M30S+ Miners"). Pursuant to the Second Supplier Purchase Agreement, the unit price per M30S Miner is $2,714 and the unit price per M30S+ Miner is $3,520 for a cumulative purchase price of $11,340,373.

NYDIG ABL LLC

On December 15, 2021, the Company entered into a Master Equipment Finance Agreement (the "Second NYDIG Financing Agreement") with NYDIG ABL LLC ("NYDIG") whereby NYDIG agreed to lend the Company up to $53,952,000 to finance the purchase of certain Bitcoin miners and related equipment (the "Second NYDIG-Financed Equipment"). Outstanding borrowings under the Second NYDIG Financing Agreement are secured by the Second NYDIG-Financed Equipment, contracts to acquire Second NYDIG-Financed Equipment, and the Bitcoin mined by the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement includes customary restrictions on additional liens on the NYDIG-Financed Equipment. The Second NYDIG Financing Agreement may not be terminated by the Company or prepaid in whole or in part. Refer to Note 6 - Long Term Debt for further details.

Contingencies:

Legal Proceedings

The Company experiences routine litigation in the normal course of business. Management is of the opinion that none of this routine litigation will have a material adverse effect on the Company's reported 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 it and the Company 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, the Company submitted its answering statement denying the claim of McClymonds in its entirety. On March 31, 2020, the Company 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 through February 3, 2022. Proposed findings of fact and conclusions of law were submitted and a decision will be rendered. Management believes that this litigation is unlikely to have a material adverse effect on the Company's consolidated financial position or results of operations.

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

In November 2019, 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. The case was unsuccessfully mediated in August 2020. At this time, there is a discovery deadline currently scheduled for June 30, 2022. Management believes that this litigation is unlikely to have a material adverse effect on the Company's consolidated financial position or results of operations.

PJM Notice of Breach

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 ("MAIT") 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 a hearing with

representatives from PJM regarding the notice of breach and Scrubgrass continues 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. The Company does not believe the PJM notice of breach or the Panther Creek necessary study agreement will have a material adverse effect on the Company's reported financial position or results of operations.

NOTE 9 – 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 Russellton site specifically. The Company is also obligated to unload and properly dispose of ash at the Russellton site.

A reduced handling fee is charged at $1.00 per ton for any tons in excess of the minimum take of 200,000 tons.

The Company is the designated operator at the Russellton site and therefore is responsible for complying with all state and federal requirements and regulations.

In December 2020, the Company notified CVS by letter that it intends to restart operations at Russellton during the first quarter of 2021. The Company a ramp-up of tons and payments at $25,000 a month until the economics of the plant steady and return to the minimum take per the contract. Subsequent to March 31, 2021, the Company has resumed the semi-monthly minimum payments of approximately $51,000 per the WCA.

The Company purchased coal from Coal Valley Properties, LLC, a single-member LLC which is entirely owned by one individual that has ownership in Q Power, and from CVS. CVS is a single-member LLC 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%.

For the year ended December 31, 2021, the Company expensed approximately $303,500, which is included in fuel expense in the accompanying statement of operations. The Company owed CVS approximately $134,452 as of December 31, 2021, which is included in Due to Related Parties.

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 expires December 31, 2023. For the year December 31, 2021, the Company expensed approximately $163,412, which is included in fuel expense in the accompanying statement of operations. The Company owed NFS approximately $321,738 as of December 31, 2021, which is included in Due to Related Parties.

Fuel purchases under these agreements for the years ended December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Coal Purchases:		
Northampton Fuel Supply Company, Inc.	$ 163,412	$ —
Coal Valley Sales, LLC	934,916	—
TOTALS	$ 1,098,328	$ —

Fuel Management Agreement

Effective August 1, 2012, the Company entered into the Fuel Management Agreement (the "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 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 amount expensed for the year December 31, 2021, was $303,500, of which $47,967 was included in Due to Related Parties.

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 will provide certain operations and maintenance services to Stronghold LLC, as well as employ certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. Stronghold LLC will reimburse 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 shall be approved by Stronghold LLC. Stronghold LLC will also pay Olympus Stronghold Services a management fee at the rate of $1,000,000 per year, payable monthly, and an additional one-time mobilization fee of $150,000 upon the effective date of the Omnibus Services Agreement. The amount expensed in December 31, 2021 was $129,735 (excluding the one time mobilization fee of $150,000 that has been deferred until 2022 for payment).

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 pays 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 amount expensed for the year ended December 31, 2021 was $1,027,860 of which $94,434 was included in Due to Related Parties. In connection with the Equity Contribution Agreement entered into on July 9, 2021, 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 is the closing date of the Equity Contribution Agreement.

Management Services Agreement

On May 10, 2021, a new management and advisory agreement was entered into between Q Power and William Spence (the "Spence Agreement"). In consideration of consultant's performance of the services thereunder, Q Power will pay Mr. Spence a fee at the rate of $50,000 per complete calendar month (pro-rated for partial months) that Mr. Spence provides services thereunder, payable in arrears. The previous agreement requiring monthly payments of $25,000 was terminated. Q Power will not be liable for any other payments to Mr. Spence including, but not limited to, any cost or expenses incurred by Mr. Spence in the course of performing his obligations thereunder.

The Company has made total payments under the Spence Agreement of $600,000 for the year ended December 31, 2021.

In September 2021, the Company repaid $2,093,018, plus accrued interest, in related party notes with Greg Beard and William Spence.

Amounts due to related parties as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Payables:		
Coal Valley Properties, LLC	$ 134,452	$ 188,338
Q Power LLC	500,000	510,000
Coal Valley Sales, LLC	202,334	—
Panther Creek Energy Services	94,434	
Panther Creek Fuel Services	47,967	
Northampton Generating Co LP	321,738	
Olympus Services LLC	129,735	
TOTALS	$ 1,430,660	$ 698,338

The Company paid $69,000 to Beard Aviation LLC for various company-related business trips for the year ended December 31, 2021. Beard Aviation LLC is owned by Greg Beard, the Chief Executive Officer (“CEO”) of the Company.

NOTE 10 - PAYCHECK PROTECTION PROGRAM LOAN, ECONOMIC INJURY DISASTER LOAN

On March 16, 2021, the Company received a round two Paycheck Protection Program ("PPP") loan in the amount of $841,670 that accrues an interest of 1% per year; and matures on the fifth anniversary of the date of the note. As of December 31, 2021, the Company is in process of seeking forgiveness of the PPP loan. In January 2021, the Company was granted relief as forgiveness for the round one PPP loan in the amount of $638,800.

On June 8, 2021, the Company repaid the Economic Injury Disaster Loan (“EIDL”), received on March 31, 2020, in the amount of $150,000. This loan, plus accrued interest, was outstanding as of December 31, 2020.

NOTE 11 - COVID-19

The full impact of the coronavirus (“COVID-19”) outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the future effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

NOTE 12 – 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 in assessing performance. Our CEO is the primary decision-maker. The Company functions in two operating segments about which separate financial information is available as follows:

Reportable segment results for the years ended are as follows:

	December 31, 2021	December 31, 2020
Operating Revenues		
Energy Operations	$ 16,123,067	$ 3,526,515
Cryptocurrency Operations	14,792,070	591,869
Total Operating Revenues	$ 30,915,137	$ 4,118,384
Net Operating Income/(Loss)		
Energy Operations	$ (17,284,859)	$ (2,454,197)
Cryptocurrency Operations	(4,917,216)	48,960
Net Operating Loss	$ (22,202,075)	$ (2,405,237)
Other Income, net (a)	(5,053,254)	2,260,243
Net Loss	$ (27,255,329)	$ (144,994)
Depreciation and Amortization		
Energy Operations	$ (1,305,402)	$ (558,630)
Cryptocurrency Operations	(6,302,319)	—
Total Depreciation & Amortization	$ (7,607,721)	$ (558,630)
Interest Expense		
Energy Operations	$ (80,866)	$ (205,480)
Cryptocurrency Operations	(4,541,789)	—
Total Interest Expense	$ (4,622,655)	$ (205,480)

(a) The Company does not allocate other income, net for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to consolidated statement of operations for the years ended December 31, 2021 and 2020 for further details.

Assets, at December 31, 2021, by energy operations and cryptocurrency operations totaled $15,714,151 and $338,907,119, respectively. Assets at December 31, 2020 related to cryptocurrency operations were not significant.

	Energy Operations	Cryptocurrency Operations	Total
Cash	$ 714,019	$ 31,076,096	$ 31,790,115
Cryptocurrencies	—	10,417,865	10,417,865
Accounts receivable	256,103	1,855,752	2,111,855
Prepaid Insurance	3,150,851	3,150,851	6,301,701
Inventory	3,372,254	—	3,372,254
Other current assets	—	661,640	661,640
Security Deposits	348,888	—	348,888
Equipment Deposits	—	130,999,398	130,999,398
Property, plant and equipment, net	5,911,638	160,745,517	166,657,155
Land	1,748,440	—	1,748,440
Bonds	211,958	—	211,958
	$ 15,714,151	$ 338,907,119	$ 354,621,269

NOTE 13 – STOCK-BASED COMPENSATION

On October 19, 2021, the board of directors of the Company (the "Board") and the stockholders of the Company approved a new long-term incentive plan (the “New LTIP”) for employees, consultants and directors. The New LTIP

provides for the grant of options (including incentive stock options and non-qualified stock options), stock appreciation rights, RSUs, dividend equivalents, other stock-based awards, and substitute awards intended to align the interests of service providers, including our named executive officers, with those of our stockholders. Pursuant to the New LTIP, the remaining shares of Class A common stock under the LTIP that was effective April 28, 2021, that were reserved and available for delivery, were assumed and reserved for issuance under the New LTIP. In addition, the New LTIP raised the aggregate number of shares of common stock that may be issued or used for reference purposes or with respect to which awards may be granted under the plan to not exceed 4,752,000 shares. As of the effective date of the New LTIP, the Company now grants all equity-based awards under the New LTIP.

The Board is duly authorized to administer the New LTIP. The Company accounts for share-based payment awards exchanged for services at the estimated grant date fair value of the award.

Stock options issued under the Company's New LTIP are granted with an exercise price no less than the market price of the Company's stock at the date of grant and expire up to ten years from the date of the grant. The Company accounts for share-based payment awards exchanged for services at the estimated grant date fair value of the award. Stock options issued under the LTIP were granted with an exercise price equal to the fair market value of the Company's stock, as determined with reference to third-party valuations as of the date of option grants, and expire up to ten years from the date of grant. Options granted under the New LTIP and the LTIP vest over various terms.

The RSUs are subject to restrictions on transferability, risk of forfeiture and other restrictions imposed by the Compensation Committee of the Board (the "Committee"). Settlement of vested RSUs will occur upon vesting or upon expiration of the deferral period specified for such RSUs by the Committee (or, if permitted by the Committee, as elected by the Participant). RSUs may be settled in cash or a number of shares of stock (or a combination of the two), as determined by the Committee at the date of grant or thereafter. As of December 31, 2021, 60,737 RSUs were awarded to six employees with a grant date fair market value of $11.10 that vest over 10 years.

Stock-Based Compensation

Stock compensation expense was $4,015,324 and $0 for the years ended December 31, 2021 and 2020; respectively. There is no tax benefit related to stock compensation expense due to a full valuation allowance on net deferred tax assets at December 31, 2021.

The Company recognized total stock-based compensation expense during the years ended December 31, 2021 and 2020, from the following categories:

	December 31, 2021	December 31, 2020
Restricted stock awards under the Plan	172,800	—
Stock option awards under the Plan	3,842,524	—
Total stock-based compensation	$ 4,015,324	$ —

Incentive Plan Stock Options

The following are the weighted average assumptions used in calculating the fair value of the total stock options granted in 2021 using the Black-Scholes method.

	December 31, 2021
Weighted-average fair value of options granted	$ 7.64
Expected volatility	128.14 %
Expected life (in years)	5.77
Risk-free interest rate	0.93 %
Expected dividend yield	0.00 %

Expected Volatility - The Company estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies as the Company does not currently have sufficient history for the volatility of its own stock.

Expected Term - The expected term of options represents the period that the Company's stock-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of its contractual term.

Risk-Free Interest Rate - The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Expected Dividend - The Company has never declared or paid any cash dividends on its common shares and does not plan to pay cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in its valuation models.

The Company elected to account for forfeited awards as they occur, as permitted by Accounting Standards Update 2016-09.

As of December 31, 2021, the total future compensation expense related to non-vested options not yet recognized in the consolidated statement of operations was approximately $21,984,773 and the weighted-average period over which these awards expected to be recognized is 2.51 years.

There were no outstanding shares as of December 31, 2020. The following table summarizes the stock option activity (as adjusted) under the plans for the year ended December 31, 2021:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	—	$ —		$ —
Granted	3,379,083	$ 8.91	9.61	$ —
Exercised	—	$ —		$ —
Cancelled/forfeited	—	$ —		$ —
Outstanding at December 31, 2021	3,379,083	$ 8.91	9.61	$ 30,906
Shares vested and expected to vest	3,379,083	$ 8.91	9.61	$ 30,906
Exercisable as of December 31, 2021	428,827	$ 8.48	9.55	$ 4,107
Exercisable as of December 31, 2020	—	$ —		$ —

RSU Awards

A summary of the Company's RSU activity in the years ended December 31, 2021 and 2020 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2020	—	$ —
Vested	—	$ —
Granted	60,737	$ 11.10
Forfeited	—	$ —
Unvested at December 31, 2021	60,737	$ 11.10

The value of RSU grants are measured based on their fair market value on the date of grant and amortized over their respective vesting periods. As of December 31, 2021, there were approximately $610,106 of unrecognized compensation cost related to unvested RSU rights, which is expected to be recognized over a remaining weighted-average vesting period of approximately 1.8 years.

NOTE 14 – STOCK ISSUED UNDER MASTER FINANCING AGREEMENTS AND WARRANTS

Stock Issued as Part of an Equipment Financing Agreement

Arctos Credit LLC (NYDIG)

On June 25, 2021, the Company entered into a $34,481,700 ("Maximum Advance Amount") master equipment financing agreement with an affiliate of Arctos Credit, LLC (“Arctos,” now known as “NYDIG”) (the “Arctos/NYDIG Financing Agreement”). As part of this agreement, NYDIG was issued a total of 126,274 shares of common stock of Stronghold Inc. The effective date of this issuance was as of the commencement date of the agreement. On July 2, 2021, the Company received two separate loans, against the $34,481,700, totaling $24,157,178 (net of debt issuance fees). The loans each have a maturity date of July 23, 2023, where the full outstanding principal amount of the loans is due and payable. Interest for each of the loans is set at 10% per annum.

As of December 31, 2021, the fair value at the date of issuance (i.e.- June 25, 2021) of the 126,274 common shares or $1,389,888 is presented on the balance sheet as debt discounts that offsets the net proceeds of the loans; and is being amortized using the straight-line method over the terms of the loans (refer to Note 6 - Long-Term Debt for further details). For the twelve months ended December 31, 2021, the Company recorded $173,736 of interest expense related to the amortization of these stock issued debt discounts.

In addition, the agreement stipulates a "Standby Fee" if, prior to August 15, 2021, the Company has failed to take advances from NYDIG equal to the total agreement amount of $34,481,700. The Standby Fee is calculated as 1.75% times the remaining principal that has not been borrowed; or $10,256,922 as of December 31, 2021. As a result, the Company paid a total Standby Fee of $208,816 during the year ended December 31, 2021.

Refer to Note 32 - Subsequent Events for details of an amendment to this agreement.

MinerVa Semiconductor Corp

On April 2, 2021, the Company entered into a purchase agreement with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment with a total terahash to be delivered equal to 1.5 million terahash (total terahash). In the exchange for the delivery of the total terahash, MinerVa will be granted 443,848 shares of Stronghold Inc. As of December 31, 2021 approximately 1,000 MinerVa miners had been delivered, but the Company is committed to take delivery of the MinerVa miners if they are delivered in the future. Because the final delivery was not made as of December 31, 2021; the shares have not been deemed issued as of December 31, 2021.

Warrants

WhiteHawk Finance LLC

On June 30, 2021, Equipment LLC entered into a $40,000,000 promissory note (the “WhiteHawk Promissory Note”) with White-Hawk Finance LLC (the “Lender” or “WhiteHawk”). The note has a maturity date of June 23, 2023, where the full outstanding principal amount of the note is due and payable. Interest for the note is set at 10% per annum. On June 30, 2021, Equipment LLC also entered into a Stock Purchase Warrant agreement with the Lender, where Equipment LLC was issued 181,705 warrants to purchase shares of Class A common stock of Equipment LLC to the Lender.

The warrants are exercisable by the Lender at any time during a ten-year term at $0.01 per share of common stock. The warrants are legally detachable and can separately be exercised.

The fair value for the warrants, as of the issuance date, is $1,999,396 and is recorded as equity with the offset recorded as a debt discount against the net proceeds. The proceeds of $40,000,000 are allocated to the WhiteHawk Promissory Note and the warrants are being amortized based on the straight-line method over the 24 month term of the note. For the year December 31, 2021, the Company has recorded interest expense of $249,925 associated with the amortized debt discount.

B. Riley Securities, Inc.

On each of April 1, 2021 and May 14, 2021, the Company entered into a warrant agreement with American Stock Transfer & Trust Company (the “Warrant Agent”). B. Riley Securities, Inc. acted as the Company’s placement agent in connection with the Private Placements. In connection therewith, the Company issued B. Riley Securities, Inc. (i) a five-

year warrant to purchase up to 97,920 shares of Series A Preferred Stock at a per share exercise price of $8.68 and (ii) a five-year warrant to purchase up to 18,170 shares of Series B Preferred Stock at a per share exercise price of $11.01. In each case the exercise price was equal to the respective private placement per share price. B. Riley Securities, Inc. and its affiliates purchased 439,200 and 91,619 shares of Series A Preferred Stock and Series B Preferred Stock, respectively, at the same private placement per share price.

The warrants contain standard limitations and representations and are exercisable for a period of five years from the date of the Private Placements. The warrants are legally detachable and separately exercisable. The accounting for warrants on redeemable shares follows the guidance in ASC 480-10-25-8 through 25-13. Those paragraphs address the classification of instruments, other than an outstanding share, that have both of the following characteristics:

- The instrument embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation.
- The instrument requires or may require the issuer to settle the obligation by transferring assets.

As of October 22, 2021 (the closing date of the initial public offering of shares of Class A common stock), the purchase redemption rights of the Series A Preferred Stock and Series B Preferred Stock, described above, were extinguished and each of the warrants were transferred to equity with a fair value as of the initial public offering date. Each warrant can now be converted to one share of Class A common stock at par value of $.0001 per share. The final fair value as of October 19, 2021, of each of the warrants, was calculated using the Black-Scholes option-pricing model with the following assumptions:

Series A

The following are the Black-Scholes input assumptions for the 97,920 Series A warrants; and the changes in fair values as of April 1, 2021 (date of issuance) and October 19, 2021 (final measurement date) respectively:

	As of		Changes in
	April 1, 2021	October 19, 2021	Fair Value Inputs
Expected volatility	100.2 %	117.6 %	17.4 %
Expected life (in years)	4.83	4.83	0
Risk-free interest rate	0.9 %	1.2 %	0.3 %
Expected dividend yield	0.00 %	0.00 %	0.0 %
Fair value	$ 631,897	$ 1,628,311	$ 996,414

On April 1, 2021, the Company recorded a liability of $631,897, and as a debt issuance cost against the Preferred Shares. As of December 31, 2021, the fair value of this liability is $0, and the fair value now reclassified as equity, is $1,628,311. For the year ended December 31, 2021, the Company recognized a loss of $996,414 as part of the changes in fair value of warrant liabilities expense.

Series B

The following are the Black-Scholes input assumptions for the 18,170 Series B warrants, and the changes in fair values as of May 14, 2021 (date of issuance) and October 19, 2021 (final measurement date) respectively:

	As of		Changes in Fair
	May 14, 2021	October 19, 2021	Value Inputs
Expected volatility	100.2 %	117.6 %	17.4 %
Expected life (in years)	4.8	4.8	0
Risk-free interest rate	0.9 %	1.2 %	0.3 %
Expected dividend yield	0.00 %	0.00 %	0.0 %
Fair value	$ 148,575	$ 295,970	$ 147,395

On May 14, 2021, the Company recorded a liability of $148,575, and as a debt issuance cost against the Mezzanine Equity. As of December 31, 2021, the fair value of this liability is $0, and the fair value, now reclassified as equity, is $295,970. For the year ended December 31, 2021, the Company recognized a loss of $147,395 as part of the changes in fair value of warrant liabilities expense.

Total fair value of the Series A and Series B warrants now shown in equity is $1,924,281.

NOTE 15 – REDEEMABLE COMMON STOCK

Private Placements- Mezzanine Equity Series A & B

On April 1, 2021 the Company entered into a Series A Preferred Stock Purchase Agreement pursuant to which the Company issued and sold 9,792,000 shares of Series A Preferred Stock in the Series A Private Placement at a price of $8.68 per share to various accredited individuals in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act, and Regulation D thereunder for aggregate consideration of approximately $85.0 million. In connection with the Series A Private Placement, the Company incurred approximately $6.3 million in fees and $631,897 as debt issuance costs for warrants issued as part of the Series A Private Placement.

Further, pursuant to the Series A Private Placement, the Company, the investors in the Series A Private Placement and key holders entered into a Right of First Refusal Agreement ("ROFR Agreement"). Under the ROFR Agreement, the key holders agreed to grant a right of first refusal to Stronghold Inc. to purchase all or any portion of capital stock of Stronghold Inc., held by a key holder or issued to a key holder after the date of the ROFR Agreement, not including any shares of Series A Preferred Stock or common stock issued or issuable upon conversion of the Series A Preferred Stock. The key holders also granted a right of refusal to the investors in the Series A Private Placement to purchase all or any eligible capital stock not purchased by the Company pursuant to its right of first refusal.

The ROFR Agreement also provided certain co-sale rights to investors in the Series A Private Placement to participate in any sale or similar transfer of any shares of common stock owned by a key holder or issued to a key holder after the Series A Private Placement, on the terms and conditions specified in a written notice from a key holder. The investors, however, are not obligated to participate in such sales or similar transfers. The co-sale and rights of first refusal under the ROFR Agreement terminated when the Preferred Stock converted into shares of Class A common stock.

