APPLIED DIGITAL CORPORATION

PRIVATE PLACEMENT MEMORANDUM

Up to $50,000,000 in shares of

Series E Redeemable Preferred Stock

Private Placement Offering PPM Dated June 7, 2023

PROSPECTIVE INVESTOR NOTICES

ANY REPRODUCTION OR DISTRIBUTION OF THIS PRIVATE PLACEMENT OFFERING MEMORANDUM (AS DEFINED BELOW, "PPM"), IN WHOLE OR IN PART, OR THE DISCLOSURE OF ITS CONTENTS WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY IS PROHIBITED. EACH RECIPIENT (A) AGREES THAT IT WILL KEEP CONFIDENTIAL ALL INFORMATION CONTAINED HEREIN AND (B) AGREES THAT IT WILL USE THIS PPM FOR THE SOLE PURPOSE OF EVALUATING A POSSIBLE INVESTMENT IN THE COMPANY. BY ACCEPTING THIS PPM, EACH RECIPIENT AGREES TO THE FOREGOING AND WITHOUT THE PRIOR WRITTEN PERMISSION OF THE COMPANY, SUCH PROSPECTIVE INVESTORS WILL NOT RELEASE THIS DOCUMENT OR DISCUSS THE INFORMATION CONTAINED HEREIN OTHER THAN AS REQUIRED BY LAW OR WITH SUCH PROSPECTIVE INVESTOR'S LEGAL, TAX OR ACCOUNTING ADVISERS OR MAKE REPRODUCTIONS OF OR OTHERWISE USE THIS PPM OR ITS EXHIBITS, ATTACHMENTS, ANNEXES, SCHEDULES OR OTHERWISE FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE SECURITIES DESCRIBED HEREIN.

NEITHER THIS PPM NOR THE SERIES E PREFERRED STOCK OFFERED HEREBY HAVE BEEN APPROVED BY ANY REGULATORY OR SUPERVISORY AUTHORITY IN THE UNITED STATES, CANADA, OR IN ANY STATE OR OTHER JURISDICTION, INCLUDING BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, NOR HAS ANY SUCH AUTHORITY OR COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THIS PPM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS PPM AS LEGAL, TAX, INVESTMENT OR OTHER ADVICE. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THEIR INVESTMENT IN THE COMPANY FOR AN INDEFINITE PERIOD OF TIME. INVESTMENT IN THE SERIES E PREFERRED STOCK WILL INVOLVE SIGNIFICANT RISKS DUE TO, AMONG OTHER THINGS, THE NATURE OF THE COMPANY AND THE FACT THAT THERE WILL BE NO PUBLIC MARKET FOR THE SERIES E PREFERRED STOCK. THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO QUALIFY THE SERIES E PREFERRED STOCK FOR DISTRIBUTION BY PROSPECTUS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION.

PROSPECTIVE INVESTORS SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY THAT ARE CHARACTERISTIC OF THE INVESTMENT IN THE SERIES E PREFERRED STOCK DESCRIBED HEREIN. NO ASSURANCE CAN BE GIVEN THAT THE COMPANY'S OBJECTIVES WITH THE PROCEEDS FROM THIS OFFERING WILL BE ACHIEVED OR THAT INVESTORS WILL RECEIVE A RETURN OF THEIR CAPITAL. INVESTORS COULD LOSE THE ENTIRE VALUE OF THEIR INVESTMENT. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS LEGAL, FINANCIAL, AND TAX ADVISORS TO DETERMINE THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES E PREFERRED STOCK. ADDITIONAL DISCLOSURE WITH RESPECT TO AN INVESTMENT IN THE COMPANY'S SERIES E PREFERRED STOCK BY CERTAIN U.S., AND OTHER INVESTORS IS SET FORTH AT THE BACK OF THIS PPM. SEE "SCHEDULE A - ADDITIONAL OFFERING LEGENDS." THE SERIES E PREFERRED STOCK OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SERIES E PREFERRED STOCK WILL BE OFFERED AND SOLD IN THE UNITED

STATES UNDER THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT AND RULE 506(B) OF REGULATION D PROMULGATED THEREUNDER, OR BOTH, OR REGULATION S OF THE SECURITIES ACT, AND OTHER EXEMPTIONS OF SIMILAR IMPORT IN THE LAWS OF THE STATES AND JURISDICTIONS WHERE THIS OFFERING WILL BE MADE. THE SERIES E PREFERRED STOCK OFFERED HEREBY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT (A) AS PERMITTED UNDER THE COMPANY'S ARTICLES AND BYLAWS GOVERNING THE BUSINESS AND AFFAIRS OF THE COMPANY (AS SUCH DOCUMENTS MAY BE AMENDED FROM TIME TO TIME), (THE "GOVERNING DOCUMENTS") AND UNDER THE COMPANY'S SERIES E PREFERRED STOCK SUBSCRIPTION AGREEMENT (THE "SUBSCRIPTION AGREEMENT") AND (B) AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE OR OTHER JURISDICTIONS SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THERE IS NO PUBLIC MARKET FOR THE SERIES E PREFERRED STOCK AND NO SUCH MARKET IS EXPECTED TO DEVELOP IN THE FUTURE. THE SERIES E PREFERRED STOCK ARE OFFERED SUBJECT TO PRIOR SALE AND SUBJECT TO THE RIGHT OF THE COMPANY TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART. PROSPECTIVE INVESTORS SHOULD READ THIS PPM CAREFULLY BEFORE DECIDING WHETHER TO PURCHASE THE SERIES E PREFERRED STOCK OFFERED HEREBY AND SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION UNDER THE "RISK FACTORS" SECTION. EACH PROSPECTIVE INVESTOR IS INVITED TO MEET WITH REPRESENTATIVES OF THE COMPANY AND TO DISCUSS WITH, ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM SUCH REPRESENTATIVES CONCERNING THE TERMS OF THIS OFFERING OF THE SERIES E PREFERRED STOCK AND TO OBTAIN ANY ADDITIONAL INFORMATION NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THAT SUCH REPRESENTATIVES POSSESS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