On May 14, 2021, the Company completed the Series B Private Placement. The terms of the Series B Preferred Stock were substantially similar to the Series A Preferred Stock, except for differences in the stated value of such shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or certain deemed liquidation events. In connection with the Series B Private Placement, the Company sold 1,817,035 shares of its Series B Preferred Stock for an aggregate purchase price of $20.0 million. In connection with the Series B Private Placement, the Company incurred approximately $1.6 million in fees and expenses and $148,575 as debt issuance costs for warrants issued as part of the Series B Private Placement.

The Company entered into registration rights agreements with the investors in the Private Placements concurrently with the closing of each Private Placement, with certain filing deadlines as defined in the agreements.

On October 22, 2021 (the closing date of the IPO), the net proceeds from the 9,792,000 shares of the Series A Preferred Stock and the 1,816,994 shares of the Series B Preferred Stock were converted to shares of Class A common stock on a one-for-one share basis at a par value of $.0001 per share. As of December 31, 2021, these shares are no longer reported as Redeemable Common Stock.

The following is a summary of the Series A and Series B valuations and conversions to common equity:

	Series A	Series B
Proceeds	$ 85,000,000	$ 20,000,305
Transaction Fees [(1)]:		
B. Riley Securities	(5,100,000)	(1,200,000)
Legal and Filing Fees	(1,226,990)	(408,997)
Debt issuance costs pertaining to stock registration warrants - refer to Note 14	(631,897)	(148,575)
Total net mezzanine equity	$ 78,041,113	$ 18,242,733
Conversion to common Class A shares	$ (78,041,113)	$ (18,242,733)
Remaining in net mezzanine equity	$ —	$ —

Common Stock – Class V

In connection with the Reorganization on April 1, 2021, Stronghold LLC immediately thereafter distributed the 27,072,000 shares of Class V common stock to Q Power. In addition, effective as of April 1, 2021, Stronghold Inc. acquired 14,400 Stronghold LLC Units held by Q Power (along with an equal number of shares of Class V common stock) in exchange for 14,400 newly issued shares of Class A common stock.

Common Stock – Class V represents a 56.1% ownership of Stronghold LLC, granting the original owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by our stockholders generally, and a redemption right into Class A shares.

The Company classifies shares of Class V common stock held by Q Power as mezzanine equity based on its assessment of (i) the right (the "Redemption Right") to cause Stronghold LLC to acquire all or a portion of its Stronghold LLC Units for, at Stronghold LLC's election, (x) shares of Stronghold Inc.'s Class A common stock at a redemption ratio of one share of Class A common stock for each Stronghold LLC Unit redeemed, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions or (y) an approximately equivalent amount of cash as determined pursuant to the Stronghold LLC Agreement, and (ii) the right (the "Call Right"), for administrative convenience, to acquire each tendered Stronghold LLC Unit directly from the redeeming Stronghold Unit Holder for, at its election, (x) one share of Class A common stock, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions, or (y) an approximately equivalent amount of cash as determined pursuant to the terms of the Stronghold LLC Agreement pursuant to ASC 480-10-S99-3A. For each share of Class V common stock outstanding, there is a corresponding outstanding Class A common unit of Stronghold LLC. The redemption of any share of Class V common stock would be accompanied by a concurrent redemption of the corresponding Class A common unit of Stronghold LLC, such that both the share of Class V common stock and the corresponding Class A common unit of Stronghold LLC are redeemed as a combined unit in exchange for either a single share of Class A common stock or cash of equivalent value based on the fair market value of the Class A common stock at the time of the redemption. For accounting purposes, the value of the Class A common units of Stronghold LLC is attributed to the corresponding shares of Class V common stock on the balance sheet.

Common Stock – Class V is classified as redeemable common stock in the consolidated balance sheet 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 that determine whether to make a cash payment upon a Stronghold LLC Unit Holder's exercise of its Redemption Right. 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 December 31, 2021.

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

	Non-controlling Interest(1)	Series A		Series B	Common Class V		
		Preferred Shares	Amount	Amount	Shares	Amount	Total
Balance - December 31, 2020	$ (2,710,323)	—	$ —	$ —	—	$ —	$ (2,710,323)
Net loss - January 1 to March 31, 2021	(167,261)	—	—	—	—	—	(167,261)
Balance prior to the reorganization on April 1, 2021	(2,877,584)						(2,877,584)
Effect of reorganizations							
Exchange of common shares - Class V	—	—	—	—	27,072,000	—	—
Buyout of Aspen Interest	—	576,000	58	—	—	—	58
Converted to Common Class A	—	(576,000)	(58)	—	—	—	(58)
Issuance of Series A convertible redeemable preferred units	—	9,792,000	78,673,010	—	—	—	78,673,010
Warrants issued as part of stock registrations	—	—	(631,897)	—	—	—	(631,897)
Conversion of Series A convertible redeemable preferred units to common stock	—	(9,792,000)	(78,041,113)	—	—	—	(78,041,113)
Exchange of common units for Class A common shares	—	—	—	—	(14,400)	—	—
Issuance of Series B convertible redeemable preferred units	—	—	—	18,391,308	—		18,391,308
Net losses for the three months ended Warrants issued as part of stock registrations	—	—	—	(148,575)	—	—	(148,575)
Net losses for the three months ended Conversion of Series B convertible redeemable preferred units to common stock	—	—	—	(18,242,733)	—	—	(18,242,733)
Net losses for the nine months ended December 31, 2021	(15,157,875)	—	—	—	—	—	(15,157,875)
Maximum redemption right valuation	18,035,459	—	—	—	—	301,052,617	319,088,076
Balance- December 31, 2021	$ —	—	$ —	$ —	27,057,600	$ 301,052,617	$ 301,052,617

1 Refer to Note 16- Non-controlling Interests for further discussions

NOTE 16 – NON-CONTROLLING INTERESTS

Common Stock - Class V

The Company is the sole managing member of Stronghold LLC and as a result consolidates the financial results of Stronghold LLC and reports a non-controlling 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 in Stronghold LLC will be accounted for as mezzanine equity transactions. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the Continuing Equity Owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest. Refer to Note 15- Redeemable Common Stock - Class V that describes the Redemption Rights of the non-controlling interest.

Common Stock – Class V represents 56.1% ownership of Stronghold LLC, granting the owners of Q Power economic rights and, as a holder, one vote on all matters to be voted on by our stockholders generally, and a redemption right into Class A shares.

The following summarizes the redeemable common stock adjustments pertaining to the non-controlling interest from April 1, 2021 through December 31, 2021:

	Temporary Equity Adjustments
Balance- April 1, 2021 (1)	**$ (2,877,584)**
Net losses for the three months ended June 30, 2021	(2,235,219)
Maximum redemption right valuation (2)	172,774,052
Balance- June 30, 2021	**$ 167,661,249**
Net losses for the three months ended September 30, 2021	(4,328,460)

Adjustment of mezzanine equity to redemption amount [3]		79,669,600
Balance- September 30, 2021	**$**	**243,002,389**
Net losses for the three months ended December 31, 2021		(8,594,196)
Adjustment of mezzanine equity to redemption amount [4]		66,644,424
Balance- December 31, 2021	**$**	**301,052,617**

[1] As of the date of reorganization- refer to Note 1

[2] Based on 27,057,600 Common Class V shares outstanding at $6.39 issuance price as of April 1, 2021

[3] Based on 27,057,600 Common Class V shares outstanding at $9.33 fair valuation price as of September 30, 2021

[4] Based on 27,057,600 Common Class V shares outstanding at $11.79 fair valuation price as of December 31, 2021, using a 10-day variable weighted average price of trading dates; including the closing date

Common Units

The Company is the sole managing member of Stronghold LLC and as a result consolidates the financial results of Stronghold LLC and reports a non-controlling interest representing the Common Units of Stronghold LLC held by Olympus Power, LLC plus a corresponding number of Class V vote-only shares of common stock in the Company. Olympus Power, LLC can exchange these Common Units along with corresponding shares of Class V common stock, on a one-for-one basis, for shares of Class A common stock. Because of the Class V voting rights, the Company has assessed the exchange right as a "Redemption Right" to cause Stronghold LLC to acquire all or a portion of its Stronghold LLC Units for, at Stronghold LLC's election, one share of Stronghold Inc.'s Class A common stock at a redemption ratio of one share of Class A common stock for each Stronghold LLC Unit.

Common Units represent 2.4% ownership of Stronghold LLC. where the original owners of Olympus Power LLC have economic rights and, as a holder, one vote on all matters to be voted on by our stockholders generally, and a redemption right into Class A shares.

Changes in the Company's ownership interest in Stronghold LLC while the Company retains its controlling interest in Stronghold LLC will be accounted for as permanent equity. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the Continuing Equity Owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest.

The following summarizes the permanent equity adjustments pertaining to the non-controlling interest from November 2, 2021 (date of issuance) through December 31, 2021:

		Permanent Equity Adjustments
Balance- November 2, 2021 [1]	**$**	**38,315,520**
Net losses		(645,359)
Balance- December 31, 2021	**$**	**37,670,161**

[1] As of November 2, 2021, the date of issuance. 1,152,000 Series A Preferred units outstanding at $33.26 per public trading share price (Nasdaq closing price)

NOTE 17 – EARNINGS (LOSS) PER SHARE

Basic EPS of common stock is computed by dividing the Company's net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if 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 Company excludes the unvested RSUs awarded to its employees, officers, directors, and contractors under the LTIP from this net loss per share calculation because including them would be antidilutive.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock after the date of the reorganization on April 1, 2021.

	April 1 to December 31, 2021
Numerator	
Net Loss [1]	$ (27,255,329)
Less; net losses attributable to predecessor (1/1-3/31)	(238,948)
Less; net losses attributable to non-controlling interests	$ (15,803,234)
Net loss attributable to Class A common shareholders	$ (11,213,147)
Denominator	
Weighted average shares of Class A common shares outstanding	5,518,752
Basic net loss per share	$ (2.03)

(1) Basic and diluted earnings per share of Class A common stock is presented only for the period after the Company's Reorganization Transactions. As such, net loss used in the calculation represents the loss during the year ended December 31, 2021 (post-reorganization date of April 1, 2021 through December 31, 2021).

Securities that could potentially dilute losses per share in the future that were not included in the computation of diluted loss per share at December 31, 2021 because their inclusion would be anti-dilutive are as follows:

	December 31, 2021
Series A preferred units not yet exchanged for Common A shares	1,152,000
Class V common shares not yet exchanged for Class A common shares	27,057,600
Total	28,209,600

NOTE 18 – RENEWABLE ENERGY CREDITS

Starting late in 2020 and for the year ended December 31, 2021, the Company significantly increased the use of coal refuse as the plant increased megawatt capacity. The plant was relatively dormant during the comparative periods ended December 31, 2020. As a result, the Company's usage of coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, significantly increased. DEBM acts as the benefactor, on behalf of the Company, in the open market and is invoiced as RECs are realized based on this open market measured by consumer demands. The Company records an offset to fuel costs when RECs are sold to third parties.

RECs offset against the costs of fuel operating costs were $(1,736,071) and $(35,493) for the years ended December 31, 2021 and 2020 respectively.

NOTE 19 – ASPEN INTEREST ("OLYMPUS") BUYOUT

On April 1, 2021, the Company, using in part 576,000 shares of newly issued Series A Preferred Stock and in part proceeds from the Series A Private Placement, acquired the Aspen Interest.

The total consideration was a combination of the newly issued Series A Preferred Stock valued at the issuance price of $8.68 per share or $5,000,000; plus an additional $2,000,000 in cash. A total of $7,000,000 that is treated as a buyout of the Partners' Deficits of the Limited Partner (i.e., Aspen Interest) as of April 1, 2021.

The Partners' Deficit of the Aspen Interest as of April 1, 2021:

	Limited Partners
Balance - December 31, 2020	$ (1,336,784)
Net losses - three months ended March 31, 2021	(71,687)
Balance - April 1, 2021	$ (1,408,471)

NOTE 20 – SUPPLEMENTAL CASH AND NON-CASH INFORMATION

Supplementary cash flows disclosures as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Equipment financed with debt	$ 45,793,381	$ 931,890
Interest Paid	$ 1,195,692	$ 205,480

Supplementary non-cash financing activities as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Issued as part of equipment debt financing:		
Warrants- WhiteHawk	$ 1,999,396	$ —
Common Class A shares- NYDIG	1,389,888	—
Warrants issued as part of stock registrations- B.Riley Warrants	780,472	—
Series A redeemable and convertible preferred stock- Aspen Interest buyout	5,000,000	—
Series A redeemable and convertible preferred stock units- Panther Creek Acquisition	38,315,520	—
Premium Financing	6,890,509	—
Total	$ 54,375,785	$ —

NOTE 21 – 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, pursuant to which the Company will pay the TRA participants 85% of the realized (or, in certain circumstances, deemed realized) cash tax savings attributable to the tax basis step-ups arising from taxable exchanges of units and certain other items.

No deferred tax asset or liability has been recorded with respect to the TRA because an exchange that triggers the amounts owed by the Company under the TRA (i.e., the redemption of Stronghold LLC Units for shares of Class A common stock or cash) has not occurred. Estimating the amount and timing of Stronghold Inc.'s realization of tax benefits subject to the TRA is imprecise and unknown at this time and will vary based on a number of factors, including when redemptions actually occur. Accordingly, the Company has not recorded any deferred tax asset or any liability with respect to the TRA.

NOTE 22 – PROVISIONS FOR INCOME TAXES

Subsequent to the Company's incorporation, the Company and its indirectly owned corporate subsidiaries, Clearfield and Leechburg, provide for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities—specifically for the Company, its investment in Stronghold LLC—using enacted tax rates expected to be in effect during the year in which the basis differences reverse. Valuation allowances are established when management determines it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

Prior to the Reorganization, Scrubgrass and Stronghold Power were structured as a limited partnership and limited liability company, respectively; therefore any taxable income or loss was included in the income tax returns of the individual owners. Accordingly, no recognition has been given to federal or state income taxes in the Company's financial statements for the periods prior to the Reorganization.

For the year ended December 31, 2021, the Company's total income tax benefit of $0 differed from amounts computed by applying the United States federal statutory rate to pre-tax loss for the period primarily due to net loss attributable to the noncontrolling interest and to the period prior to the Reorganization (i.e., prior to the incorporation of Stronghold Inc.), and due to maintaining a valuation allowance on the Company's deferred tax assets.

The components of the provision for income taxes for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
Current income tax provision (benefit):		
Federal	$ —	$ —
State	—	—
Total current income tax provision	$ —	$ —
Deferred income tax provision (benefit):		
Federal	$ —	$ —
State	—	—
Total deferred income tax provision (benefit)	$ —	$ —
Total provision for (benefit from) income taxes	$ —	$ —

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before the provision for income taxes. A reconciliation of the statutory federal income tax amount to the recorded expense is as follows:

	Year ended December 31,	
	2021	2020
Income tax expense (benefit) at 21% federal statutory rate	$ (5,723,619)	$ —
Income attributable to the pre-incorporation period	50,179	—
Income attributable to nontaxable noncontrolling interest	3,318,679	—
State income tax expense (benefit), net of federal tax effect	(752,955)	—
Change in valuation allowance	2,756,486	—
Other, net	351,230	—
Total provision for (benefit from) income taxes	$ —	$ —

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss and other carryforwards	$ 6,243,820	$ —
Investment in Stronghold LLC	3,999,780	—
Other	—	—
Total deferred tax assets	$ 10,243,600	$ —
Valuation allowance	$ (10,243,600)	$ —
Net deferred tax assets	$ —	$ —
Net deferred tax assets (liabilities)	$ —	$ —

As of December 31, 2021 and 2020, the Company had no net deferred tax assets or deferred tax liabilities. Subsequent to the Company's Reorganization as discussed further in Note 2 — Nature of Operations and Significant Accounting Policies, deferred taxes are provided on the difference between the Company's basis for financial reporting purposes and basis for federal income tax purposes in its investment in Stronghold LLC. Prior to the Reorganization, Scrubgrass and Stronghold Power were structured as a limited partnership and limited liability company, respectively; therefore, the taxable income or loss of the Company was included in the income tax returns of the individual owners. Accordingly, no recognition has been given to deferred tax assets or liabilities in the Company's financial statements for the periods prior to the Reorganization. Clearfield and Leechburg have not recorded any temporary differences resulting in either a deferred tax asset or liability as of December 31, 2021 and 2020.

As of December 31, 2021 no deferred tax asset or liability has been recorded with respect to the Company's TRA with Q Power because an exchange that triggers amounts owed by the Company under the TRA (i.e., the redemption of Stronghold LLC Units for shares of Class A common stock or cash) has not occurred.

As of December 31, 2021, the Company had federal net operating loss carryforwards of approximately $27.7 million which may be carried forward indefinitely to offset future taxable income, and state net operating loss carryforwards of approximately $5.7 million expiring in 2041 if not used. The Company incurred a tax net operating loss in 2021 due principally to Stronghold LLC's tax deductions for accelerated depreciation, in addition to pre-tax loss. As of December 31, 2021, the Company did not have any uncertain tax positions requiring recognition in the financial statements. The Company's 2021 tax year and Clearfield's and Leechburg's 2018 through 2021 tax years remain open to potential examination by tax authorities.

As of December 31, 2021, the Company had a valuation allowance of approximately $10.2 million related to deferred tax assets the Company does not believe are more likely than not to be realized. 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 tax assets, as required by applicable accounting standards (ASC Topic 740, Income Taxes ("ASC 740")). Factors contributing to this assessment included the Company's cumulative and current losses, as well as the evaluation of other sources of income as outlined in ASC 740. The Company continues to evaluate the likelihood of the utilization of its deferred tax assets, and while the valuation allowance remains in place, expects to record no deferred income tax expense or benefit. In light of the criteria under ASC 740 for recognizing the tax benefit of deferred tax assets, the Company maintained a valuation allowance against its federal and state deferred tax assets as of December 31, 2021.

NOTE 23 - PREPAID INSURANCE

As of December 31, 2021 and 2020, the Company had an unamortized prepaid insurance balance of $6,301,701 and $0, respectively. The December 31, 2021 unamortized balance consists of $5,519,816 to cover Directors and Officers including corporate reimbursement ("D&O Policy"); and various commercial property and risk coverages totaling $781,885.

The D&O Policy was a financed premium (refer to Note 29 - Premium Financing Agreement) in the amount of $6,890,509 less a $1,378,102 down payment. The term of the policy is 12 months and expires October 19, 2022. The monthly amortization to insurance expense is $574,209 per month. The commercial property and risk coverages vary in policy term expirations and are renewable on an annual basis.

NOTE 24 - ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

	December 31, 2021	December 31, 2020
Other Accrued Liabilities:		
Legal & Professional Fees	$ 1,457,727	$ —
Payroll & Taxes	73,819	—
Shipping & Handling	230,779	
Interest expense	79,267	
Sales & Use Taxes	2,609,664	—
Upcharge penalties reserve	420,126	—
Accrued miscellaneous expenses	182,575	828
Total	$ 5,053,957	$ 828

NOTE 25 - ACQUISITION

On July 9, 2021, the Company entered into a purchase agreement, as contemplated by the Olympus LOI, with Panther Creek Reclamation Holdings, LLC ("Panther Creek Reclamation"), a subsidiary of Olympus (the "Panther Creek Acquisition"). Pursuant to the Panther Creek Acquisition, the Company acquired all of the assets of Panther Creek Power Operating LLC ("Panther Creek"), comprised primarily of a coal refuse reclamation facility with 80 MW of net electricity generation capacity located near Nesquehoning, Pennsylvania (the "Panther Creek Plant"). Stronghold Inc. completed the

Panther Creek Acquisition on November 2, 2021. The consideration for the Panther Creek Plant was approximately $3.0 million in cash ($2.192 million after deducting 50% of land closing costs agreed to be split with the seller) subject to certain closing adjustments, and 1,152,000 Stronghold LLC Units, together with a corresponding number of shares of Class V common stock. Pursuant to the Redemption Right (as defined herein), each Stronghold LLC Unit, combined with a corresponding share of Class V common stock, may be redeemed for one share of Class A common stock (or cash, in certain instances).

Furthermore, on November 5, 2021, the Company entered into a Registration Rights Agreement with Panther Creek Reclamation, whereby the Company agreed to register the 1,152,000 shares of Class A common stock that may be received upon the Panther Creek Redemption. Refer to Note 16 - Non-controlling Interests for further details.

The transaction was analyzed in accordance with ASC 805 - Business Combinations to first determine whether the acquired assets constitute a business. This requires a screen test that makes a determination that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If the assets acquired are not a business, then the reporting entity should record the transaction as an asset acquisition in accordance with ASC 805-50 (using the cost accumulation model, rather than the fair value model that applies to business combinations).

The following steps were performed to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Step 1. Combine the identifiable assets into a single identifiable asset: The Company has concluded that none of the assets qualify for combination into a single identifiable asset per ASC 805-10-55-5B.

Step 2. Combine the assets into similar assets: The Company has concluded that none of the assets qualify for combination as similar assets under ASC 805-10-55-5C.

Step 3. Measure the fair value of the gross assets acquired: The Company has concluded that the gross assets acquired include any consideration transferred in excess of the fair value of the net identifiable assets acquired (i.e., goodwill in a business combination), but it does not include goodwill that results from the effects of deferred tax liabilities, cash and cash equivalents, deferred taxes, or liabilities.

Step 4. Determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets: The Company compared the fair value of the single identifiable asset (or group of similar assets) to the fair value of the gross assets acquired as follows:

Based on the above analysis, substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. As a result, the transaction does meet the screen as outlined in paragraphs 805-10-55-5A through 55-5C.

In accordance with ASC 805-10-55-5A, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business. Gross assets acquired should exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. However, the gross assets acquired should include any consideration transferred (plus the fair value of any noncontrolling interest and previously held interest, if any) in excess of the fair value of net identifiable assets acquired.

As discussed above in the screen test section of this overall analysis, the acquisition of Panther Creek by the Company does not meet the definition of a business combination, however, the Company accounted for the transaction as if it were a business combination.

The following represents the fair value of the identifiable assets and liabilities as of the acquisition date of November 2, 2021:

The purchase price allocation is as follows (in thousands):		
Cash and cash equivalents	$	491
Accounts receivable - trade	$	831
Prepaids and other current assets	$	429
Materials and supplies	$	1,559
Land and Rights of Way	$	1,727
Property, plant and equipment	$	43,782
Accounts payable	$	(2,943)
Accrued expenses	$	(298)
Due to related parties	$	(73)
Total identifiable assets and liabilities	$	45,505
Total purchase consideration [1]	$	45,505

[1] The $45.5 million purchase price consideration consisted of $38.316 million fair value of 1,152,000 Series A Redeemable Preferred Units (registered for public sale), $2.192 million in cash (net of a purchase of Plant Site 50% share or $808 thousand), $501 thousand in asset retirement obligations, $218 thousand in assumed notes payable, $613 thousand in purchase related legal and professional fees, and $3.665 million related to the settlement of various existing relationship payables (partially offset by receivables).

NOTE 26 – VARIABLE PREPAID FORWARD SALES CONTRACT DERIVATIVE

On December 15, 2021, the Company entered into a Prepaid Variable Digital Asset Forward Transaction with NYDIG Trading providing for the sale of 250 Bitcoin (the “Sold Bitcoin”) at a floor price of $28,000 per Bitcoin (such sale, the “Forward Sale”). Pursuant to the Forward Sale, NYDIG Trading paid SDM $7.0 million; an amount equal to the floor price per Bitcoin (the “Initial Sale Price”) on December 16, 2021, times the 250 Bitcoins provided for sale.

On September 24, 2022, the Forward Sale will be settled and sold Bitcoin will be sold to NYDIG Trading at a price equal to the market price for Bitcoin on September 23, 2022, less the Initial Sale Price of $7.0 million, subject to a capped final sale price of $85,500 per Bitcoin.

As a result of the embedded price floor and cap mechanisms, this transaction is considered as a compound derivative instrument which is required to be presented at fair value and is subject to remeasurement each reporting period. The Company has not formally designated this instrument as a hedge and such the changes in fair value is recorded in earnings as "changes in fair value of forward sale derivative".

To determine the fair value of the compound derivative instrument, the Company uses a Black-Scholes option pricing model to assess the combined net value of the embedded call feature and the embedded put feature. The Company will continue to update the fair value of the derivative instrument until the contract is settled. The changes in fair value will be adjusted as "changes in fair value of forward sale derivative".

As of December 31, 2021, the Company recognized a current liability of $7.1 million, which includes the prepaid portion of $7.0 million received at the transaction date; and $116.5 thousand of changes in fair value of derivatives.

NOTE 27 – INITIAL PUBLIC OFFERING

On October 19, 2021, by unanimous written consent, the Board and a newly formed Pricing Committee approved the issuance and sale by the Company of its Class A common stock, par value $.0001 per share, in an initial public offering (the "IPO") to be underwritten by a group of underwriters to be named in the underwriting agreement dated October 19, 2021, by and among the Company and B. Riley Securities, Inc. and Cowen and Company, LLC, as representatives of the other underwriters named therein (the "Underwriting Agreement"). The Board unanimously approved the issuance and sale

by the Company in the IPO of up to 7,690,400 shares of Class A common stock (which includes 6,687,305 firm shares and up to 1,003,095 shares of Class A common Stock that may be issued and sold to cover over allotments, if any) through the Underwriters, for a price to the public per share of $19.00, less underwriting discounts and commissions of $1.33 per share, as more fully set forth in the Underwriting Agreement. Total net proceeds raised, after deducting underwriting discounts and commissions and estimated offering expenses, were $131.5 million.

NOTE 28 – HOSTING SERVICES AGREEMENT

On August 17, 2021, Stronghold LLC entered into a Hosting Services Agreement with Northern Data PA, LLC ("Northern Data") whereby Northern Data will construct and operate a colocation datacenter facility located on the Scrubgrass Plant (as defined below) (the "Hosting Agreement"), the primary business purpose of which will be to provide hosting services and support cryptocurrency miners. In October 2021, the final deposit owed to Northern Data was paid, and Northern Data has started delivering the 9,900 miners committed in the Hardware and Purchase Agreement dated April 14, 2021. On March 28, 2022, we restructured the Hosting Agreement to obtain an additional 2,675 miners at cost of $37.5 per terahash (to be paid five months after delivery) and temporarily reduced the profit share for Northern Data while incorporating performance thresholds until the data center build-out is complete. In addition, the Company has executed additional hardware agreements with Northern Data as described in Note 8 - Commitments and Contingencies - "Supplier Purchase Agreements".

Once operational, after deducting an amount equal to $0.027 per kilowatt-hour for the actual power used, 65% of all cryptocurrency revenue generated by the miners in Northern Data's pods shall be payable to the Company and 35% of all cryptocurrency revenue generated by the miners shall be payable to Northern Data or its designee.

NOTE 29 – PREMIUM FINANCING AGREEMENT

Effective October 21, 2021, the Company entered into a director and officer insurance policy with annual premiums totaling $6.9 million. The Company has executed a Commercial Premium Finance Agreement with AFCO Premium Credit LLC over a term of nine months, with an annual interest rate of 3.454%, that finances the payment of the total premiums owed. The agreement requires a $1.4 million down payment, with the remaining $5.5 million plus interest paid over nine months. Monthly payments of $621.3 thousand start November 21, 2021 and end July 21, 2022. As of December 31, 2021, the unpaid balance is $4.3 million.

NOTE 30 – COVENANTS

On December 31, 2021, Equipment and WhiteHawk entered into the WhiteHawk Amendment to extend the Final MinerVa Delivery Date from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment LLC paid an amendment fee in the amount of $250,000 to WhiteHawk. Pursuant to the WhiteHawk Amendment's covenants, WhiteHawk can accelerate payment of the loan if the revised final MinerVa delivery date is not achieved.

NOTE 31 – NON-EMPLOYEE DIRECTORS COMPENSATION POLICY

On October 19, 2021, non-employee members of the Board are eligible to receive cash and equity compensation as set forth in the Non-Employee Director Compensation Policy (this “Policy”). The cash and equity compensation described in the Policy shall be paid or be made, as applicable, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a “Non-Employee Director”) and who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy became effective as of the date set forth above (the “Effective Date”) and shall remain in effect until it is revised or rescinded by further action of the Board.

The Company did not award any compensation to the non-employee directors during the year ended December 31, 2021. Refer to Note 32 - Subsequent Events that describes formal adoption of this plan after December 31, 2021. In anticipation of the formal adoption of this plan that requires payment of compensation in arrears, the Company has accrued $75,000 in compensation costs as of December 31, 2021 for the periods after October 19, 2021 (the eligibility date of this plan) through December 31, 2021.

NOTE 32 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of this report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except as disclosed in the following sections, management has not identified any items requiring recognition or disclosure.

Equipment Financing

Arctos Credit LLC (NYDIG)

On January 31, 2022, Stronghold and NYDIG ABL LLC (f/k/a Arctos Credit, LLC), amended the NYDIG Financing Agreement (the "NYDIG Amendment") to include (i) 2,140 MicroBT WhatsMiner M30S+ miners and (ii) 2,140 MicroBT WhatsMiner M30S miners purchased by Stronghold Inc. pursuant to a purchase agreement dated December 16, 2021, totaling $12,622,816 of additional borrowing capacity. Stronghold will pay an aggregate closing fee of $504,912 to NYDIG. The NYDIG Amendment requires that the Company maintain a blocked wallet or other account for deposits of all Mined Currency.] In February 2022, the Company received the additional borrowing of $12,622,816 less the $504,912 in closing fees.

NYDIG ABL LLC

In January and February of 2022, the Company has drawn three additional tranches of the Second NYDIG Financing Agreement with NYDIG whereby NYDIG agreed to lend up to $53,952,000 (excluding debt issuance costs) . The total of these tranches are $10,664,512. Including the $18,559,488 (excluding debt issuance costs) advanced as of December 31, 2021 the total advanced against the $53,952,000 is now $29,224,000. Or a remainder of $24,728,000 not advanced as of this filing.

WhiteHawk Finance LLC

On June 30, 2021, Equipment LLC entered into the WhiteHawk Financing Agreement with WhiteHawk whereby WhiteHawk originally agreed to lend to Equipment LLC an aggregate amount not to exceed $40.0 million to finance the purchase of certain Bitcoin miners and related equipment. The WhiteHawk Financing Agreement originally contained terms requiring that the 15,000 miners being purchased pursuant to the MinerVa Purchase Agreement be delivered on or before December 31, 2021. MinerVa did not deliver all of the miners under the MinerVa Purchase Agreement by the December 31, 2021 deadline. On December 31, 2021, Equipment LLC and WhiteHawk entered into the WhiteHawk Amendment to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. We have received around 3,200 of the miners to date. On March 28, 2022, Equipment LLC and WhiteHawk again amended the WhiteHawk Financing Agreement (the "Second WhiteHawk Amendment") to exchange the collateral under the WhiteHawk Financing Agreement. Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement will be exchanged as collateral for additional miners received by us from various suppliers and (ii) WhiteHawk agreed to lend to us an additional amount not exceed $25.0 million to finance certain previously purchased Bitcoin miners and related equipment (the "Second Total Advance"). Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek and Scrubgrass each agreed to a negative pledge of the Panther Creek Plant and Scrubgrass Plant, respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, we issued a warrant to WhiteHawk, to purchase 125,000 shares of Class A common stock, subject to certain antidilution and other adjustment provisions as described in the warrant agreement, at an exercise price of $0.01 per share (the "Second WhiteHawk Warrant"). The Second WhiteHawk Warrant expires on March 28, 2032. While we continue to engage in discussions with MinerVa on the delivery of the remaining miners, we do not know when the remaining miners will be delivered, if at all.

Non-employee Directors Compensation Policy

On January 10, 2022, the Compensation Committee formally adopted the previously approved Policy, effective October 19, 2021 (refer to Note 31 - Non-Employee Directors Compensation Policy). This policy includes the following:

- An initial equity grant of 10,000 stock options;
- An annual retainer equal to $100,000, which will be paid in fully-vested shares of our Class A common stock on a quarterly basis in arrears;

- Once a non-employee director obtains exposure to our Class A common stock of $500,000 or greater, a director may choose to receive the annual retainer in USD or any other currency (including Bitcoin); and
- Reimbursement for travel expenses and other reasonable out-of-pocket expenses.

On January 11, 2022, the Company authorized the Transfer Registrant and Registrar to issue 4,811 shares of common Class A stock to four non-employee Directors.

Asset Purchase Agreement

On January 3, 2022, the Company effected an Asset Purchase Agreement with Treis Blockchain LLC ("Seller") at an initial purchase price of $7,000,000; adjusted up or down at close based on certain miner revenue performance during a period prior to the close date, "assigned values" of agreements assumed; and certain stipulations around future Bitcoin market prices after the sales date (as described below) (the "Treis Blockchain Agreement"). The Company anticipates this purchase to qualify as an asset acquisition that also assumes all liabilities from the Seller.

As part of this agreement, the Company acquires: (a) at least 1,000 MicroBT Whatsminer M20S cryptocurrency miners with aggregate hash rate capacity equal to at least 60 petahash per second and average efficiency of better than 60 joules per terahash (the “Miners”); (b) five (5) containers, of which (i) three (3) are forty-foot containers with three 600-amp panels and Raritan PX2-5956XV power distribution units and can power 240 MicroBT Whatsminer Bitcoin miners, (ii) one (1) is a forty-foot container with two 600-amp panels and Raritan PX2-5956XV power distribution units and can power 144 MicroBT Whatsminer Bitcoin miners, and (iii) one (1) is a Digital Shovel container with five data pods and one power pod and can power 405 MicroBT Whatsminer Bitcoin miners (the “Containers”);(c) all fixtures, equipment, machinery, supplies, parts, and other inventories located in the Containers (“Inventory”); (d) all contracts (the “Assigned Contracts”) all of Seller’s rights under warranties, indemnities, and all similar rights against third parties to the extent related to any Purchased Assets; (f) all insurance benefits, including rights and proceeds, arising from or relating to the Purchased Assets or the Assumed Liabilities; and (g) all goodwill and the going concern value of the Purchased Assets as defined in the Treis Blockchain Agreement.

In the event that the average daily price of Bitcoin per Coinbase Global Inc. exceeds $100,000 for a period of at least fifteen (15) consecutive days prior to April 3, 2022, the Company shall make a one-time payment to Seller in the amount of $200,000.00 within five (5) business days of the date on which the average daily price of Bitcoin per Coinbase Global Inc. exceeds $100,000 for a fifteenth (15th) consecutive day. For the avoidance of doubt, in the event that the average daily price of Bitcoin per Coinbase Global Inc. does not exceed $100,000.00 for a period of fifteen (15) consecutive days prior to April 3, 2022, no payment shall be owed from the Company to Seller.

Northern Data
On March 28, 2022, we restructured the Hosting Agreement to obtain an additional 2,675 miners at cost of $37.5/T and temporarily reduced the profit share for Northern Data while incorporating performance thresholds until the data center build-out is complete.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, as amended (the "Exchange Act") as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely

decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of such date for the reasons stated below.

During the course of preparing for the IPO, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting. We concluded that our internal control over financial reporting did not result in the proper classification of our outstanding shares of Class V common stock as mezzanine equity which, due to its impact on our consolidated financial statements, we determined to be a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis. We identified a material weakness in our controls over the accounting for mezzanine and permanent equity and complex financial instruments. The controls to evaluate the accounting for complex financial instruments, such as mezzanine and permanent equity, did not operate effectively to appropriately apply the provisions of ASC 480-10-10- S99-3A. This material weakness resulted in the failure to prevent a material error in the accounting for mezzanine and permanent equity and the resulting restatement of our previously issued financial statements. The previous restatement to our June 30, 2021 interim balance sheet resulted in a balance sheet adjustment that reclassified the shares of Class V common stock as mezzanine equity at the maximum redemption value under the Redemption Right, net of the non-controlling equity interest. As a result, $167.7 million of permanent equity was reclassified to mezzanine equity.. The reason for the reclassification from permanent equity to mezzanine equity related to the fact that the Class V common stock, together with the corresponding Class A common units of Stronghold LLC, held by Q Power can be redeemed by Q Power and, in response to a redemption request from Q Power, can be repurchased by the Company in exchange for either shares of the Company's Class A common stock or, at the Company's election, cash of equivalent value. In addition, during our year-end audit, we and our independent registered public accounting firm identified deficiencies that constitute an additional material weakness in internal control over financial reporting as of and for the year ended December 31, 2021. There was a lack of cohesion between departments within the organization, reduced discipline in the accuracy of recording transactions, and a lack of review and reconciliation in areas of the accounting function. We have concluded that the Company's internal controls over financial reporting did not timely detect material misstatements.

Remediation Plan for Material Weaknesses

Remediation generally requires making changes to how controls are designed and implemented and then adhering to those changes for a sufficient period of time such that the effectiveness of those changes is demonstrated with an appropriate amount of consistency. In response to the material weaknesses, we implemented, and are continuing to implement, measures designed to improve our internal control over financial reporting. These measures include formalizing our processes and internal control documentation, strengthening supervisory reviews by our financial management, hiring additional qualified accounting and finance personnel, and engaging financial consultants to enable the implementation of internal control over financial reporting. Additionally, we are implementing certain accounting systems to upgrade our existing systems and to automate certain manual processes. The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management remains committed to the implementation of remediation efforts to address the material weakness. We will continue to implement measures to remedy our internal control deficiencies, though there can be no assurance that our efforts will ultimately have the intended effects.

Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. generally accepted accounting principles.

Management's Report on Internal Control over Financial Reporting

This Annual Report on Form 10-K (this "Form 10-K") does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

WhiteHawk Financing Amendment

On June 30, 2021, Equipment LLC entered into the WhiteHawk Financing Agreement with WhiteHawk whereby WhiteHawk originally agreed to lend to Equipment LLC an aggregate amount not to exceed $40.0 million to finance the purchase of certain Bitcoin miners and related equipment. The WhiteHawk Financing Agreement originally contained

terms requiring that the 15,000 miners being purchased pursuant to the MinerVa Purchase Agreement be delivered on or before December 31, 2021. MinerVa did not deliver all of the miners under the MinerVa Purchase Agreement by the December 31, 2021 deadline. On December 31, 2021, Equipment LLC and WhiteHawk entered into the WhiteHawk Amendment to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. We have received around 3,200 of the miners to date. On March 28, 2022, Equipment LLC and WhiteHawk again amended the WhiteHawk Financing Agreement (the "Second WhiteHawk Amendment") to exchange the collateral under the WhiteHawk Financing Agreement. Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement will be exchanged as collateral for additional miners received by us from various suppliers and (ii) WhiteHawk agreed to lend to us an additional amount not exceed $25.0 million to finance certain previously purchased Bitcoin miners and related equipment (the "Second Total Advance"). Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek and Scrubgrass each agreed to a negative pledge of the Panther Creek Plant and Scrubgrass Plant, respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, we issued a warrant to WhiteHawk, to purchase 125,000 shares of Class A common stock, subject to certain antidilution and other adjustment provisions as described in the warrant agreement, at an exercise price of $0.01 per share (the “Second WhiteHawk Warrant”). The Second WhiteHawk Warrant expires on March 28, 2032. While we continue to engage in discussions with MinerVa on the delivery of the remaining miners, we do not know when the remaining miners will be delivered, if at all.

Annual Meeting of Stockholders

Our 2022 Annual Meeting of Stockholders is currently expected to be held on June 29, 2022 (the "2022 Annual Meeting of Stockholders"). In light of public health concerns related to the COVID-19 pandemic, and to help protect the safety of our shareholders, directors, employees, and other participants, the Company's annual meeting may be conducted in a virtual-only format to the extent permitted by applicable law.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The Company has adopted a Financial Code of Ethics which is applicable to all of our employees, including our executive officers and directors. The Financial Code of Ethics is posted on our website at www.strongholddigitalmining.com. In the event that we make any amendments to or waivers from this code, we will disclose the amendment or waiver and the reasons for such on our website.

The names of the directors and executive officers of the Company and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I of this Report. The other information required by this Item is incorporated herein by reference to the information that will be contained in our proxy statement related to the 2022 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the information that will be contained in our proxy statement related to the 2022 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The remaining information required by this Item is incorporated herein by reference to the information that will be contained in our proxy statement related to the 2022 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the information that will be contained in our proxy statement related to the 2022 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the information that will be contained in our proxy statement related to the 2022 Annual Meeting of Stockholders.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of the report:

(1) Financial Statements

See the table of contents under "Item 8. Financial Statements and Supplementary Data" in Part II of this Form 10-K above for the list of financial statements filed as part of this report.

(2) Financial Statement Schedules

All schedules have been omitted as they are either not required or not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

(3) See Item 15(b)

(b) Exhibits:

Exhibit Number	Description
3.1	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).
3.2	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).
4.1*	Description of the registrant's securities.
10.1†	Stronghold Digital Mining, Inc. Omnibus Incentive Plan, dated as of October 19, 2021 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.2†	Indemnification Agreement (Gregory A. Beard) (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.3†	Indemnification Agreement (William B. Spence) (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.4†	Indemnification Agreement (Sarah P. James) (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.5†	Indemnification Agreement (Thomas J. Pacchia) (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.6†	Indemnification Agreement (Thomas R. Trowbridge, IV) (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.7†	Indemnification Agreement (Ricardo R. A. Larroudé) (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.8†	Indemnification Agreement (Richard J. Shaffer) (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.9†	Indemnification Agreement (Matthew J. Smith) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on November 23, 2021).
10.10¥	Equity Capital Contribution Agreement, dated July 9, 2021, by and among Panther Creek Reclamation Holdings, LLC, Stronghold Digital Mining Holdings LLC and Olympus Power, LLC (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.11	Amendment to Equity Capital Contribution Agreement, dated as of October 29, 2021, by and among Panther Creek Reclamation Holdings LLC and Stronghold Digital Mining Holdings LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on November 8, 2021).
10.12	Second Amendment to Equity Capital Contribution Agreement, dated as of November 2, 2021, by and among Panther Creek Reclamation Holdings LLC and Stronghold Digital Mining Holdings LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on November 8, 2021).
10.13¥†	Omnibus Services Agreement, dated as of November 2, 2021, by and between Stronghold Digital Mining, Inc. and Olympus Stronghold Services, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on November 8, 2021).

10.14¥	Registration Rights Agreement, dated as of April 1, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.15¥	Registration Rights Agreement, dated as of May 14, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.16¥	Registration Rights Agreement, dated as of November 5, 2021, by and between Stronghold Digital Mining, Inc. and Panther Creek Reclamation Holdings, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on November 8, 2021).
10.17#	Master Equipment Finance Agreement, dated June 25, 2021, by and between Stronghold Digital Mining LLC and Arctos Credit, LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.18	Financing Agreement, dated June 30, 2021, by and between Stronghold Digital Mining Equipment, LLC and WhiteHawk Finance LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.19	First Amendment to Financing Agreement, dated as of December 31, 2021, by and among Stronghold Digital Mining Equipment, LLC, WhiteHawk Finance LLC, and as consented to by each Guarantor named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on January 6, 2022).
10.20 #	First Amendment to Master Equipment Finance Agreement, dated as of January 31, 2022, by and between Stronghold Digital Mining, LLC and NYDIG ABL LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 4, 2022).
10.21#*	Master Equipment Finance Agreement, dated as of December 15, 2021, by and between Stronghold Digital Mining BT, LLC and NYDIG ABL LLC.
10.22	Tax Receivable Agreement, dated as of April 1, 2021, by and among Stronghold Digital Mining, Inc., Gregory Beard, as Agent, and Q Power LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.23¥	Series A Preferred Stock Purchase Agreement, dated as of April 1, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.24¥	Series B Preferred Stock Purchase Agreement, dated as of May 14, 2021, by and among Stronghold Digital Mining, Inc. and the investors listed on Schedule A thereto (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.25¥	Stock Purchase Warrant, dated as of June 30, 2021 (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.26†	Offer Letter, dated July 12, 2021, by and between Stronghold Digital Mining Inc. and Gregory A. Beard (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (File No. 333-258188) filed on July 27, 2021).
10.27¥	Waste Disposal Agreement, dated February 12, 2002, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales Corporation (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.28	Letter Amendment to the Waste Disposal Agreement, dated February 22, 2010, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.29	Letter Amendment to the Waste Disposal Agreement, dated September 9, 2014, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.30	Second Amendment to Waste Disposal Agreement, dated December 22, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales, LLC (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.31	Third Amendment to Waste Disposal Agreement, dated January 31, 2017, by and between Scrubgrass Generating Company, L.P. and Coal Valley Sales LLC (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.32	Supply Agreement, dated August 14, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.33	Supply Agreement, dated August 14, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).
10.34	Supply Agreement, dated October 15, 2015, by and between Scrubgrass Generating Company, L.P. and Coal Valley Properties, LLC (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on August 31, 2021).

10.35†	Stronghold Digital Mining, Inc. Amended and Restated 2021 Long Term Incentive Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on October 8, 2021).
10.36†	Form of Stock Option Grant Notice and Award Agreement under Stronghold Digital Mining, Inc. 2021 Long Term Incentive Plan (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1/A (File No. 333-258188) filed on October 8, 2021).
10.37¥	Third Amended and Restated Limited Liability Company Agreement of Stronghold Digital Mining Holdings LLC, dated as of October 22, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
21.1*	List of subsidiaries of Stronghold Digital Mining Inc.
23.1*	Consent of Urish Popeck, LLP, an Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included on the Signatures page of this Form 10-K).
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
32.2**	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
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.

¥ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC on request.

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.

Item 16. Form 10-K Summary

None.

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.

STRONGHOLD DIGITAL MINING, INC.
(Registrant)

Date: March 29, 2022

By: /s/ Ricardo R. A. Larroudé
Ricardo R. A. Larroudé
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Matthew C. Usdin as his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in

connection therewith, with the SEC, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Gregory A. Beard Gregory A. Beard	Chief Executive Officer, President and Co-Chairman of the Board (Principal Executive Officer)	March 29, 2022
/s/ Ricardo R. A. Larroudé Ricardo R. A. Larroudé	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 29, 2022
/s/ William B. Spence William B. Spence	Co-Chairman of the Board	March 29, 2022
/s/ Sarah P. James Sarah P. James	Director	March 29, 2022
/s/ Thomas J. Pacchia Thomas J. Pacchia	Director	March 29, 2022
/s/ Matthew J. Smith Matthew J. Smith	Director	March 29, 2022
/s/ Thomas R. Trowbridge, IV Thomas R. Trowbridge, IV	Director	March 29, 2022

DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

*As of March 24, 2022, Stronghold Digital Mining, Inc. (the "**Company**") had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value $0.0001 per share ("**common stock**"). The following description of the Company's common stock is a summary and is not complete. For a complete description, please refer to our second amended and restated certificate of incorporation (as amended to date, our "**Certificate of Incorporation**") and amended and restated bylaws (as amended to date, our "**Bylaws**"), which we have incorporated by reference as exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2021. References to "we," "our" and "us" refer to the Company, unless the context otherwise requires. References to "stockholders" refer to holders of our common stock, unless the context otherwise requires.*

Description of Class A Common Stock

Our authorized common stock consists of 238,000,000 shares of Class A common stock, par value $0.0001 per share. Each share of common stock is entitled to participate equally in dividends as and when declared by our board of directors.

Holders of shares of Class A common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. The holders of Class A common stock do not have cumulative voting rights in the election of directors.

Holders of shares of our Class A common stock are entitled to ratably receive dividends when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred stock.

Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Class A common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any of our outstanding shares of preferred stock.

The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class A common stock. All issued and outstanding shares of Class A common stock are fully paid and nonassessable.

Description of Class V Common Stock

We also have 50,000,000 shares of Class V common stock authorized, par value $0.0001 per share.

Holders of shares of our Class V common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of shares of our Class A common stock and Class V common stock vote together as a single class on all matters presented to our stockholders for their vote or approval.

Holders of our Class V common stock do not have any right to receive dividends, unless (i) the dividend consists of shares of our Class V common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable or redeemable for shares of Class V common stock paid proportionally with respect to each outstanding share of Class V common stock and (ii) a dividend consisting of shares of Class A common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable or redeemable for shares for Class A common stock on equivalent terms is simultaneously paid to the holders of Class A common stock. Holders of our Class V common stock do not have any right to receive a distribution upon a liquidation or winding up of Stronghold Inc.

The shares of Class V common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class V common stock. All outstanding shares of our Class V common stock are fully paid and non-assessable.

Preferred Stock

Our Certificate of Incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further shareholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, par value $0.0001 per share, covering up to an aggregate of 50,000,000 shares of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders. In some cases, the issuance of preferred stock could delay or discourage a change in control of us.

The issuance of preferred stock, while providing desired flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of holders of our common stock. It could also affect the likelihood that holders of our common stock will receive dividend payments and payments upon liquidation.

Liability of Our Directors

As permitted by the DGCL, we have included in our Certificate of Incorporation a provision that limits our directors' liability for monetary damages for breach of their fiduciary duty of care to us and our stockholders. The provision does not affect the liability of a director:

- for any breach of his/her duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for the declaration or payment of unlawful dividends or unlawful stock repurchases or redemptions; and
- for any transaction from which the director derived an improper personal benefit.

This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, Bylaws and Delaware Law

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest or otherwise; or removal of our incumbent officers and directors. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation, including those whose securities are listed for trading on Nasdaq, from engaging in any business combination with any interested shareholder for a period of three years following the date that the shareholder became an interested shareholder, unless:

- the transaction is approved by the board of directors before the date the interested shareholder attained that status;
- upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such time the business combination is approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested shareholder.

Certificate of Incorporation and Bylaws

Provisions of our Certificate of Incorporation and our Bylaws may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Class A common stock.

Among other things, our Certificate of Incorporation and our Bylaws:

- establish advance notice procedures with regard to shareholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of shareholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice

must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our Bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;

- provide that the authorized number of directors may be changed only by resolution of the board of directors, unless the Certificate of Incorporation fixes the number of directors, in which case, a change in the number of directors shall be made only by amendment of the certificate of incorporation;
- provide that our Certificate of Incorporation may only be amended by the affirmative vote of the holders of at least 50% of our then outstanding of stock in the Company entitled to voted thereon, voting together as a single class;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that prior to the date on which Q Power and its affiliates no longer beneficially owns 40% or more of the combined outstanding shares of Class A common stock and Class V common stock (the "Trigger Date"), any action required or permitted to be taken at any annual meeting or special meeting of the stockholders of the Company may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. On and after the Trigger Date, subject to the rights of holders of any series of preferred stock with respect to such series of preferred stock, any action required or permitted to be taken by our stockholders must be taken at a duly held annual or special meeting of stockholders and may not be taken by any consent in writing;
- provide that the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock entitled to vote generally in the election of directors, acting at a meeting of the stockholders or by written consent (if permitted), subject to the rights of the holders of any series of preferred stock, shall be required to remove any or all of the directors from office, and such removal may be with or without "cause";
- provide that special meetings of our stockholders may only be called by the chief executive officer, the chairman of the board (or any co-chairman), or by a majority of the board;
- provide that our Bylaws can be amended by the board of directors or stockholders of 66 2/3% of the voting power of the then-outstanding shares of stock entitled to vote thereon; and
- prohibit cumulative voting for the election of directors, unless otherwise provided in the Certificate of Incorporation.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the Certificate of Incorporation specifically authorizes cumulative voting. Our Certificate of Incorporation will not authorize cumulative voting. Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

Forum Selection

Our Certificate of Incorporation will provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders;
- any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws; or
- any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

Notwithstanding the foregoing, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act or any other claim for which the federal courts have exclusive jurisdiction. Our Certificate of Incorporation will also provide that any person or entity purchasing or

otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and to have consented to, this forum selection provision. Although we believe these provisions will benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against our directors, officers, employees and agents. The enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our Certificate of Incorporation is inapplicable or unenforceable.

Corporate Opportunities

Our Certificate of Incorporation, to the fullest extent permitted by law, renounces any reasonable expectancy interest that we have in, or right to be offered an opportunity to participate in, any corporate or business opportunities that are from time to time presented to Q Power, its affiliated directors and affiliates, and our non-employee directors, and that, to the fullest extent permitted by law, such persons will have no duty to refrain from engaging in any transaction or matter that may be a corporate or business opportunity in which we or any of our subsidiaries could have an interest or expectancy. In addition, to the fullest extent permitted by law, in the event that Q Power, its affiliated directors and affiliates, and our directors acquire knowledge of any such opportunity, other than in their capacity as a member of our board of directors, such person will have no duty to communicate or present such opportunity to us or any of our subsidiaries, and they may take any such opportunity for themselves or offer it to another person or entity.

Limitation of Liability and Indemnification Matters

Our Certificate of Incorporation limits the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the DGCL.

Delaware law provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except for liabilities:

- for any breach of their duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for unlawful payment of dividend or unlawful stock repurchase or redemption, as provided under Section 174 of the DGCL; or
- for any transaction from which the director derived an improper personal benefit.

Any amendment, repeal or modification of these provisions will be prospective only and would not affect any limitation on liability of a director for acts or omissions that occurred prior to any such amendment, repeal or modification.

Our Bylaws also provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. Our Bylaws also permits us to purchase insurance on behalf of any officer, director, employee or other agent for any liability arising out of that person's actions as our officer, director, employee or agent, regardless of whether Delaware law would permit indemnification. We intend to enter into indemnification agreements with each of our current and future directors and officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liability that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We believe that the limitation of liability provision in our Certificate of Incorporation and the indemnification agreements facilitates our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

Stock Exchange Listing

Our common stock is listed on The Nasdaq Global Market and trades under the symbol "SDIG."

Exhibit 10.21

SPECIFIC TERMS IN THIS EXHIBIT HAVE BEEN REDACTED BECAUSE SUCH TERMS ARE BOTH NOT MATERIAL AND ARE THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. THESE REDACTED TERMS HAVE BEEN MARKED IN THIS EXHIBIT WITH THREE ASTERISKS [***].

MASTER EQUIPMENT FINANCE AGREEMENT

THIS MASTER EQUIPMENT FINANCE AGREEMENT (this **"Master Agreement"**) is dated as of **December 15, 2021,** by and between **STRONGHOLD DIGITAL MINING BT, LLC**, a Delaware limited liability company with an address of 2151 Lisbon Road, Kennerdell, PA 16374 ("**Borrower**"), and **NYDIG ABL LLC**, a Delaware limited liability company with an address of 510 Madison Avenue, 21st Floor New York, NY 10022 ("**Lender**").

1. **GENERAL TERMS.** This Master Agreement contains the terms and conditions upon which Lender will provide financing to Borrower to enable Borrower to purchase items of equipment and other personal property and for such other uses as are expressly specified in equipment finance schedules ("**Schedules**") that may be entered into by Lender and Borrower from time to time (such personal property, any related software embedded therein or otherwise forming part thereof, any and all accessories, exchanges, improvements, returns, substitutions, parts, attachments, accessions, spare parts, replacements and additions thereto, and all proceeds thereof, are herein referred to as the "**Equipment**" and sometimes individually an "**Item**"). Each Schedule shall incorporate all of the terms of this Master Agreement and shall constitute a separate financing for the Equipment, as indicated on such Schedule. The term "**Agreement**" refers to each Schedule that incorporates this Master Agreement. Anything herein to the contrary notwithstanding, this Master Agreement is not a commitment to enter into any Agreement. Lender shall have no obligation to enter into any Agreement, finance any property, or otherwise enter into any transaction with Borrower unless expressly agreed in writing. As to each Schedule, Lender shall have no obligation to finance any Equipment until all conditions to funding are completed to the satisfaction of Lender. References herein to "the Equipment", "the Payment", "the Schedule" or "the Agreement", when also referring to a specific item of Equipment, Payment (as hereinafter defined), Schedule or Agreement, shall be deemed to refer to the applicable Agreement, the Payment due thereunder, the Schedule that is a part thereof and the Equipment financed thereunder, and vice versa, unless the context shall otherwise clearly require.

2. **DELIVERY AND ACCEPTANCE OF EQUIPMENT; CONDITIONS TO CLOSING. (a)** Borrower will cause the Equipment to be delivered and installed at the location specified in the Agreement and shall be deemed to have been accepted by Borrower for all purposes under the Agreement upon the date (the "**Acceptance Date**") indicated as the date of acceptance on an Acceptance Certificate prepared by Lender and executed by Borrower. If there are multiple deliveries of Equipment under any Agreement, the term "**Acceptance Date**" shall mean the Acceptance Date of the first of the Equipment delivered to and accepted by Borrower, unless otherwise provided in the Agreement. Borrower acknowledges and agrees that certain Borrower obligations, including but not limited to, providing insurance under Section 10, commence prior to the Acceptance Date and may be binding on Borrower whether or not the Equipment is accepted. Notwithstanding the foregoing, Borrower agrees that upon executing an Agreement, Borrower's Obligations (as hereinafter defined) thereunder are absolute and unconditional and in the nature of a promissory note. Borrower is responsible for all shipping, installation, site preparation, testing and other expenses incident to delivery of the Equipment and Lender will not finance such costs unless they are included in the amount financed by agreement of the parties.

(b) Lender's obligation to provide financing under any Agreement shall be subject to the following conditions. Failure of Borrower to satisfy any such condition shall require Borrower to repay to Lender on demand all amounts theretofore advanced to or for Borrower's account with respect to any Equipment being financed by such advanced amounts, including without limitation any outstanding down payment or initial payment to a Supplier and any and all interest owed by Borrower. The failure to repay such amounts within two (2) business days after Borrower's receipt of Lender's demand shall be an immediate, incurable Event of Default under all Agreements, with no further notice required on Lender's part.

(i) There shall not have occurred an Event of Default and no event that with notice, lapse of time or both would be an Event of Default shall have occurred and then be continuing.

(ii) Borrower shall not have suffered a material adverse change in its business, financial condition, or properties.

(iii) Reserved.

(iv) Borrower shall not have suffered a lien, encumbrance or security interest to attach to the Equipment, except as expressly permitted by this Master Agreement.

(v) Borrower shall have complied with all customary closing conditions for equipment financings and commercial loans, and shall provide Lender with all documentation or assurances Lender may reasonably request.

3. **TERM AND PAYMENTS; SECURITY INTEREST.**

(a) The obligations of Borrower with respect to each Item of Equipment shall be evidenced by an Agreement. The term of each Agreement (the **"Term"**) shall commence on the date selected by Lender (the **"Commencement Date**") that is on or after the earlier of (i) the date Lender advances any funds or makes any binding commitment to advance funds or take other action with respect to any of the Equipment or (ii) the Acceptance Date, and shall continue until Borrower satisfies all of its obligations to Lender thereunder. The day the first Payment is due is called the **"First Payment Date"** and each subsequent payment shall be made on the same day of the month as the First Payment Date unless otherwise stated in the Agreement.

(b) Borrower agrees to pay to Lender periodic payments of principal and/or interest (together with any other payments so designated herein or elsewhere in the applicable Agreement, the "**Payments**") without invoice or other written demand as may

be more fully set forth in the Agreement and any and all other payments and amounts required to be paid by Borrower. Payments by Borrower to Lender under each Agreement shall be in legal tender of the United States of America in immediately available funds. Borrower's obligation to pay all Payments and other amounts due under each Agreement is absolute and unconditional under any and all circumstances (including, without limitation, any malfunction, defect or any inability to use any Item of Equipment) and shall be paid and performed by Borrower without notice or demand and without any abatement, reduction, diminution, setoff, defense, counterclaim or recoupment whatsoever, including, without limitation, any past, present or future claims that Borrower may have against Lender, any Supplier or any other person or entity whatsoever. To the fullest extent permissible under applicable law, Borrower waives demand, diligence, presentment, protest, notice of dishonor, notice of nonpayment and notices and rights of every kind. The monthly Payment indicated in each Schedule is based on the estimated amount of the advance made by Lender with respect to the Equipment, and if the actual advance for the Equipment (which may include delivery, installation and other soft costs) differs from such estimated amount, then Lender may, at its election (i) if the amount of the actual advance shall be an increase of less than ten percent (10%) of the estimated advance, recalculate the Payments and other amounts as provided in clause (iii) of this Section 3(b), and Borrower grants Lender power of attorney to make such corrections, and agrees that the Agreement shall remain in full force and effect, (ii) cancel such Agreement and all related agreements, documents and instruments and decline to fund the transaction, or (iii) Lender and Borrower will agree to amend or re-execute the Agreement and related documents to provide such adjustments to the Payments and other amounts designated in the Agreements as necessary to provide the same yield to Lender as would have been obtained if the actual amount advanced by Lender had been the same as the estimated amount. Borrower agrees to execute documentation presented by Lender effecting such adjustments. If any Payment or other amount due under an Agreement is not received when due, such overdue amounts shall bear interest at a rate equal to fifteen percent (15%) per annum, provided that no interest rate shall exceed the maximum amount permitted by applicable law.

Payments made by Borrower to Lender under the Agreements will be made free and clear of and without deduction for any and all Taxes except (a) any Taxes imposed on (or measured by) Lender's net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, imposed as a result of (i) Lender being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof), or (ii) a present or former connection between the Lender and the jurisdiction imposing such Taxes (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced, or sold or assigned an interest in any advance under an Agreement) (b) any U.S. federal withholding Taxes imposed on amounts payable to or for the account of Lender with respect to an applicable interest in an advance under an Agreement pursuant to a law in effect on the date on which (i) Lender acquires such advance or (ii) Lender changes its lending office, except in each case to the extent that, pursuant to the next sentence, amounts with respect to such Taxes were payable either to Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Lender's failure to comply with the last two sentences of this Section 3(b), and (d) any withholding Taxes imposed under Sections 1471 through 1474 of the Code (as defined below), as of the date of this Master Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code (such Taxes imposed with respect to any payment under any Agreement, other than Taxes described in clauses (a) through (d) of this Section 3(b), shall be referred to hereinafter as "**Indemnified Taxes**"). However, if at any time any governmental authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction of Indemnified Taxes from any such payment or other sum payable hereunder to Lender, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction of Indemnified Taxes (including such deductions and withholdings applicable to additional sums payable under this sentence), Lender receives a net sum equal to the sum which it would have received had no withholding or deduction of Indemnified Taxes been required, and Borrower shall pay the full amount withheld or deducted to the relevant governmental authority. Borrower will, upon request, furnish Lender with proof reasonably satisfactory to Lender indicating that Borrower has made such withholding payment. On or before the date of this Master Agreement, or on or before the date on which any assignee becomes a party to this Master Agreement, as applicable, and at such other times reasonably requested by Borrower, Lender (and any assignee or successor thereof) shall deliver (i) in the case of a Lender that is a "United States person" (within the meaning of Section 7701(a)(30) of the Code), a properly completed and executed Internal Revenue Service ("**IRS**") Form W-9 (or any successor form) establishing an exemption from U.S. federal backup withholding Tax or (ii) in the case of a Lender that is not a "United States person" (within the meaning of Section 7701(a)(30) of the Code), (A) a properly completed and executed IRS Form W-8-BEN-E or W-8BEN (or any successor form) establishing an exemption from, or reduction of, U.S. federal withholding Tax under the benefits of an applicable income Tax treaty with the United States of America, (B) a properly completed and executed IRS Form W-8ECI, or (C) a properly completed and executed IRS Form W-8BEN-E or W-8BEN (or any successor form), along with a certificate from such Lender claiming an exemption from U.S. federal withholding Tax under the portfolio interest exemption. Lender (including any assignee or successor thereof) agrees, that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify Borrower in writing of its legal inability to do so.

(c) No Agreement may be canceled or terminated by Borrower for any reason whatsoever. Borrower may not prepay any Total Advance under any applicable Agreement in whole or in part.

(d) As security for the due payment and performance of Borrower's Obligations under each Agreement and all Other Agreements (as defined in Section 11), Borrower grants to Lender a first priority security interest in: (i) all Equipment financed pursuant to each Schedule and proceeds (including any insurance proceeds) thereof and any accessions, additions and accessories thereto; (ii) Borrower's rights under that certain Non-Fixed Price Sale and Purchase Agreement by and between

Bitmain Technologies Limited and Stronghold Digital Mining LLC, an affiliate of Borrower, dated as of October 26, 2021 (the "**Purchase Agreement**"), (iii) to the extent arising from or relating to any Equipment, all Accounts, Contract Rights, Chattel Paper, General Intangibles, Payment Intangibles, leases, subleases, security deposits or other cash deposits and proceeds; (iv) all cryptocurrency and digital currency, including Bitcoin (BTC) mined or otherwise generated by, or in connection with the Equipment (sometimes herein called "**Mined Currency**") and any and all other cryptocurrency and digital currency related thereto or derived therefrom whether arising from a hard fork, airdrop or otherwise; (v) the Blocked Wallet Account; and (vi) all other collateral as to which a security interest has been or is hereinafter granted by Borrower to Lender or to any Affiliate of Lender to the extent arising from or relating to any Equipment, of Lender in connection with any Other Agreement and all proceeds thereof (collectively the "**Collateral**"). Title to the Collateral shall at all times be in Borrower's name, subject to Lender's security interest and any certificate of title for Equipment shall designate Borrower as owner and Lender as lien holder. As used herein, "**Obligations**" means each and every debt, liability and obligation, including, without limitation, obligations of performance, of every type and description Borrower may now or at any time hereafter owe to Lender and any Affiliate of Lender whether under this Master Agreement, any Schedule or under any Other Agreement, regardless of how such Obligation arises or by what agreement or instrument it may be evidenced, whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, joint and several, and all costs and expenses incurred by Lender to obtain, preserve, perfect and enforce the security interest granted herein and to maintain, preserve and collect the property subject to the security interest, including but not limited to all Attorney's Fees (as hereinafter defined) and expenses of Lender to enforce any Obligations whether or not by litigation. As used herein "**Affiliate**" of a person or entity means any person or entity which directly or indirectly beneficially owns or holds ten percent (10%) or more of any class of voting stock or other interest of such person or entity or directly or indirectly controls, is controlled by, or is under common control with such person where the term "control" means the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities, by contract, or otherwise. "**Accounts**", "**Chattel Paper**" "**Supplier**", "**Payment Intangibles**", "**General Intangibles**" and other terms defined in the UCC not specifically defined herein shall each have the meaning set forth in the UCC. Borrower represents, warrants and agrees that no Agreement is or will be a "Consumer Transaction" as such term is defined in the Uniform Commercial Code currently adopted in the State of Delaware (the "**UCC**"). In the event (i) Borrower's "chief executive office" or the equivalent is located in any province in Canada (in each case, the "**Province**"), or (ii) any Collateral is located in any Province, the term "**UCC**", when used herein, shall be deemed, without further action, to be the applicable personal property security legislation in force and effect in such Province (the "**PPSA**"), and other PPSA terms not specifically defined herein shall each have the meaning set forth in the PPSA, with all references to "**UCC**" herein being deemed to be references to the PPSA. In particular, "**Payment Intangibles**" and "**General Intangibles**" shall be deemed to be "**Intangibles**" as defined in the PPSA.

(e) Borrower acknowledges that, as to any Agreement, Lender may advance funds to one or more Suppliers prior to the Acceptance Date. Borrower agrees that the terms of any such Agreement will include Payments and other agreements contemplating such advances and that Lender's exposure is substantially increased by making such advances. Borrower agrees, notwithstanding anything to the contrary herein, that it is obligated to repay all such advances, with interest, on demand if an Event of Default shall occur prior to the Acceptance Date or if the Acceptance Date does not occur on or before the "**Anticipated Acceptance Date**" stated in such Agreement for any reason whatsoever, unless Lender shall, in its sole discretion, agree to postpone the Anticipated Acceptance Date. If more than one delivery is contemplated under any such Agreement, then, notwithstanding Section 2, the Anticipated Acceptance Date shall mean the date of the final delivery and acceptance of Equipment under such Agreement, it being the intention of the parties that all such Equipment will be delivered and accepted on or before the Anticipated Acceptance Date stated in the Agreement. Borrower's failure to repay any such advance shall be an immediate and incurable Event of Default. Lender may disburse the proceeds using checks, drafts, orders, transfer funds, or any other method or media Lender deems desirable. Disbursement may be made in Lender's name on Borrower's behalf or in Borrower's name.

4. **USE; MAINTENANCE; REGISTRATION. (a)** Borrower covenants and agrees that: (i) Borrower will maintain and use the Equipment in a prudent, businesslike manner for its originally-intended purpose, in the ordinary course of Borrower's business, and only in accordance with applicable laws, Supplier or manufacturer warranty provisions, requirements of insurance, operating manuals and instructions, rules, regulations, and orders of any judicial, legislative or regulatory body having power to supervise or regulate the use, operation or maintenance thereof, including licenses, permits and registration requirements, and that the proceeds of any Agreement will be used for commercial or business purposes and will not be used for consumer, personal, family, agricultural or household purposes; (ii) Borrower will keep the Equipment in good condition and working order and shall replace or restore and maintain any part of the Equipment by qualified personnel at all times during the Term of such Agreement; (iii) Borrower will make no modification to any item of Equipment without Lender's prior written consent, but Borrower will, unless otherwise directed by Lender, make all modifications and maintenance, at its sole cost and expense, required hereunder or by applicable law, or recommended or required by any Supplier, operating instructions or requirements of any insurer or maintenance organization servicing the Equipment, provided, that all parts, mechanisms, devices and other property installed on the Equipment shall immediately become part of the Equipment and subject to Lender's security interest and such maintenance or modifications shall be performed by qualified personnel only; and (iv) if Lender has caused a GPS or other tracking device to be installed on any Item, Borrower will not remove or tamper with such device, nor will Borrower tamper with any odometer or other device designed to track use of the Equipment.
(b) Without limiting any of Borrower's obligations in Section (a) above or elsewhere in this Master Agreement or any Agreement, Borrower covenants and agrees that for all Items of Equipment consisting of computers or other technology equipment, Borrower will make arrangements satisfactory to Lender in its reasonable discretion to keep the Equipment properly maintained by the Supplier or another qualified maintenance organization (which, for the avoidance of doubt, shall include [***] and its affiliates) and eligible for prime shift maintenance by the Supplier.

5. **INDEMNITIES.** Borrower shall indemnify, hold harmless and defend Lender and its successors and assigns against any and all claims, demands, suits and legal proceedings, whether civil, criminal, administrative, investigative or otherwise, including arbitration, mediation, bankruptcy and appeal and including any claims, demands, suits and legal proceedings arising out of: (i) the actual or alleged manufacture, purchase, ordering, financing, shipment, acceptance or rejection, titling, registration, leasing, ownership, delivery, rejection, non-delivery, possession, use, transportation, storage, operation, maintenance, repair, return or disposition of the Equipment; (ii) patent, trademark or copyright infringement; or (iii) any alleged or actual breach, default or Event of Default by Borrower (all of the foregoing hereinafter collectively referred to as "**Actions**"); and (iv) any and all penalties, losses, liabilities, including the liability of Borrower or Lender for negligence, tort, strict liability or environmental liability, damages, costs, court costs and any and all other expenses, including Attorneys' Fees, judgments and amounts paid in settlement, incurred incident to, arising out of, or in any way connected with any Actions, any Agreement, any Equipment, or any other instrument, document or agreement executed in connection with or contemplated by any of the foregoing; provided that the Borrower shall have no obligation hereunder to Lender or any of its affiliates or related to the extent that such obligation for indemnification shall have resulted from the gross negligence, bad faith or willful misconduct of the party to be indemnified or any of its affiliates as determined by a final non-appealable judgment of a court of competent jurisdiction. The term "**Attorneys' Fees**" as used herein shall include any and all reasonable and documented attorneys' fees that are incurred by Lender incident to, arising out of, or in any way in connection with Lender's interests in, or defense of, any Action or Lender's enforcement of its rights and interests with respect to any Equipment or otherwise under each Agreement, or any other instrument, document or agreement executed in connection with or contemplated by any of the foregoing, which shall include such reasonable and documented attorneys' fees incurred by Lender whether or not a suit or action is commenced, and all costs in collection of sums due during any work out or with respect to settlement negotiations, or the cost to defend Lender or to enforce any of its rights.

6. **POSSESSION; INSPECTION; PERSONAL PROPERTY.** Provided that no Event of Default and no event that with notice or lapse of time would become an Event of Default has occurred and is continuing under any Agreement, Borrower shall have quiet possession of the Equipment during the Term. Lender or an agent of Lender may enter the location where any item of Equipment is located at reasonable times and upon reasonable notice (provided, that during the occurrence of an Event of Default, no such notice will be required) to inspect the Equipment, subject to reasonable limitations placed on entry by the owner of the premises, if different from Borrower, provided that notwithstanding the foregoing, Lender's officers and authorized representatives shall comply with Borrower's COVID-19 and other health and safety protocols, policies and procedures when accessing the location of Borrower. Borrower will not move or allow any Item to be moved to a location different from the location specified in such Agreement without Lender's prior written consent. The Equipment shall not constitute, and Borrower shall ensure that it shall not constitute, real property or fixtures and the parties agree that the Equipment is and shall be removable from, and is not essential to, the premises where the Equipment is located**.** Upon the request of Lender, Borrower shall obtain a written host, landlord's or mortgagee's acknowledgement and waiver in form and substance satisfactory to Lender from all persons having any interest in the real estate upon which the Equipment is located, stored or garaged. In addition to the foregoing, Borrower agrees to the following monitoring arrangements: Prior to funding, (a) Borrower will provide Lender with (a) API and/or read access to Borrower's Bitcoin Mining Pool Account or similar arrangement that shows the status and hashrate of equipment, and (b) account access to Borrower's Bitcoin Exchange or Brokerage Account, which provides transaction details including Bitcoin revenue and trades. Lender will have the right to approve any Mining Pool, Exchange or Brokerage Account and applicable wallets to be utilized by Borrower. Lender will require certain permissions to be established for any approved wallet and may require a minimum balance to be maintained. Borrower will also provide the reports specified in Section 18.

7. **DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY.** BORROWER ACKNOWLEDGES AND AGREES THAT THE EQUIPMENT IS FINANCED "AS IS", "WHERE IS", AND "WITH ALL FAULTS"; LENDER DOES NOT MAKE AND HEREBY DISCLAIMS ANY AND ALL WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, CONDITION, CAPACITY, DURABILITY, QUALITY OF MATERIAL OR WORKMANSHIP, CONFORMITY OF ANY DESCRIPTION OR PATENT, TRADEMARK OR COPYRIGHT, OR OTHERWISE WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT WHATSOEVER AND LENDER IS NOT THE MANUFACTURER OR SUPPLIER OF THE EQUIPMENT NOR THE MANUFACTURER'S OR SUPPLIER'S AGENT AND NO SUCH PERSON IS LENDER'S AGENT FOR ANY PURPOSE. Lender is not responsible for any repairs or service to the Equipment, defects therein or failures in the operation thereof or for any indirect, special, incidental, or consequential damages. Borrower has made the selection of each item of Equipment based on its own judgment and expressly disclaims any reliance upon any statements or representations made by Lender.

8. **REPRESENTATIONS, WARRANTIES AND COVENANTS**. **(a)** Borrower represents and warrants to, and covenants with, Lender that: (i) Borrower has the form of business organization indicated above; Borrower is duly organized in the jurisdiction of organization set forth above; and is existing, in good standing and qualified to do business wherever necessary to carry on its present business and operations and to own its property; Borrower has full corporate or other power and authority to enter into each Agreement and the Other Agreements, to incur the borrowings hereunder, and to perform its obligations under each Agreement and the Other Agreements; (ii) each Agreement, when entered into has been duly executed and authorized, requires no further director, shareholder, member, partner or other third party approval of, or the giving of notice to, any Governmental Authority (as hereinafter defined) and does not contravene any law, regulation or other governmental order, any certificate or articles of incorporation or bylaws or partnership certificate or operating agreement, or any agreement, indenture, or other instrument to which Borrower is a party or by which it may be bound and constitutes a legal, valid, and binding obligation of Borrower enforceable in accordance with its terms; (iii) the provisions of each Agreement create legal and valid liens on and security interests in all of the Collateral in favor of the Lender, and such liens and security interests constitute perfected and continuing liens on and security interest in the Collateral, securing the Obligations,

enforceable against Borrower and all third parties, and having priority over all other liens, security interests and other encumbrances on the Collateral; (iv) Borrower, any guarantor of Borrower's obligations hereunder (a "**Guarantor**") and any other person who owns a controlling interest or otherwise controls Borrower or any Guarantor in any manner is not listed on the Specially Designated Nationals and Blocked Persons Lists maintained by the Office of Foreign Assets Control ("**OFAC**") or other similar lists maintained by the federal government pursuant to any federal law or regulation regarding a person designated under Executive Order No. 13224 or similar lists and Borrower is in compliance with any Bank Secrecy Act regulations and other federal regulations to prevent money laundering, and to the extent Borrower is located in or carries on business in any Province, Borrower and each director, officer, employee and agent thereof is in compliance with all applicable Sanctions, Anti-Corruption Laws and AML Laws and Borrower is not, nor is any director, officer, employee or agent of Borrower (A) the subject of any Sanctions, or (B) located, organized or resident in a country or territory that is, or whose government is, the subject of any Sanction. For the purposes hereof, the following definitions are applicable to the provisions hereof:

"**AML Laws**" means all laws, rules and regulations relating to money laundering or terrorist financing, including, without limitation, the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), Part II.1 of the *Criminal Code* (Canada), the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (Canada) and the *United Nations Al-Qaida and Taliban Regulations* (Canada);

"**Anti-Corruption Laws**" means all laws, rules and regulations relating to bribery or corruption, including, without limitation, the *Corruption of Foreign Public Officials Act* (Canada);

"**Sanctions**" means any and all sanctions or trade embargoes imposed, administered or enforced from time to time by any relevant sanctions authority including, without limitation, by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State or under the *United Nations Act* (Canada), the *Special Economic Measures Act* (Canada) and the *Export and Import Permits Act* (Canada);

(iv) there are no pending or threatened actions or proceedings before any court or agency which may to a material extent adversely affect Borrower or any Guarantor's financial condition or continued operation (except as Borrower have otherwise previously disclosed to Lender in writing); (v) Borrower is solvent and has the ability to pay Borrower's debts when they come due and Borrower is not contemplating and has not contemplated relief under any bankruptcy laws or other similar laws for the relief of debtors, except as disclosed to Lender in writing; and (vi) all of Borrower's financial statements and other information heretofore given and hereafter to be given to Lender are and will be true and complete in all material respects as of their respective dates, and fairly represent and will fairly represent Borrower's financial condition, and no material adverse change has or will have occurred in Borrower's financial condition reflected therein after the respective date thereof upon delivery to Lender, unless Borrower notifies Lender in writing of the same; and (vii) the Equipment will not be used to store, transport, contain or deliver any Hazardous Materials in violation of any Environmental Laws or transport any persons for hire. The term "**Hazardous Materials**" means any wastes, substances, or materials, whether solids, liquids or gases, that are deemed hazardous, toxic, pollutants, or contaminants, including but not limited to substances defined as "hazardous wastes," "hazardous substances," "toxic substances," "radioactive materials," or other similar designations in, or otherwise subject to regulation under, Environmental Laws. The term "**Environmental Laws**" means, collectively, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq.; the Toxic Substance Control Act, 15 U.S.C. § 2601 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1802 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Clean Water Act, 33 U.S.C. § 1251 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; or other applicable federal, state, provincial or local laws, including any plans, rules, regulations, orders, or ordinances adopted, or other criteria and guidelines promulgated pursuant to the preceding laws or other similar laws, regulations, rules, orders, or ordinances now or hereafter in effect relating to hazardous materials disposal, generation, production, treatment, transportation, or storage or the protection of human health and the environment. If Borrower is a corporation, limited liability company or partnership, a secretary, assistant secretary, member or partner, by attesting to the execution by Borrower on the applicable Schedule, certifies that the officer signing on behalf of Borrower has been duly authorized and empowered to execute the Agreement on behalf of Borrower by appropriate vote of Borrower's board of directors, managing member(s), members or partners (or similar governing body) or under Borrower's bylaws, operating agreement or partnership agreement, that such officer did so execute the Agreement, and that the Agreement has been duly authorized and approved by or under such vote, bylaws, operating agreement or partnership agreement. Borrower acknowledges that Lender has not made any representation or warranty as to the legal, accounting or tax characterization or effect of any Agreement or any financing contemplated hereby. Borrower has consulted its own advisors with respect to such matters. All representations and warranties contained herein shall be continuing in nature and in effect at all times prior to Borrower satisfying all of Borrower's obligations to Lender under each Agreement and this Master Agreement.

(b) Borrower shall not (i) voluntarily or involuntarily create, incur, assume or suffer to exist any mortgage, lien, security interest, pledge or other encumbrance or attachment of any kind whatsoever upon, affecting or with respect to the Equipment, whether now owned or hereafter acquired (except by, through or in favor of Lender); (ii) finance upgrades or additions to Equipment with any party other than Lender without prior written consent of Lender; (iii) permit the name of any person, association, corporation or other business entity other than Lender or Borrower to be placed on the Equipment; (iv) except as otherwise agreed to by Lender in writing, part with possession or control of or suffer or allow to pass out of its possession or control any Item of the Equipment or change the location of the Equipment or any part thereof from the address shown in the Agreement; (v) assign, sell, transfer, sublease, rent or in any way transfer or dispose of all or any part of the rights or obligations under any Agreement or as to any rights, title or interest in the Equipment or other Collateral, in whole or in part, to

anyone; (vi) without at least twenty (20) days written notice to Lender (and signing and if requested by Lender, filing, such documents as Lender shall request in connection therewith), change (A) its legal name or primary address from that set forth above, (B) the jurisdiction under whose laws it is organized as of the date of this Master Agreement, or (C) the type of organization under which it exists as of the date of this Master Agreement; (vii) permit the sale or transfer of any shares of its capital stock or of any ownership interest in Borrower to any person, persons, entity or entities (whether in one transaction or in multiple transactions) which results in a transfer of a majority interest in the ownership and/or the control of Borrower from the person, persons, entity or entities who hold ownership and/or control of Borrower as of the date of this Master Agreement; (viii) consolidate with or merge into or with any other entity, or sell, transfer, lease or otherwise dispose of all or substantially all of Borrower's assets to any person or entity (whether in one transaction or in multiple transactions); (ix) purchase, redeem, acquire or retire any of Borrower's ownership interests, pay dividends or make any shareholder withdrawals or pay any management bonuses, in each case, if an Event of Default has occurred and is continuing; or (x) without at least thirty (30) days prior written notice to Lender, make or suffer to exist any investments in, or loans or advances to, or guarantees of, any other Person.

9. **LOSS AND DAMAGE.** Borrower shall bear the entire risk of loss, theft, damage to or destruction of the Equipment (including any condemnation, seizure, or requisition of title or use) (collectively, a "**Casualty Event**") from any cause whatsoever. No Casualty Event shall relieve Borrower from making any Payment or any other obligations hereunder. Borrower shall immediately notify Lender of any insurance claim and of any Casualty Event resulting in two hundred fifty thousand dollars ($250,000.00) or more of damage to Equipment, and inform Lender of the circumstances and extent of the Casualty Event and, at the option of Lender, Borrower shall (a) place such Equipment in good repair and working order so that the Equipment is of at least the same utility, value and marketability; or (b) replace such Equipment with like Equipment that is at least of the same utility, value and marketability, with clear title to the replacement Equipment in Borrower and not subject to any security interest by any other party other than Lender; or (c) promptly pay to Lender an amount under the applicable Agreement equal to the Payoff Amount. As used herein, "**Payoff Amount**" means an amount, calculated by Lender as of the date of payment of the Payoff Amount, equal to the sum of (i) any accrued and unpaid Payments (including the Payment, if any due, on such date) or other amounts due under or with respect to any Agreement; plus (ii) all Payments due and payable after such date, discounted to present value using a discount rate used by Lender to calculate Payments; plus (iii) a prepayment premium of five percent (5%) of the principal amount prepaid. Lender may require that Borrower perform option (c) hereof whether all or only a portion of the Equipment subject to an Agreement experiences a Casualty Event. Any proceeds received by Lender or Borrower as the result of a Casualty Event with respect to any Item (including insurance proceeds and proceeds of condemnation or requisition) shall be applied at Lender's election, in whole or in part, to (a) repair or replace such Item or any part thereof, or (b) satisfy any of any of Borrower's Obligations. Borrower shall also pay any costs and expenses (including reasonable and documented Attorneys' Fees or the cost to engage an attorney even if no suit or claim is filed) incurred by Lender in connection with its exercise or protection of its rights and interests hereunder, including without limitation titling costs or other fees to effectively enforce Lender's interest in any item of Equipment. If no Event of Default has occurred and is continuing and no event or condition has occurred that with notice and/or passage of time could constitute an Event of Default, upon the payment of the Payoff Amount with respect to any Agreement, and the payment of any and all other amounts due and payable to Lender hereunder, Lender's security interest in such Items shall be automatically released; provided that Borrower's Obligations with respect to taxes, indemnities and reimbursements hereunder shall survive with respect to all periods prior to such payment.

10. **INSURANCE; TAXES.** Borrower shall, at Borrower's sole cost and expense, commencing with the delivery of any Equipment to Borrower and continuing during the Term of each Agreement until Borrower's Obligations are satisfied in full, procure and maintain such insurance coverage in such amounts (including deductibles), in such form and with responsible insurers, all as satisfactory to Lender (which may on reasonable notice require Borrower to change such form, amount or company), including: (a) comprehensive general liability insurance insuring against liability for property damage, death and bodily injury resulting from the transportation, ownership, possession, use, operation, performance, maintenance, storage, repair or any similar act related to the Equipment, with minimum limits of $1,000,000 per each occurrence (or such other amounts as set forth in such Schedule and notified by Lender), with Lender and Lender's successors and/or assigns named as additional insured; (b) all risk physical damage insurance against all risks of theft, loss or damage from every cause whatsoever in an amount not less than the greater of the full replacement cost of each item of Equipment or the Payoff Amount, with Lender and Lender's successors and/or assigns named as lender loss payee; and (c) if reasonably requested by Lender, other or additional coverage. Borrower shall waive Borrower's rights of subrogation, if any, and have Borrower's insurance carrier waive its right of subrogation, if any, against Lender for any and all loss or damage. All policies shall contain clauses requiring the insurer to furnish Lender with at least thirty (30) days prior written notice of any material change, cancellation, or nonrenewal of coverage and stating that coverage shall not be invalidated against Lender or Lender's assigns because of any violation of any condition or warranty contained in any policy or application therefor by Borrower or by reason of any action or inaction of Borrower. Borrower agrees to inform Lender immediately in writing of any notices from, or other communications with, any insurers that may in any way adversely affect the insurance policies being maintained pursuant to this Section or of any insurance claims. No insurance shall be subject to any co-insurance clause. Upon request by Lender, Borrower shall furnish Lender with a certificate of insurance, proper endorsements or other evidence satisfactory to Lender that such insurance coverage are in effect. If Borrower shall fail to carry any insurance required hereunder, Lender (without obligation and without waiving any default or Event of Default by Borrower hereunder) may do so at Lender's sole option and at Borrower's sole cost and expense. Borrower acknowledges that such insurance will benefit Lender only and may cost substantially more than insurance Borrower might procure. Borrower agrees that Lender is not a seller of insurance nor is Lender in the insurance business. Borrower agrees to deliver to Lender evidence of compliance with this Section satisfactory to Lender, including any requested copies of policies, certificates and endorsements, with premium receipts therefor, on or before the date of execution by Borrower of the applicable Schedule and thereafter within two (2) business days after Lender's request. Lender shall be

under no duty to ascertain the existence of or to examine any such policy or to advise Borrower in the event any such policy shall not comply with the requirements hereof.

Borrower will timely (and not later than their due date) make any filings required with respect to, and will pay and discharge when due, all Taxes, assessments, and governmental charges in excess of $50,000 in the aggregate, imposed upon it, its income, and its properties prior to the date on which penalties are attached thereto; provided that failure to file returns, other than U.S. federal and state income Tax returns, when required by applicable law shall not be a breach of this covenant provided that such failure shall not have a material adverse effect on Borrower's business, financial condition, or properties, or its ability to satisfy its obligations under this Master Agreement or any Agreement, or cause a lien to be placed on the Collateral. "**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto, including, without limitation, any real estate taxes.

11. **DEFAULTS.** An "**Event of Default**" shall be deemed to have occurred under any and all Agreements upon the occurrence of any of the following events or circumstances: (a) Borrower's failure to pay any Payment or other amount owed to Lender under any Agreement when due; (b) Borrower's failure to observe or perform any covenant, condition, representation, warranty or agreement to be observed or performed by Borrower, including without limitation, (1) Borrower's failure to maintain insurance in accordance with Section 10 hereof or (2) Borrower's breach of any of the terms of Section 8 which remains uncured for ten (10) days following written notice thereof to Borrower by the Lender; (c) any attempt by Borrower to repudiate any Agreement or its acceptance of any Equipment; (d) Borrower's default under any present or future note, security agreement, equipment lease, title retention, conditional sales agreement or any other agreement for money borrowed or the lease of real or personal property, in each case in an amount in excess of $250,000, beyond any period of grace provided with respect thereto whether with Lender, its Affiliates, or any third party if the effect of such default is to cause or permit the holder of such indebtedness to cause such indebtedness to become due prior to its stated maturity; (e) any certificate, statement, representation or warranty, financial or credit information heretofore given or hereafter made by Borrower to Lender shall prove to be incorrect in any material respect as of the date such statement, representation or warranty or other information is provided; (f) the condition of Borrower's finances or business shall change so as, in the reasonable opinion of Lender, to impair materially Lender's interest or increase materially Lender's credit risk and Lender shall reasonably and in good faith deem itself insecure or undersecured as to repayment of any of Borrower's Obligations; (g) either Borrower or any Guarantor shall (1) be legally dissolved, adjudicated insolvent or bankrupt or cease to pay its debts as they mature, make a general assignment for the benefit of, or enter into an arrangement with, creditors; (2) apply for or consent to the appointment of a receiver, trustee or liquidator of it or a substantial part of its property; (3) take action to dissolve or terminate its legal existence, or authorize or file a voluntary petition in bankruptcy or under any similar law, consent to such a petition; (4) suffer such a petition or proceeding to be instituted against it which remains un-dismissed for a period of sixty (60) days; or (5) merge, consolidate or sell substantially all of its assets; (h) if Borrower is an individual, whether or not operating as a sole proprietorship, Borrower dies, become disabled or be declared legally incompetent; (i) [reserved]; (j) any Guarantor shall (1) breach any covenant, condition or agreement of a guaranty executed by a Guarantor for Lender's benefit; (2) die or become legally incompetent (if an individual); or (3) suffer any condition or commits any act which, if suffered or committed by Borrower, would constitute an Event of Default under any Agreement; (k) [reserved], (l) if there shall occur an (i) appropriation, (ii) confiscation, (iii) retention, or (iv) seizure of control, custody or possession of any Equipment by any governmental authority including, without limitation, any municipal, state, federal or other governmental entity or any governmental agency or instrumentality (all such entities, agencies and instrumentalities shall hereinafter be collectively referred to as "**Governmental Authority**"); (m) if anyone in the control, custody or possession of any Equipment or Borrower is accused or alleged or charged (whether or not subsequently arraigned, indicted or convicted) by any Governmental Authority to have used any Equipment in connection with the commission or any crime (other than a misdemeanor moving violation); (n) except for the security interest, lien or reservation of title in favor of Lender or as otherwise granted herein, there shall be any lien, claim or encumbrance on any of the Collateral (other than (i) mechanics' liens arising the in ordinary course of business securing liabilities which are not delinquent and remain payable without penalty (ii) tax liens being contested in good faith by appropriate proceedings, for which appropriate reserves have been established in accordance with Generally Accepted Accounting Principles); (o) any Mined Cryptocurrency is deposited in a wallet address that is not (i) the Blocked Wallet, or (ii) any other wallet address approved in advance by Lender in its sole discretion (any such wallet address, an "**Alternate Wallet**"); (p) Borrower or any Person acting on Borrower's behalf attempts to direct any Mined Cryptocurrency from the Equipment to a wallet address that is not the Blocked Wallet or an Alternate Wallet or attempts to prevent Lender from having full unencumbered access to the Blocked Wallet or an Alternate Wallet; or (q) Borrower defaults under any guaranty, collateral agreement, or other support agreement relating to, or providing credit support for, this Master Agreement or the Other Agreements (as hereinafter defined). An Event of Default under any Agreement shall, at the option and discretion of Lender, constitute an Event of Default under any and all other Agreements and constitute a breach of and default under any agreement, instrument, guaranty, loan, lease, promissory note, letter of credit, guaranty or other obligation of any kind on the part of Borrower in favor of Lender or any of its Affiliates ("**Other Agreements**"). Notwithstanding anything in this Master Agreement to the contrary, the foregoing cross default provisions shall apply to the benefit of Lender and Lender's assignees only to the extent that Lender or such assignee is also the Lender or assignee of one or more Agreements or Other Agreements.

12. **REMEDIES.** If an Event of Default shall have occurred and be continuing, Lender may, at its option, with or without notice to Borrower, exercise any of the following remedies with respect to any or all Equipment, other Collateral and Agreements: (a) proceed at law or in equity to enforce specifically Borrower's performance or recover damages, including all rights available to Lender under the UCC as currently adopted in the State of Delaware and other applicable laws; (b) require Borrower to immediately assemble, make available and if requested by Lender deliver the Equipment (or, if so requested, any Items designated by Lender) and all Mined Currency in Borrower's possession to Lender at a time and place designated by Lender; (c) enter any premises where any Item may be located without judicial process and repossess, disable or take

possession of the Equipment and other Collateral (and/or any attached or unattached parts) by self-help, summary proceedings or otherwise without liability for rent, costs, damages or otherwise; (d) use Borrower's premises for storage without rent or liability; (e) sell, lease or otherwise dispose of the Equipment or such Items at private or public sale, in bulk or in parcels, whether the Equipment is present at such sale and with or without notice except to the extent required by applicable law, and if notice is required by law such requirements of reasonable notice shall be met if such notice is mailed to Borrower at its address set forth on the first page hereof or to the most current address designated by Borrower to Lender in writing at least ten (10) days before the time of the public sale or the time after which any other disposition is to be made; (f) disable or keep idle all or part of the Equipment or such Items and, at Lender's discretion, take possession of the Equipment and continue Borrower's Bitcoin mining operations; (g) enforce its security interest in all Collateral, including all Bitcoin or other digital currency or cryptocurrency mined using the Equipment and exercise all its rights under the UCC with respect thereto; (h) at Lender's sole discretion, remedy such Event of Default for the account of and at the expense of Borrower; (i) Lender may recover interest on any unpaid Payment or any amounts due hereunder from Borrower from the date it was due until fully paid at a rate equal to fifteen percent (15%) per annum or the maximum rate permitted by law, if lower; (j) exercise any other right or remedy at law, or in equity or bankruptcy, including specific performance or damages for the breach hereof, including reasonable Attorney's Fees and court costs; (k) declare this Master Agreement or any Agreement hereunder to be in default; or (l) declare all of Borrower's Obligations immediately due and payable and Borrower shall immediately pay to Lender as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the sum of (i) the Payoff Amount plus all other amounts then payable to Lender hereunder; plus (ii) all costs and expenses incurred by Lender in any repossession, recovery, storage, repair, sale, release, or other disposition of the Equipment or Lender's enforcement of Lender's rights hereunder, including Attorneys' Fees and costs; plus (iii) any other amounts Lender determines is necessary for Lender to realize the benefit of Lender's bargain. In the event Lender disposes of the Equipment pursuant to this Section, Lender shall apply the Net Proceeds (as hereinafter defined) to Borrower's Obligations in the order Lender determines. As used herein, the term "**Net Proceeds**" shall mean (i) the after-tax amount received by Lender in immediately-available funds not subject to recapture, rebate or divestiture from such purchaser; or (ii) in the case of a purchase of the Equipment which Lender finances or in the case of a disposition pursuant to a true lease (any such leases or finance agreements being referred to hereinafter as a "**Replacement Agreement**"), an amount equal to the sum of all non-cancellable periodic payments and any purchase election, purchase requirement or balloon payment set forth in the Replacement Agreement, discounted to present value at the implicit rate of interest of the Replacement Agreement as determined by Lender. With respect to any exercise by Lender of its right to dispose of the Equipment or any Items or other Collateral, Borrower acknowledges and agrees that Lender shall have no obligation, subject to any legal requirements of commercial reasonableness, to clean-up or otherwise prepare the Equipment or any Items or other Collateral for disposition; Lender may comply with any state or federal law requirements that Lender deems to be applicable or prudent to follow in connection with any such disposition; and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any such disposition. If Equipment delivered to or picked up by Lender contains goods or other property not constituting Equipment, Borrower agrees that Lender may take such other goods or property, provided that Lender makes reasonable efforts to make such goods or property available to Borrower after repossession upon Borrower's written request. If, after default, any Agreement is placed in the hands of an attorney, collection agent or other professional for collection of Payments or other amounts or enforcement of any other right or remedy of Lender, Borrower shall pay all Attorneys' Fees and associated costs and expenses. Forbearance as to any default or Event of Default shall not be deemed a waiver, all waivers to be enforceable only if specifically provided in writing by Lender, and waiver of any default or Event of Default shall not be a waiver of any other or subsequent default or Event of Default. To the fullest extent permitted by applicable law, Borrower waives any rights now or hereafter conferred by statute or otherwise that may require Lender to sell, lease or otherwise use any Equipment in mitigation of Lender's damages set forth in such Agreement or that may otherwise limit or modify any of Lender's rights or remedies. Borrower agrees that Borrower shall remain liable for all amounts due hereunder, including any deficiency remaining after any disposition of Equipment or other Collateral after an Event of Default. Each remedy shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lender at law or in equity. No express or implied waiver of any Event of Default shall constitute a waiver of any of Lender's other rights. A cancellation or termination hereunder shall occur only upon notice by Lender and only as to such Items as Lender specifically elects to cancel or terminate and any other Agreement shall continue in full force and effect as to the remaining Items or Collateral, if any. Any Payment received by Lender may be applied to any unpaid Obligations as Lender in Lender's sole discretion may determine. Lender may dispose of any Equipment and other Collateral at a public or private sale or at auction. Lender may buy at any sale and become the owner of the Equipment or other Collateral. Lender may sell the Equipment and other Collateral without giving any warranties as to the Equipment and other Collateral. Lender may disclaim any warranties of title, possession, quiet enjoyment, or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale or other disposition of the Equipment.

Without limiting any other remedy of Lender set forth in this Section 12 or in this Master Agreement, during the existence of an Event of Default the Lender may (but shall have no obligation to): (a) give notice of sole control or any other instruction under any Blocked Wallet Agreement with any Wallet Custodian and take any action therein with respect to such Collateral, including, without limitation, immediately blocking Borrower's access to the Blocked Wallet and disposing of the Digital Assets in such Blocked Wallet in the enforcement of Lender's rights under this Master Agreement; (b) direct any Mined Cryptocurrency from the Equipment to a wallet or address for Digital Assets that is not the Blocked Wallet; or (c) set off and apply any and all cash, money, deposit account balances or Digital Assets at any time held, in the possession of, or otherwise controlled by, Lender (including, without limitation, any Blocked Wallet), and other obligations at any time owing by Lender or any Affiliate to or for the credit or the account of Borrower, against any and all of the Obligations in any order that Lender determines in its sole discretion, irrespective of whether or not Lender shall have made any demand under this Master Agreement or any other document entered into in connection herewith and related to the Obligations and although such obligations of Borrower may be contingent or unmatured or are owed to an Affiliate of Lender different from Lender or any other Affiliate holding, controlling or possessing such cash, money or Digital Assets, or obligated on such debt.

13. **NOTICES.** Any notices and demands required or permitted hereunder shall be sent in writing to Lender or Borrower at the addresses set forth on the first page hereof or to any other address as may be specified by a party by a notice given as provided herein and shall be sent by certified mail (return receipt requested), by a nationally recognized express courier service (such as Federal Express), personally served or by email. Each such notice shall be deemed to be given when mailed upon deposit in any depository maintained by the United States Post Office, Canada Post Office (if Borrower is located in or carrying on business in any Province) when deposited with a nationally recognized courier service, if personally served or if by email, shall be deemed to have received by the party for which it is intended upon the sender's receipt of and acknowledgement from the intended recipient (such as by the "return receipt requested" function), as available, return email or other written acknowledgement.

14. **POWER OF ATTORNEY; FURTHER ASSURANCES.** Borrower shall promptly execute and deliver to Lender such further documents and take such further actions as Lender may require in order to more effectively carry out the intent and purpose of each Agreement. Borrower grants to Lender a power of attorney in Borrower's name, which is irrevocable and coupled with an interest, (a) to execute any such instruments, financing statements, documents, agreements and filings which Lender deems necessary to protect Lender's interest hereunder and in the Equipment and other Collateral and proceeds thereof, including all insurance documentation and all checks or other insurance proceeds; (b) to apply for a certificate of title for any item of Equipment or other Collateral that is required to be titled under the laws of any jurisdiction where the Equipment or other Collateral is or may be used and/or to transfer title thereto upon the exercise by Lender of its remedies upon an Event of Default by Borrower under the Agreement; and (c) so long as an Event of Default is existing, to sell, assign, transfer, pledge, compromise, discharge or otherwise dispose of (or permit any other Person to dispose of) any Collateral, including, without limitation, any and all Mined Cryptocurrency and any other Digital Asset, whether or not any such Digital Asset is maintained in a Blocked Wallet. Borrower acknowledges that Lender may incur out-of-pocket costs and expenses in connection with the transactions contemplated by the Agreement, and accordingly agrees to pay (or reimburse Lender for) the costs and expenses related to (i) filing any financing, continuation or termination statements, (ii) any title and lien searches with respect to the Agreement and the Equipment and other Collateral, (iii) documentary stamp taxes relating to any Agreement; (iv) titling and other costs to record Lender's interest in any item of Equipment or other Collateral; and (v) procuring certified charter or organizational documents and good standing certificates of Borrower and any Guarantor. If Borrower fails to perform or comply with any of its agreements, provide any indemnity or otherwise perform any obligation hereunder that may be performed by the payment of money, Lender may, in addition to and without waiver of any other right or remedy, perform or comply with such agreements in its own name or in Borrower's name as attorney-in-fact, and, upon demand, Borrower agrees to reimburse Lender immediately for the amount of any payments or expenses incurred by Lender in connection with such performance or compliance, together with interest thereon at the rate of one and one-half percent (1.5%) per month or the highest rate allowable under applicable law, whichever is lower.

15. **ASSIGNMENT.** BORROWER MAY NOT SELL, TRANSFER, ASSIGN, LEASE, RENT OR OTHERWISE TRANSFER POSSESSION OF OR ENCUMBER ANY EQUIPMENT OR OTHER COLLATERAL OR ITS RIGHTS OR OBLIGATIONS UNDER EACH AGREEMENT WITHOUT LENDER'S PRIOR WRITTEN CONSENT. Each Agreement and any or all of the rights of Lender thereunder shall be assignable and transferable by Lender, absolutely or as security, without notice to Borrower, subject to the rights of Borrower hereunder. Upon request to Borrower by Lender of any such assignment or transfer, Borrower shall promptly acknowledge in writing its obligations under such Agreements. The term Lender shall mean, as the case may be, any assignee of Lender. Any such assignment shall not relieve Lender of its obligations hereunder unless specifically assumed by the assignee. BORROWER AGREES IT SHALL PAY SUCH ASSIGNEE ALL PAYMENTS WITHOUT ANY DEFENSE, RIGHTS OF SETOFF OR COUNTERCLAIMS (WHICH SHALL NOT BE ASSERTED AGAINST AN ASSIGNEE) AND SHALL NOT HOLD OR ATTEMPT TO HOLD SUCH ASSIGNEE LIABLE FOR ANY OF LENDER'S OBLIGATIONS. NO AGREEMENT MAY BE TERMINATED, CANCELLED OR "PREPAID" EXCEPT AS EXPRESSLY STATED THEREIN. The advances made pursuant to this Master Agreement are intended to be maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Borrower shall maintain a register (the "**Register**") of the name and address of Lender, and any registered assigns, and the principal and interest amounts owing to Lender, and any registered assigns, from time to time pursuant to the terms of this Master Agreement and any Agreement. The entries in the Register shall be conclusive absent error, and Borrower and Lender shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a lender hereunder for all purposes of this Master Agreement. The Register shall be available for inspection by Lender, and any registered assign, at any reasonable time and from time to time upon reasonable prior notice.

16. **UNCONDITIONAL NON-CANCELLABLE AGREEMENT.** BORROWER'S OBLIGATION TO MAKE PAYMENTS, TO PAY OTHER SUMS WHEN DUE AND TO OTHERWISE PERFORM AS REQUIRED UNDER EACH AGREEMENT IS ABSOLUTE AND UNCONDITIONAL AND SHALL NOT BE SUBJECT TO ANY ABATEMENT, REDUCTION, SETOFF, DEFENSE, OR COUNTERCLAIM FOR ANY REASON WHICH BORROWER MAY HAVE AGAINST ANY PERSON FOR ANY REASON WHATSOEVER OR ANY MALFUNCTION, DEFECT OR INABILITY TO USE ANY ITEM OF EQUIPMENT.

17. **NON-WAIVER**. No forbearance, omission, delay, or failure at any time to require strict performance by Borrower of any provision of this Master Agreement by Lender shall be deemed to create a waiver or course of dealing. A waiver on one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver or consent shall be binding upon Lender unless it is in writing and signed by Lender.

18. **REPORTS & OTHER INFORMATION; INFORMATION TECHNOLOGY EQUIPMENT.** (a) Borrower will furnish (or cause to be furnished) to Lender as soon as the same become available, but in any event, unless otherwise specified in the applicable Schedule, (i) within one hundred and twenty (120) days after the close of each fiscal year, audited financial statements (unless otherwise stated in a Schedule) reflecting the consolidated operations of Stronghold Digital Mining, Inc., the

parent of Borrower ("**Stronghold Inc.**") and its subsidiaries during such fiscal year, including without limitation a consolidated balance sheet and a consolidated profit and loss statement; (ii) within forty-five days (45) after the last day of each March, June, September and December (collectively a "**Quarter-End**") other than Stronghold Inc.'s fiscal year-end, consolidated management-prepared financial statements of Stronghold Inc. and its subsidiaries including without limitation a balance sheet and profit and loss statement; and (iii) with respect to any Guarantor of Borrower's obligations, if such Guarantor is an individual, a personal financial statement on an annual basis and a copy of such Guarantor's personal tax returns when filed, but in no event later than forty-five (45) days from the deadline to file such personal tax returns, and if such Guarantor is a corporation, limited liability company or other legal entity, unless otherwise specified in the applicable Schedule, within one hundred and twenty (120) days after the close after each fiscal year of such Guarantor, audited financial statements reflecting the operations of such Guarantor during such fiscal year, including without limitation a balance sheet and profit and loss statement and within forty-five days (45) after the last day after each Quarter-End other than such Guarantor's fiscal year-end, management-prepared financial statements including without limitation a balance sheet and profit and loss statement; *provided that*, notwithstanding the foregoing, the financial statements required to be delivered pursuant to clauses (i) and (ii) above shall be deemed to have been delivered if such information, or one or more annual or quarterly reports containing such information, shall be available on the website of the Securities Exchange Commission at http://www.sec.gov and the Borrower shall have notified Lender of such availability. Borrower shall ensure that all such statements are in reasonable detail, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year or Quarter-End and accompanied by a certificate of Stronghold Inc.'s chief financial officer, or the chief financial of such Guarantor, respectively, which certificate shall state that such financial statements fairly present the consolidated financial condition and results of operations (subject to normal year end adjustments). Borrower agrees to also deliver or cause to be delivered such other information as Lender may reasonably request from time to time, including without limitation other financial statements and information pertaining to Stronghold, Inc,, Borrower, or any Guarantor. Borrower further agrees to provide, as soon as each is available, but in each case no later than the thirtieth (30th) day of each month during the Term, each of the following reports, in a form reasonably acceptable to Lender: [***] (C) invoices, account statements or similar documents from the power provider or hosting facility, as the case may be; (D) consolidated monthly accounts receivable aging reports and monthly accounts payable aging reports of Stronghold Inc. and its subsidiaries; (E) interim management-prepared consolidated financial statements of Stronghold Inc. and its subsidiaries for the preceding month; and (F) a copy of the monthly bank statement of Borrower's and such Guarantor's primary bank. [***]

(b) (i) If, as to any Agreement, a Supplier shall, with Lender's written acknowledgement (which may be contained in any term sheet or proposal not withdrawn prior to the Commencement Date of such Agreement) retain title to software and certain other components of the Equipment (the "**Software**"), such Supplier shall license such Software to Borrower under a license or other contract (a "**License**"). Borrower represents and warrants that it has read and is in possession of a copy of each License and has supplied a true and correct copy of such License to Lender. Borrower hereby grants a first priority security interest in and collaterally assigns each License to Lender as security under this Master Agreement, Borrower agrees to comply with the terms of each License and Borrower shall indemnify and hold Lender harmless from any obligations under or Actions or losses in any way arising from any License or Software in accordance with Section 5 of this Master Agreement. If the terms of a License prohibits the granting of a security interest or assignment of the License, Borrower will use commercially reasonable efforts to obtain the written consent of the licensor therefor. Except as expressly provided in this section, all terms and conditions of the Agreements shall be and remain in full force and effect with respect to any Software and shall not be altered by the fact that Borrower will be licensee under any License. Borrower shall not be permitted to assign its interest under any License or the use of the Software without both Lender's and Supplier's prior written consent, either of which may be declined for any reason. In the event Lender grants Borrower a purchase option with respect to the Equipment, Borrower understands that the exercise of such option shall operate only to assign and transfer Lender's interest in any License to Borrower without representation or warranty. In the event Lender obtains possession of any Software following the expiration or termination for any reason of the Term, Borrower shall be deemed to, and hereby does, assign its rights under the applicable License (but none of its obligations) to Lender and grants to Lender a power of attorney, coupled with an interest, to assign such License to any purchaser, Borrower or other user of the Software. At Lender's request, Borrower will obtain, for Lender's benefit, Supplier's consent to such assignment and power of attorney, together with Supplier's agreement to cooperate reasonably with any such further assignment by Lender.

(ii) Any reconfiguration of the Equipment (a "**Reconfiguration**") shall constitute an improvement provided that Borrower notifies Lender in advance of such action in writing and provided further that such Reconfiguration, in Lender's sole judgment, complies with the requirements of the Agreement with respect to improvements. Neither improvements nor parts installed on Equipment in the course of Reconfiguration shall be accessions to the Equipment.

(iii) In the event that the Equipment is repossessed, foreclosed upon or otherwise delivered to or possessed by Lender, Borrower shall, at its own expense, remove all confidential information and any Software or program designated by Lender, provided however that Borrower may not remove or disable any operating system or other software if such software is essential to the operation and value of the Equipment or if such removal or disabling adversely affects the operating system or other software acquired with the Equipment.

19. **MISCELLANEOUS.** TIME IS OF THE ESSENCE OF EACH AGREEMENT. If Lender shall enter into a purchase agreement, purchase order or other arrangement with a Supplier of any of the Equipment, Lender shall be deemed to assign the right to purchase such Equipment to Borrower on the Acceptance Date for such Equipment (which, in the case of multiple deliveries, shall mean the actual Acceptance Date of the specific items of Equipment accepted by Borrower). Prior to such Acceptance Date, Lender will retain the right to purchase any or all Equipment in the event Borrower shall refuse to accept such Equipment by the Anticipated Acceptance Date, Borrower shall attempt to cancel or terminate the Agreement for

such Equipment, or if an Event of Default shall occur and be continuing. The amount financed by Lender may or may not reflect any discount or other arrangement between Lender and such Supplier. Nothing herein shall imply that Lender sells or provides any Equipment to Borrower or is otherwise in the stream of commerce for any Equipment. Borrower acknowledges that the Commencement Date may not be the actual date Lender advances funds to or for the account of Borrower. Each Agreement shall only be valid when accepted in writing by Lender at Lender's home office and each Agreement may only be modified in a writing signed by Lender and Borrower. Whether or not expressly stated herein, Borrower's obligations with respect to indemnification, taxes, reimbursements for expenses and other obligations arising during the term of each Agreement shall survive the expiration or termination of such Agreement, and any notification of payoff amount, acceptance of designated final payment or other arrangement between the parties shall not release Borrower from such obligations unless specifically so stated in writing. Borrower authorizes Lender to file financing statements, and amendments thereto, along with any other information applicable under the UCC describing the Collateral in the manner and jurisdiction or filing office in which Lender determines best protects Lender's interest. Payments under any Schedule shall be reduced so that any interest portion is the lower of the rate specified herein or the highest rate permitted by applicable law. Nothing herein shall imply, and Borrower shall not assert, that Lender is a "merchant" with respect to the Equipment. Whenever terms such as "include" or "including" are used in any Agreement, they mean "include" or "including", as the case may be, without limiting the generality of any description or word preceding such term, whether or not so stated. Whenever terms such as "satisfactory to Lender" are used or Lender is granted the contractual right to choose between alternatives or express its opinion, the satisfaction, choices and opinions are to be made in Lender's sole discretion. Each Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns (subject nevertheless to restrictions provided in Section 15). The terms "herein" or "hereunder" or like terms shall refer to an Agreement as a whole and not to a particular Section. The captions or headings herein are made for convenience and general reference only. All singular terms shall include the plural forms thereof, and vice versa. All references to a gender shall be deemed to refer to all other genders as well as the neuter form, as applicable. All references to Sections hereunder shall be deemed to refer to Sections of an Agreement, unless otherwise expressly provided. All references to an "item" or "items" of Equipment (whether or not capitalized) or the "Equipment" shall include each and all portions of the Equipment, no limitation being intended by the choice of terms. As each Agreement has been drafted by Lender's counsel as a convenience to the parties and Borrower has had the opportunity to review it with counsel of Borrower's choice, no Agreement shall be construed against any party by reason of draftsmanship. Any provision of any Agreement which is unenforceable shall not affect the enforceability of the remaining provisions hereof. In the event that any of the terms and provisions of any Agreement are in violation of or prohibited by any applicable law, such terms and provision shall be deemed amended to conform to such law, statute or ordinance without affecting any other terms and provisions of any Agreement. BORROWER AGREES THAT THE MASTER AGREEMENT AND ALL SCHEDULES, ACCEPTANCE CERTIFICATES AND OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THE AGREEMENT BETWEEN BORROWER AND LENDER AND THEY SUPERSEDE ALL PRIOR PROPOSALS, AGREEMENTS AND COMMUNICATIONS, WHETHER ORAL OR WRITTEN, BETWEEN BORROWER AND LENDER REGARDING THE SUBJECT MATTER HEREOF.

20. **COUNTERPARTS; CHATTEL PAPER**. This Master Agreement, each Agreement and all documents executed in connection herewith may be executed and delivered in counterparts all of which shall constitute one and the same agreement. The exchange of signed copies by facsimile or electronic transmission (including PDF files) shall constitute effective execution and delivery and may be used in lieu of manually signed documents. Signatures of the parties transmitted by facsimile or electronic transmission qualify as authentic original signatures for purposes of enforcement thereof, including all matters of evidence and the "best evidence" rule. For purposes of perfection of a security interest in chattel paper under the UCC, only the counterpart of each Agreement that bears Lender's manually applied signature and is marked "**Sole Original**" by Lender shall constitute the sole original counterpart of the original chattel paper for purposes of possession. No security interest in an Agreement can be perfected by possession of any other counterpart, each of which shall be deemed a duplicate original or copy for such purposes. Notwithstanding the foregoing, as to any Agreement constituting electronic chattel paper, the authoritative copy of such Agreement will be the electronic copy in Lender's or its assignee's electronic vault, and perfection of a security interest in such Agreement may only be perfected by control of such authoritative copy.

21. **SPECIFIED BLOCKED WALLET AND DIGITAL ASSET COVENANTS**.

(a) Borrower shall (both before and after an Event of Default, subject only to Lender's right to designate an alternative account or wallet for Mined Cryptocurrency) immediately deposit all Mined Cryptocurrency into a wallet or account in the name of Borrower maintained with NYDIG Trust Company LLC (the "**Wallet Custodian**") and governed by the terms of a certain tri-party account control agreement dated on or about the date hereof, among Borrower, Lender and Wallet Custodian (such control agreement, the "**Blocked Wallet Agreement**"), or such other wallet or account for Mined Cryptocurrency as may be agreed to by Lender and Borrower in writing from time to time, which stores and houses all of the Mined Cryptocurrency or other Digital Assets that constitute a portion of the Collateral (the "**Blocked Wallet Account**");

(b) Unless an Event of Default is existing and continuing, Borrower may sell, trade and otherwise dispose of any Mined Cryptocurrency from the Equipment in the ordinary course.

(c) If an Event of Default is existing and continuing, all rights and licenses of Borrower pursuant to Subsection 21(b) will immediately cease, without any requirement for any notice from Lender, and Borrower may not dispose of any Mined Cryptocurrency without Lender's written consent, which consent may be withheld in Lender's sole and absolute discretion.

(d) If any Mined Cryptocurrency from the Equipment is not deposited into the Blocked Wallet for any reason, Borrower shall segregate and hold in trust on behalf of Lender such Mined Cryptocurrency and shall deliver it to Lender as soon as possible.

(e) All Digital Assets and Mined Cryptocurrency, shall at all times be kept stored in the Blocked Wallet, or in such other accounts or wallets as Lender may consent to from time to time, which consent may be withheld in Lender's sole and absolute discretion.

(f) Borrower acknowledges and agrees that, if Lender notifies Borrower (which notice may be made via e-mail, telephone or other means of communication), that Lender has, via API, Watcher Link, mining pool reporting or any other means, become aware of, or Borrower otherwise has actual notice of, any event that has materially disrupted or prevented the continuous mining of Digital Assets to the Blocked Wallet from the Equipment, including, without limitation, any material loss of electricity, loss of internet connection, software issues, or viruses, Borrower shall, within twenty-four (24) hours of receipt of such notice, deliver to Lender in writing reasonable detail of such event and Borrower's proposed course of action to recommence the normal mining of Digital Assets.

(g) With respect to the administration of the Blocked Wallet, Borrower authorizes Lender to direct Wallet Custodian to designate whitelisted addresses and create transaction rules for the Blocked Wallet in accordance with the terms of the Blocked Wallet Agreement. Such terms shall include the whitelisting of two addresses for withdrawals made from the Blocked Wallet: (A) an address to be designated by Lender; and (B) an address to be designated by Borrower. Without in any way limiting Lender's ability to direct Wallet Custodian to create additional transaction rules for the Blocked Wallet in Lender's sole and unfettered discretion, Lender shall initially direct Wallet Custodian to create the following transaction rules in respect of the Blocked Wallet: (X) a transaction rule allowing Borrower to make withdrawals from the Blocked Wallet; and (Y) a transaction rule allowing Lender to make withdrawals from the Blocked Wallet.

22. **GOVERNING LAW; JURISDICTION, JURY TRIAL WAIVER.** Each Agreement, this Master Agreement and all documents executed in connection therewith shall in all respects be governed by and construed in accordance with the laws of the State of New York including all matters of construction, validity and performance. Borrower acknowledges that each Agreement was entered into in the State of New York and that the parties have agreed to the terms of each Agreement with the understanding that any action or proceeding regarding this Master Agreement, any Agreement, the Equipment and other Collateral or any cause of action whatsoever arising from or related to this Master Agreement shall be maintained in the state or federal courts located in the State and County of New York, and Borrower submits to jurisdiction and venue, waiving any claim of improper jurisdiction or venue or forum non-conveniens, agreeing to accept service at Borrower's place of business in any such action. Nothing in this section shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding in the courts of any other jurisdiction. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY TO EVERY AGREEMENT WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING HEREUNDER OR IN ANY WAY CONNECTED WITH ANY AGREEMENT, THE EQUIPMENT OR THIS MASTER AGREEMENT.

[remainder of page left blank]

IN WITNESS WHEREOF, the parties have caused this Master Agreement to be executed by their duly authorized representatives as of the date first above written.

LENDER: **NYDIG ABL LLC**	BORROWER: **STRONGHOLD DIGITAL MINING BT, LLC**
Signature: /s/ Tejas Shah Name (print): Tejas Shah Title: Head of Trading	Signature: /s/ Tom Tyree III Name (print): Tom Tyree III Title: Authorized Person

INDEX OF DEFINITIONS

SCHEDULE NO. 1 DATED DECEMBER 15, 2021 TO
MASTER EQUIPMENT FINANCE AGREEMENT DATED AS OF DECEMBER 15, 2021 BETWEEN
NYDIG ABL LLC ("Lender"), AND
STRONGHOLD DIGITAL MINING BT, LLC ("Borrower")

With an address of 2151 Lisbon Road, Kennerdell, PA 16374

This Schedule is a Schedule to the Master Equipment Finance Agreement identified above (the "**Master Agreement**"). All capitalized terms not herein defined shall have the meaning set forth in said Master Agreement and all terms and conditions of the Master Agreement are incorporated herein and shall remain in full force and effect except to the extent modified by this Schedule. Such modifications apply only to the Agreement created hereby and the Equipment financed hereunder. This Schedule and the Master Agreement as incorporated into this Schedule constitute a separate and distinct "Agreement" under the Master Agreement. If any provision in this Schedule conflicts with a provision in the Master Agreement, the provision in this Schedule shall control. Borrower hereby reaffirms on and as of the date hereof all terms, covenants representations and warranties contained in the Master Agreement, including, without limitation, its grant of a security interest in the Equipment and other Collateral.

SUMMARY OF PAYMENT TERMS:	
Commencement Date: **December 15, 2021**	Total Advance (Amount Financed): **$17,984,000.00**
First Interest-Only Payment Date: **January 25, 2022**	Interest-Only Period: See Exhibit A attached hereto
First Payment Date of principal and interest: **May 25, 2022**	Total Number of Monthly Interest-Only Payments and Payments of principal and interest: **24 months**
Amount of each Interest-Only Payment of: **See Exhibit A attached hereto**	Payment Period: **Monthly in arrears**
Amount of each Payment of principal and interest: **See Exhibit A attached hereto**	Interest Rate: **9.85% per annum**
Down Payment: N/A	Doc Fee: N/A
Equipment Location: 2151 Lisbon Road, Kennerdell, PA 16374	
Additional Payments to Lender (if any): **Closing Fee: $449,600.00**	
Anticipated Acceptance Date (if applicable):	

1. Grant of Security. Borrower hereby grants to Lender a first priority security interest in the Collateral and all property in Section 3 below.

2. Promise to Pay: FOR VALUE RECEIVED, Borrower promises to pay to Lender at such address as may be designated from time to time by Lender, the sum of the Total Advance set forth above, together with interest thereon at the rate set forth above, payable as follows: (a) consecutive monthly payments of interest only (the "**Interest-Only Payments**"), each in the Amount of each Interest-Only Payment (as set forth above), commencing on the First Interest-Only Payment Date (as set forth above) and continuing on the same day of each month thereafter through the end of the Interest-Only Period (as set forth above), followed by (b) consecutive monthly Payments which consist of principal and interest due hereunder, each in the amount of each Payment of principal and interest (as set forth above), commencing on the First Payment Date (as set forth above) following the expiration of the Interest-Only Period, and continuing on the same day of each month thereafter through the end of the Term; provided, however, that the final installment will be in the amount of the then remaining unpaid Total Advance plus all fees, costs, expenses and other amounts then due hereunder. Borrower's Obligations hereunder shall bear interest at the Interest Rate from the date Lender advances any portion of the Total Advance. On the First Interest-Only Payment Date, Borrower also agrees to pay Lender accrued interim interest for the number of days elapsed from the date Lender advances any portion of the Total Advance to the First Interest-Only Payment Date. On the Commencement Date, Borrower agrees to pay Lender the Closing Fee (as set forth above), which shall be deducted by Lender from the proceeds of the Total Advance. All interest payable hereunder shall assume a 360 day year / 30 day month.

3. Equipment Description: See Exhibit B attached hereto.

4. Equipment Location: The address of the Equipment Location is a bona fide business address.

5. Waiver; Miscellaneous. Borrower hereby waives presentment, notice of dishonor, and protest. Borrower agrees that the Commencement Date and the first payment due date may be left blank when this Schedule is executed and hereby authorizes Lender to insert such dates based upon the date the Equipment Finance proceeds are disbursed. BY EXECUTION HEREOF, BORROWER ACKNOWLEDGES THAT BORROWER AGREES THAT THIS SCHEDULE AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THE AGREEMENT BETWEEN BORROWER AND LENDER AND THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS AND COMMUNICATIONS, WHETHER ORAL OR WRITTEN, BETWEEN BORROWER AND LENDER REGARDING THE SUBJECT MATTER HEREOF.

6. **Delivery of Equipment:** The Equipment is to be delivered on or before May 31, 2022 (the "**Final Delivery Date**") in accordance with the Purchase Agreement (and in no event at Lender's expense) at the location specified in this Agreement. Borrower represents and warrants that Borrower has paid Seventy-Five percent (75%) of the purchase price of the Equipment to the Supplier, and Borrower agrees that Borrower shall (i) pay the balance of such purchase price to the Supplier when due in

accordance with the Purchase Agreement and take no action to cancel, terminate or default under, or enter into any amendment or modification to the Purchase Agreement which could reasonably be expected to adversely affect Lender, (ii) promptly notify Lender by email or otherwise in writing of such payment, furnishing evidence satisfactory to Lender on Lender's request, and (iii) promptly notify Lender when Borrower is given a date for delivery of each item of Equipment. Borrower's obligation to make Payments under this Agreement shall commence upon execution of this Agreement, whether or not any of the Equipment has been delivered. Notwithstanding any provision of Section 2 of the Master Agreement to the contrary, the Equipment shall be deemed to be accepted on, and the Acceptance Date shall be deemed to be, the date of execution of this Schedule. Borrower assumes the risk of delivery of Equipment. Borrower is not entitled to any refund or rebate of Payments made to Lender for any reason, including failure of Supplier to deliver Equipment by the Final Delivery Date. If, for any reason whatsoever, any of the Equipment (the "**Undelivered Equipment**") has not been delivered as provided in this Agreement on or before the Final Delivery Date, Borrower shall, upon demand by Lender, repay to Lender that portion of the Amount Financed with respect to such Undelivered Equipment together with all accrued and unpaid interest and fees, less the principal portion of any amounts previously paid to Lender with respect to advances made relating to the Undelivered Equipment, as calculated by Lender. Borrower's failure to comply with the foregoing shall be an Event of Default under this Agreement.

7. **OID LEGEND:** THE TOTAL ADVANCES MADE PURSUANT TO THIS AGREEMENT ARE ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY FOR SUCH ADVANCES MAY BE OBTAINED BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO BORROWER C/O RICARDO LARROUDE. If the Total Advance under this Schedule and any future advances (including under any other Schedule to the Master Agreement) are treated as the same issue for U.S. federal income tax purposes, the issue price of any such advances will be aggregated to determine the issue price for such issue. Each of Borrower and Lender agrees to file any U.S. federal income and applicable state or local income tax returns in accordance with the tax treatment described in this Section 7.

8. **Requests to Borrow:** Borrower acknowledges and agrees that it will, on or prior to December 31, 2021, request to borrow advances from Lender pursuant to this Schedule in the amount available under the applicable Pay Proceeds Letter from Borrower to Lender. Borrower's failure to timely request such advance or to satisfy all conditions to such advance contained in this Schedule or the Master Agreement shall be an immediate Event of Default. For the avoidance of doubt, in the event that Event of Default shall have occurred under this Section 7, in addition to Lender's other remedies under the Master Agreement, Lender shall have no further obligation whatsoever to make any further advances under any Schedule or the Master Agreement, and any such further advances shall be made in Lender's sole and absolute discretion.

8. Correction of Schedule: After Borrower signs this Schedule, Borrower authorizes Lender to insert any additional or missing information or change any inaccurate information in this Schedule, including Exhibits A and B hereof, which information may include, but is not limited to, Equipment description, payment amounts, and payment dates.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

LENDER: **NYDIG ABL LLC**	BORROWER: **STRONGHOLD DIGITAL MINING BT, LLC**
Signature: /s/ Tejas Shah Name (print): Tejas Shah Title: Head of Trading	Signature: /s/ Tom Tyree III Name (print): Tom Tyree III Title: Authorized Person

EXHIBIT A

Payment Date	Interest	Principal	Total Payment Due
1/25/2022	$ 118,094.93	$ -	$ 118,094.93
2/25/2022	$ 88,571.16	$ -	$ 88,571.16
3/25/2022	$ 88,571.16	$ -	$ 88,571.16
4/25/2022	$ 118,094.89	$ -	$ 118,094.89
5/25/2022	$ 147,618.61	$ 831,086.50	$ 978,705.11
6/25/2022	$ 140,796.77	$ 837,908.34	$ 978,705.11
7/25/2022	$ 133,918.95	$ 844,786.16	$ 978,705.11
8/25/2022	$ 126,984.66	$ 851,720.45	$ 978,705.11
9/25/2022	$ 119,993.46	$ 858,711.65	$ 978,705.11
10/25/2022	$ 112,944.87	$ 865,760.24	$ 978,705.11
11/25/2022	$ 105,838.43	$ 872,866.68	$ 978,705.11
12/25/2022	$ 98,673.65	$ 880,031.46	$ 978,705.11
1/25/2023	$ 91,450.06	$ 887,255.05	$ 978,705.11
2/25/2023	$ 84,167.18	$ 894,537.93	$ 978,705.11
3/25/2023	$ 76,824.51	$ 901,880.60	$ 978,705.11
4/25/2023	$ 69,421.58	$ 909,283.53	$ 978,705.11
5/25/2023	$ 61,957.88	$ 916,747.23	$ 978,705.11
6/25/2023	$ 54,432.92	$ 924,272.19	$ 978,705.11
7/25/2023	$ 46,846.19	$ 931,858.92	$ 978,705.11
8/25/2023	$ 39,197.18	$ 939,507.93	$ 978,705.11
9/25/2023	$ 31,485.39	$ 947,219.72	$ 978,705.11
10/25/2023	$ 23,710.30	$ 954,994.81	$ 978,705.11
11/25/2023	$ 15,871.39	$ 962,833.72	$ 978,705.11
12/25/2023	$ 7,968.22	$ 970,736.89	$ 978,705.11

EXHIBIT B

Equipment Description

Four Thousand (4,000) Antminer S19j Pro Mining Servers, with nameplate efficiencies of 100W/Th or better.

SCHEDULE NO. 2 DATED DECEMBER 15, 2021 TO
MASTER EQUIPMENT FINANCE AGREEMENT DATED AS OF DECEMBER 15, 2021 BETWEEN
NYDIG ABL LLC ("Lender"), AND
STRONGHOLD DIGITAL MINING BT, LLC ("Borrower")

With an address of 2151 Lisbon Road, Kennerdell, PA 16374

This Schedule is a Schedule to the Master Equipment Finance Agreement identified above (the "**Master Agreement**"). All capitalized terms not herein defined shall have the meaning set forth in said Master Agreement and all terms and conditions of the Master Agreement are incorporated herein and shall remain in full force and effect except to the extent modified by this Schedule. Such modifications apply only to the Agreement created hereby and the Equipment financed hereunder. This Schedule and the Master Agreement as incorporated into this Schedule constitute a separate and distinct "Agreement" under the Master Agreement. If any provision in this Schedule conflicts with a provision in the Master Agreement, the provision in this Schedule shall control. Borrower hereby reaffirms on and as of the date hereof all terms, covenants representations and warranties contained in the Master Agreement, including, without limitation, its grant of a security interest in the Equipment and other Collateral.

SUMMARY OF PAYMENT TERMS:	
Commencement Date: **December 15, 2021**	Total Advance (Amount Financed): **$17,984,000.00**
First Interest-Only Payment Date: **January 25, 2022**	Interest-Only Period: See Exhibit A attached hereto
First Payment Date of principal and interest: **July 25, 2022,** or, in the event of a Delayed Draw in accordance with Section 7 of this Schedule, such later date as may be notified in writing by Lender to Borrower.	Total Number of Monthly Interest-Only Payments and Payments of principal and interest: **24 months**
Amount of each Interest-Only Payment of: **See Exhibit A attached hereto**	Payment Period: **Monthly in arrears**
Amount of each Payment of principal and interest: **See Exhibit A attached hereto**	Interest Rate: **9.85% per annum**
Down Payment: N/A	Doc Fee: N/A
Equipment Location: 2151 Lisbon Road, Kennerdell, PA 16374	
Additional Payments to Lender (if any): **Closing Fee: $449,600.00**	
Anticipated Acceptance Date (if applicable):	

1. Grant of Security. Borrower hereby grants to Lender a first priority security interest in the Collateral and all property in Section 3 below.

2. Promise to Pay: FOR VALUE RECEIVED, Borrower promises to pay to Lender at such address as may be designated from time to time by Lender, the sum of the Total Advance set forth above, together with interest thereon at the rate set forth above, payable as follows: (a) consecutive monthly payments of interest only (the "**Interest-Only Payments**"), each in the Amount of each Interest-Only Payment (as set forth above), commencing on the First Interest-Only Payment Date (as set forth above) and continuing on the same day of each month thereafter through the end of the Interest-Only Period (as set forth above), followed by (b) consecutive monthly Payments which consist of principal and interest due hereunder, each in the amount of each Payment of principal and interest (as set forth above), commencing on the First Payment Date (as set forth above) following the expiration of the Interest-Only Period, and continuing on the same day of each month thereafter through the end of the Term; provided, however, that the final installment will be in the amount of the then remaining unpaid Total Advance plus all fees, costs, expenses and other amounts then due hereunder. Borrower's Obligations hereunder shall bear interest at the Interest Rate from the date Lender advances any portion of the Total Advance. On the First Interest-Only Payment Date, Borrower also agrees to pay Lender accrued interim interest for the number of days elapsed from the date Lender advances any portion of the Total Advance to the First Interest-Only Payment Date. On the Commencement Date, Borrower agrees to pay Lender the Closing Fee (as set forth above), which shall be deducted by Lender from the proceeds of the Total Advance. All interest payable hereunder shall assume a 360 day year / 30 day month.

3. Equipment Description: See Exhibit B attached hereto.

4. Equipment Location: The address of the Equipment Location is a bona fide business address.

5. Waiver; Miscellaneous. Borrower hereby waives presentment, notice of dishonor, and protest. Borrower agrees that the Commencement Date and the first payment due date may be left blank when this Schedule is executed and hereby authorizes Lender to insert such dates based upon the date the Equipment Finance proceeds are disbursed. BY EXECUTION HEREOF, BORROWER ACKNOWLEDGES THAT BORROWER AGREES THAT THIS SCHEDULE AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THE AGREEMENT BETWEEN BORROWER AND LENDER AND THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS AND COMMUNICATIONS, WHETHER ORAL OR WRITTEN, BETWEEN BORROWER AND LENDER REGARDING THE SUBJECT MATTER HEREOF.

6. **Delivery of Equipment:** The Equipment is to be delivered on or before July 31, 2022 (the "**Final Delivery Date**") in accordance with the Purchase Agreement (and in no event at Lender's expense) at the location specified in this Agreement.

Borrower represents and warrants that Borrower has paid Seventy-Five percent (75%) of the purchase price of the Equipment to the Supplier, and Borrower agrees that Borrower shall (i) pay the balance of such purchase price to the Supplier when due in accordance with the Purchase Agreement and take no action to cancel, terminate or default under, or enter into any amendment or modification to the Purchase Agreement which could reasonably be expected to adversely affect Lender, (ii) promptly notify Lender by email or otherwise in writing of such payment, furnishing evidence satisfactory to Lender on Lender's request, and (iii) promptly notify Lender when Borrower is given a date for delivery of each item of Equipment. Borrower's obligation to make Payments under this Agreement shall commence upon execution of this Agreement, whether or not any of the Equipment has been delivered. Notwithstanding any provision of Section 2 of the Master Agreement to the contrary, the Equipment shall be deemed to be accepted on, and the Acceptance Date shall be deemed to be, the date of execution of this Schedule. Borrower assumes the risk of delivery of Equipment. Borrower is not entitled to any refund or rebate of Payments made to Lender for any reason, including failure of Supplier to deliver Equipment by the Final Delivery Date. If, for any reason whatsoever, any of the Equipment (the "**Undelivered Equipment**") has not been delivered as provided in this Agreement on or before the Final Delivery Date, Borrower shall, upon demand by Lender, repay to Lender that portion of the Amount Financed with respect to such Undelivered Equipment together with all accrued and unpaid interest and fees, less the principal portion of any amounts previously paid to Lender with respect to advances made relating to the Undelivered Equipment, as calculated by Lender. Borrower's failure to comply with the foregoing shall be an Event of Default under this Agreement.

7. **OID LEGEND:** THE TOTAL ADVANCES MADE PURSUANT TO THIS AGREEMENT ARE ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY FOR SUCH ADVANCES MAY BE OBTAINED BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO BORROWER C/O RICARDO LARROUDE. If the Total Advance under this Schedule and any future advances (including under any other Schedule to the Master Agreement) are treated as the same issue for U.S. federal income tax purposes, the issue price of any such advances will be aggregated to determine the issue price for such issue. Each of Borrower and Lender agrees to file any U.S. federal income and applicable state or local income tax returns in accordance with the tax treatment described in this Section 7.

8. **Requests to Borrow:** Borrower and Lender acknowledge and agree that (i) Borrower may request advances from Lender pursuant to this Schedule 2 and the applicable Pay Proceeds Letter from Borrower to Lender no later than May 15, 2022; and (ii) if, as of December 31, 2021, Borrower has failed to request to borrow advances from Lender pursuant to this Schedule 2, or to satisfy all conditions to such advance contained in this Schedule 2 or the Master Agreement, in the amount available under the applicable Pay Proceeds Letter (the "**Schedule 2 Advance Amount**"), Borrower shall pay to Lender, on January 15, 2022, a fee equal to the product of (A) the difference of (y) the Schedule 2 Advance Amount, minus (z) the aggregate amount of advances made and/or requested pursuant to this Schedule 2, times (B) 1.25% (the "**Schedule 2 Standby Fee**"). The Schedule 2 Standby Fee shall be fully earned and non-refundable. Any advance requested and made after December 31, 2021, shall be a "**Delayed Draw**", and the repayment terms with respect thereto set forth in Exhibit A may be modified by Lender in accordance with Section 8, to give effect to such Delayed Draw.

8. Correction of Schedule: After Borrower signs this Schedule, Borrower authorizes Lender to insert any additional or missing information or change any inaccurate information in this Schedule, including Exhibits A and B hereof, which information may include, but is not limited to, Equipment description, payment amounts, and payment dates.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

LENDER: **NYDIG ABL LLC**	BORROWER: **STRONGHOLD DIGITAL MINING BT, LLC**
Signature: /s/ Tejas Shah Name (print): Tejas Shah Title: Head of Trading	Signature: /s/ Tom Tyree III Name (print): Tom Tyree III Title: Authorized Person

EXHIBIT A

Payment Date*	Interest	Principal	Total Payment Due
1/25/2022	$ 118,094.93	$ -	$ 118,094.93
2/25/2022	$ 88,571.16	$ -	$ 88,571.16
3/25/2022	$ 88,571.16	$ -	$ 88,571.16
4/25/2022	$ 88,571.16	$ -	$ 88,571.16
5/25/2022	$ 88,571.16	$ -	$ 88,571.16
6/25/2022	$ 119,275.83	$ -	$ 119,275.83
7/25/2022	$ 147,618.61	$ 931,206.22	$ 1,078,824.83
8/25/2022	$ 139,974.96	$ 938,849.87	$ 1,078,824.83
9/25/2022	$ 132,268.57	$ 946,556.26	$ 1,078,824.83
10/25/2022	$ 124,498.92	$ 954,325.91	$ 1,078,824.83
11/25/2022	$ 116,665.50	$ 962,159.33	$ 1,078,824.83
12/25/2022	$ 108,767.78	$ 970,057.05	$ 1,078,824.83
1/25/2023	$ 100,805.23	$ 978,019.60	$ 1,078,824.83
2/25/2023	$ 92,777.32	$ 986,047.51	$ 1,078,824.83
3/25/2023	$ 84,683.52	$ 994,141.31	$ 1,078,824.83
4/25/2023	$ 76,523.28	$ 1,002,301.55	$ 1,078,824.83
5/25/2023	$ 68,296.06	$ 1,010,528.77	$ 1,078,824.83
6/25/2023	$ 60,001.30	$ 1,018,823.53	$ 1,078,824.83
7/25/2023	$ 51,638.47	$ 1,027,186.36	$ 1,078,824.83
8/25/2023	$ 43,206.98	$ 1,035,617.85	$ 1,078,824.83
9/25/2023	$ 34,706.29	$ 1,044,118.54	$ 1,078,824.83
10/25/2023	$ 26,135.82	$ 1,052,689.01	$ 1,078,824.83
11/25/2023	$ 17,495.00	$ 1,061,329.83	$ 1,078,824.83
12/25/2023	$ 8,783.33	$ 1,070,041.50	$ 1,078,824.83

**In the event of a Delayed Draw in accordance with Section 7 of this Schedule, the payment dates set forth herein shall be updated by Lender to reflect the later payment dates to give effect to such Delayed Draw.*

EXHIBIT B
Equipment Description

Four Thousand (4,000) Antminer S19j Pro Mining Servers, with nameplate efficiencies of 100W/Th or better.

SCHEDULE NO. 3 DATED DECEMBER 15, 2021 TO
MASTER EQUIPMENT FINANCE AGREEMENT DATED AS OF DECEMBER 15, 2021 BETWEEN
NYDIG ABL LLC ("Lender"), AND
STRONGHOLD DIGITAL MINING BT, LLC ("Borrower")

With an address of 2151 Lisbon Road, Kennerdell, PA 16374

This Schedule is a Schedule to the Master Equipment Finance Agreement identified above (the "**Master Agreement**"). All capitalized terms not herein defined shall have the meaning set forth in said Master Agreement and all terms and conditions of the Master Agreement are incorporated herein and shall remain in full force and effect except to the extent modified by this Schedule. Such modifications apply only to the Agreement created hereby and the Equipment financed hereunder. This Schedule and the Master Agreement as incorporated into this Schedule constitute a separate and distinct "Agreement" under the Master Agreement. If any provision in this Schedule conflicts with a provision in the Master Agreement, the provision in this Schedule shall control. Borrower hereby reaffirms on and as of the date hereof all terms, covenants representations and warranties contained in the Master Agreement, including, without limitation, its grant of a security interest in the Equipment and other Collateral.

SUMMARY OF PAYMENT TERMS:	
Commencement Date: **December 15, 2021**	Total Advance (Amount Financed): **$17,984,000.00**
First Interest-Only Payment Date: **January 25, 2022**	Interest-Only Period: See Exhibit A attached hereto
First Payment Date of principal and interest: **September 25, 2022** or, in the event of a Delayed Draw in accordance with Section 7 of this Schedule, such later date as may be notified in writing by Lender to Borrower.	Total Number of Monthly Interest-Only Payments and Payments of principal and interest: **24 months**
Amount of each Interest-Only Payment of: **See Exhibit A attached hereto**	Payment Period: **Monthly in arrears**
Amount of each Payment of principal and interest: **See Exhibit A attached hereto**	Interest Rate: **9.85% per annum**
Down Payment: N/A	Doc Fee: N/A
Equipment Location: 2151 Lisbon Road, Kennerdell, PA 16374	
Additional Payments to Lender (if any): **Closing Fee: $449,600.00**	
Anticipated Acceptance Date (if applicable):	

1. Grant of Security. Borrower hereby grants to Lender a first priority security interest in the Collateral and all property in Section 3 below.

2. Promise to Pay: FOR VALUE RECEIVED, Borrower promises to pay to Lender at such address as may be designated from time to time by Lender, the sum of the Total Advance set forth above, together with interest thereon at the rate set forth above, payable as follows: (a) consecutive monthly payments of interest only (the "**Interest-Only Payments**"), each in the Amount of each Interest-Only Payment (as set forth above), commencing on the First Interest-Only Payment Date (as set forth above) and continuing on the same day of each month thereafter through the end of the Interest-Only Period (as set forth above), followed by (b) consecutive monthly Payments which consist of principal and interest due hereunder, each in the amount of each Payment of principal and interest (as set forth above), commencing on the First Payment Date (as set forth above) following the expiration of the Interest-Only Period, and continuing on the same day of each month thereafter through the end of the Term; provided, however, that the final installment will be in the amount of the then remaining unpaid Total Advance plus all fees, costs, expenses and other amounts then due hereunder. Borrower's Obligations hereunder shall bear interest at the Interest Rate from the date Lender advances any portion of the Total Advance. On the First Interest-Only Payment Date, Borrower also agrees to pay Lender accrued interim interest for the number of days elapsed from the date Lender advances any portion of the Total Advance to the First Interest-Only Payment Date. On the Commencement Date, Borrower agrees to pay Lender the Closing Fee (as set forth above), which shall be deducted by Lender from the proceeds of the Total Advance. All interest payable hereunder shall assume a 360 day year / 30 day month.

3. Equipment Description: See Exhibit B attached hereto.

4. Equipment Location: The address of the Equipment Location is a bona fide business address.

5. Waiver; Miscellaneous. Borrower hereby waives presentment, notice of dishonor, and protest. Borrower agrees that the Commencement Date and the first payment due date may be left blank when this Schedule is executed and hereby authorizes Lender to insert such dates based upon the date the Equipment Finance proceeds are disbursed. BY EXECUTION HEREOF, BORROWER ACKNOWLEDGES THAT BORROWER AGREES THAT THIS SCHEDULE AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THE AGREEMENT BETWEEN BORROWER AND LENDER AND THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS AND COMMUNICATIONS, WHETHER ORAL OR WRITTEN, BETWEEN BORROWER AND LENDER REGARDING THE SUBJECT MATTER HEREOF.

6. **Delivery of Equipment:** The Equipment is to be delivered on or before September 30, 2022 (the "**Final Delivery Date**") in accordance with the Purchase Agreement (and in no event at Lender's expense) at the location specified in this Agreement.

Borrower represents and warrants that Borrower has paid Seventy-Five percent (75%) of the purchase price of the Equipment to the Supplier, and Borrower agrees that Borrower shall (i) pay the balance of such purchase price to the Supplier when due in accordance with the Purchase Agreement and take no action to cancel, terminate or default under, or enter into any amendment or modification to the Purchase Agreement which could reasonably be expected to adversely affect Lender, (ii) promptly notify Lender by email or otherwise in writing of such payment, furnishing evidence satisfactory to Lender on Lender's request, and (iii) promptly notify Lender when Borrower is given a date for delivery of each item of Equipment. Borrower's obligation to make Payments under this Agreement shall commence upon execution of this Agreement, whether or not any of the Equipment has been delivered. Notwithstanding any provision of Section 2 of the Master Agreement to the contrary, the Equipment shall be deemed to be accepted on, and the Acceptance Date shall be deemed to be, the date of execution of this Schedule. Borrower assumes the risk of delivery of Equipment. Borrower is not entitled to any refund or rebate of Payments made to Lender for any reason, including failure of Supplier to deliver Equipment by the Final Delivery Date. If, for any reason whatsoever, any of the Equipment (the "**Undelivered Equipment**") has not been delivered as provided in this Agreement on or before the Final Delivery Date, Borrower shall, upon demand by Lender, repay to Lender that portion of the Amount Financed with respect to such Undelivered Equipment together with all accrued and unpaid interest and fees, less the principal portion of any amounts previously paid to Lender with respect to advances made relating to the Undelivered Equipment, as calculated by Lender. Borrower's failure to comply with the foregoing shall be an Event of Default under this Agreement.

7. OID LEGEND: THE TOTAL ADVANCES MADE PURSUANT TO THIS AGREEMENT ARE ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY FOR SUCH ADVANCES MAY BE OBTAINED BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO BORROWER C/O RICARDO LARROUDE. If the Total Advance under this Schedule and any future advances (including under any other Schedule to the Master Agreement) are treated as the same issue for U.S. federal income tax purposes, the issue price of any such advances will be aggregated to determine the issue price for such issue. Each of Borrower and Lender agrees to file any U.S. federal income and applicable state or local income tax returns in accordance with the tax treatment described in this Section 7.

8. Requests to Borrow: Borrower and Lender acknowledge and agree that (i) Borrower may request advances from Lender pursuant to this Schedule 3 and the applicable Pay Proceeds Letter from Borrower to Lender no later than July 15, 2022; and (ii) if, as of April 30, 2022, Borrower has failed to request to borrow advances from Lender pursuant to this Schedule 3, or to satisfy all conditions to such advance contained in this Master Agreement or Schedule 2, in the amount available under the applicable Pay Proceeds Letter (the "**Schedule 3 Advance Amount**"), Borrower shall pay to Lender, on May 15, 2022, a fee equal to the product of (A) the difference of (y) the Schedule 3 Advance Amount, minus (z) the aggregate amount of advances made and/or requested pursuant to this Schedule 3, times (B) 1.25% (the "**Schedule 3 Standby Fee**"). The Schedule 3 Standby Fee shall be fully earned and non-refundable. Any advance requested and made after April 30, 2022, shall be a "**Delayed Draw**", and the repayment terms with respect thereto set forth in Exhibit A may be modified by Lender in accordance with Section 8, to give effect to such Delayed Draw.

8. Correction of Schedule: After Borrower signs this Schedule, Borrower authorizes Lender to insert any additional or missing information or change any inaccurate information in this Schedule, including Exhibits A and B hereof, which information may include, but is not limited to, Equipment description, payment amounts, and payment dates.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

LENDER: **NYDIG ABL LLC**	BORROWER: **STRONGHOLD DIGITAL MINING BT, LLC**
Signature: /s/ Tejas Shah Name (print): Tejas Shah Title: Head of Trading	Signature: /s/ Tom Tyree III Name (print): Tom Tyree III Title: Authorized Person

EXHIBIT A

Payment Date*	Interest	Principal	Total Payment Due
1/25/2022	$ 49,206.22	$ -	$ 49,206.22
2/25/2022	$ 36,904.65	$ -	$ 36,904.65
3/25/2022	$ 62,737.91	$ -	$ 62,737.91
4/25/2022	$ 88,571.16	$ -	$ 88,571.16
5/25/2022	$ 88,571.16	$ -	$ 88,571.16
6/25/2022	$ 88,571.16	$ -	$ 88,571.16
7/25/2022	$ 88,571.16	$ -	$ 88,571.16
8/25/2022	$ 118,094.89	$ -	$ 118,094.89
9/25/2022	$ 147,618.61	$ 1,056,406.04	$ 1,204,024.65
10/25/2022	$ 138,947.28	$ 1,065,077.37	$ 1,204,024.65
11/25/2022	$ 130,204.77	$ 1,073,819.88	$ 1,204,024.65
12/25/2022	$ 121,390.50	$ 1,082,634.15	$ 1,204,024.65
1/25/2023	$ 112,503.88	$ 1,091,520.77	$ 1,204,024.65
2/25/2023	$ 103,544.32	$ 1,100,480.33	$ 1,204,024.65
3/25/2023	$ 94,511.22	$ 1,109,513.43	$ 1,204,024.65
4/25/2023	$ 85,403.96	$ 1,118,620.69	$ 1,204,024.65
5/25/2023	$ 76,221.96	$ 1,127,802.69	$ 1,204,024.65
6/25/2023	$ 66,964.58	$ 1,137,060.07	$ 1,204,024.65
7/25/2023	$ 57,631.22	$ 1,146,393.43	$ 1,204,024.65
8/25/2023	$ 48,221.24	$ 1,155,803.41	$ 1,204,024.65
9/25/2023	$ 38,734.02	$ 1,165,290.63	$ 1,204,024.65
10/25/2023	$ 29,168.93	$ 1,174,855.72	$ 1,204,024.65
11/25/2023	$ 19,525.33	$ 1,184,499.32	$ 1,204,024.65
12/25/2023	$ 9,802.58	$ 1,194,222.07	$ 1,204,024.65

**In the event of a Delayed Draw in accordance with Section 7 of this Schedule, the payment dates set forth herein shall be updated by Lender to reflect the later payment dates to give effect to such Delayed Draw.*

EXHIBIT B

Equipment Description

Four Thousand (4,000) Antminer S19j Pro Mining Servers, with nameplate efficiencies of 100W/Th or better.

FORM OF ACCEPTANCE CERTIFICATE

SCHEDULE NO. ___ DATED DECEMBER 15, 2021 TO
MASTER EQUIPMENT FINANCE AGREEMENT DATED AS OF DECEMBER 15, 2021 BETWEEN
NYDIG ABL LLC ("Lender") AND
STRONGHOLD DIGITAL MINING BT, LLC ("Borrower")

I, acting on behalf of Borrower, acknowledge that I have personally inspected or caused to be personally inspected to my satisfaction all items of Equipment described in the above Agreement and that I am duly authorized on behalf of Borrower to sign and bind Borrower to the Agreement. Capitalized terms used herein shall have the meanings assigned to them in the Agreement, except, as the context shall require.

The Equipment has been received, inspected and installed to Borrower's satisfaction and is complete, operational and in good condition and working order and satisfactory in all respects and conforms to all specifications in the Agreement and the supply contract or other agreement with the applicable Supplier.

Borrower hereby accepts the Equipment, acknowledges that funds have been advanced to or for the account of Borrower in reliance upon this Acceptance Certificate and the Term of the Agreement commences on the Date of Acceptance stated below or such earlier date as provided pursuant to the Agreement. Borrower further acknowledges that this Agreement is NON-CANCELLABLE, ABSOLUTE AND IRREVOCABLE. Borrower hereby authorizes Lender to advance the equipment finance proceeds for Borrower's acquisition of the Equipment in reliance on this Acceptance Certificate. Borrower certifies that no Event of Default or event that with notice or lapse of time would become an Event of Default currently exists.

Date of Acceptance: _____, 202____

LENDER: **NYDIG ABL LLC**	BORROWER: **STRONGHOLD DIGITAL MINING BT, LLC**
Signature: Name: Title:	Signature: Name: Title:

Subsidiaries of Stronghold Digital Mining, Inc.
As of March 24, 2022

Name of Entity	State of Organization
EIF Scrubgrass, LLC	Delaware
Falcon Power LLC	Delaware
Liberty Bell Funding, LLC	Delaware
Panther Creek Power Operating, LLC	Delaware
Scrubgrass Power LLC	Pennsylvania
Scrubgrass Reclamation Company, L.P.	Delaware
Stronghold Digital Mining LLC	Delaware
Stronghold Digital Mining BT, LLC	Delaware
Stronghold Digital Mining Equipment, LLC	Delaware
Stronghold Digital Mining Hashco, LLC	Delaware
Stronghold Digital Mining Holdings LLC	Delaware
Stronghold Digital Mining Operating, LLC	Delaware
Stronghold Digital Mining TH, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-260497 on Form S-8 of our report dated March 29, 2022, relating to the consolidated financial statements of Stronghold Digital Mining, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Stronghold Digital Mining, Inc. and subsidiaries for the year ended December 31, 2021.

/s/ Urish Popeck & Co., LLC

Pittsburgh, PA
March 29, 2022

Exhibit 31.1

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 Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "registrant") for the year ended December 31, 2021;

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) 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

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2022

By: /s/ Gregory A. Beard
Name: **Gregory A. Beard**
Title: **Co-Chairman and Chief Executive Officer**
(Principal Executive Officer)

Exhibit 31.2

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, Ricardo R. A. Larroudé, certify that:

1. I have reviewed this Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "registrant") for the year ended December 31, 2021;

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) 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

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2022

By: /s/ Ricardo R. A. Larroudé

Name: **Ricardo R. A. Larroudé**

Title: **Chief Financial Officer**
(Principal Financial Officer)

Exhibit 32.1

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 Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "Company") for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Beard, Co-Chairman and Chief Executive Officer of the Company, certify, to the best of my knowledge, 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.

By: /s/ Gregory A. Beard

Gregory A. Beard

Co- Chairman and Chief Executive Officer

(Principal Executive Officer)

Date: March 29, 2022

Exhibit 32.2

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 Annual Report on Form 10-K of Stronghold Digital Mining, Inc. (the "Company") for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ricardo R. A. Larroudé, Chief Financial Officer of the Company, certify, to the best of my knowledge, 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.

By: /s/ Ricardo R. A. Larroudé

Ricardo R. A. Larroudé
Chief Financial Officer
(Principal Financial Officer)

Date: March 29, 2022