HOW TO SUBSCRIBE

The Company is offering Series E Preferred Stock only to persons that are "accredited investors," as that term is defined under the Securities Act and Regulation D promulgated thereunder. All prospective investors must complete and execute a subscription agreement, a copy of which is included in this PPM as Appendix I, pursuant to which each Prospective Investor must certify, among other things, that such Prospective Investor qualifies as an accredited investor and otherwise meets such other investor suitability standards for investment in the Series E Preferred Stock as may be established by the Company. The investor suitability standards represent minimum suitability requirements as established by the Company for Prospective Investors. Accordingly, the satisfaction of such suitability standards by a Prospective Investor will not necessarily mean that the Series E Preferred Stock is a suitable investment for such Prospective Investor or that the Company will accept the investor as a holder of Series E Preferred Stock. Furthermore, the Company may, in its sole discretion, modify such requirements from time to time, and any such modification may raise the suitability requirements for investors subscribing for Series E Preferred Stock thereafter.

Prospective Investors seeking to purchase Series E Preferred Stock should:

- Read this entire PPM, including all appendices and supplements hereto;
- Complete the execution copy of the subscription agreement. A specimen copy of the subscription agreement is included in this PPM as Appendix I; and
- Deliver a check or submit a wire transfer for the full purchase price of the Series E Preferred Stock being subscribed for along with the completed subscription agreement to your financial professional or our escrow agent. Your check should be made payable, or wire transfer directed to the Company's escrow account as set forth in the subscription agreement.

By executing the subscription agreement and paying the total purchase price for the Series E Preferred Stock subscribed for, each investor attests that he or she meets the suitability standards as stated in this PPM and agrees to be bound by all of its terms. A Prospective Investor desiring to acquire Series E Preferred Stock and become an investor shall tender to the Company a subscription agreement for the dollar amount of the desired investment, together with the correct full subscription payment of the Series E Preferred Stock so subscribed.

Except in certain limited situations, the Company has delegated its authority to accept subscriptions to the transfer agent and Dealer Manager and authorized the Dealer Manager to schedule bi-weekly closings on subscriptions received and accepted. However, there is no assurance that your subscription will close on the next succeeding closing following receipt of your subscription date. Subscriptions will be effective only upon acceptance, and the Company, and the transfer agent or Dealer Manager on the Company's behalf, reserve the right, in each of their sole discretion, to accept or reject any subscription in whole or in part. There is no assurance that your subscription will be accepted.

Subscriptions will be accepted or rejected within thirty (30) calendar days of receipt of a subscription by our escrow agent. Funds received in connection with a subscription will be placed in a non-interest bearing escrow account pending closing. Subscription funds held in the non-interest bearing account following the escrow period do not accrue interest or any other benefits to you. If a subscription is rejected, all subscription proceeds will be returned to you without deduction for any expenses within ten (10) business days from the date such subscription is rejected. Upon closing, accepted investment proceeds will be transferred to the Company's operating account.

TABLE OF CONTENTS

ABOUT THIS PPM

Unless the context indicates otherwise, references in this PPM to the "Company," "APLD," "we," "us," "our" and similar terms refer to Applied Digital Corporation and its consolidated subsidiaries. Certain defined terms contained in this PPM are defined in multiple places with the same meaning for ease and convenience of reference for the reader.

We are offering (this "Offering") up to $50,000,000 shares of Series E Redeemable Preferred Stock, par value $0.001 per share of preferred stock, (the "Series E Preferred Stock"). We may, in our sole discretion, increase the maximum amount of the Offering to $100,000,000 of Series E Preferred Stock. This confidential private placement memorandum (together with any supplement, "the PPM") is being furnished on a confidential basis to qualified prospective investors (each a "Prospective Investor") considering the purchase of Series E Preferred Stock. This PPM is not an offer to sell or the solicitation of an offer to buy our securities in any circumstances under which the offer or solicitation is unlawful or in any state or other jurisdiction where the offer is not permitted. The information contained in this PPM is accurate only as of its date regardless of the time of delivery of this PPM or of any sale of Series E Preferred Stock. A copy of the Company's current Articles, Bylaws, as each have been amended, as well as other Company documents and agreements are filed with the SEC, are also incorporated into this PPM by reference.

Please carefully read the information in this PPM and all appendices and supplements hereto. Prospective Investors should rely only on the information contained in this PPM. The Company has not authorized anyone to provide Prospective Investors with different information. This PPM may only be used where it is legal to sell the Series E Preferred Stock. Prospective Investors should not assume that the information contained in this PPM is accurate as of any date later than the date of this PPM, as amended or supplemented. Prospective Investors should also understand that other information about the Company is being incorporated herein by reference.

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

This Offering is intended to be made in compliance with Regulation D promulgated under the Securities Act. Under the requirements of Regulation D, this Offering includes a prohibition on the participation of certain "bad actors" as that term is defined in Rule 506(d) of Regulation D.

On April 12, 2022, we effected a one-for-six (1:6) reverse split (the "Reverse Stock Split") of shares of our common stock, par value $0.001 per share (the "Common Stock"). All references to Common Stock, options to purchase Common Stock, restricted stock units, share data, per share data and related information contained in the condensed consolidated financial statements have been retrospectively adjusted to reflect the effect of the Reverse Stock Split for all periods presented. No fractional shares of Common Stock were issued in connection with the Reverse Stock Split.

Any fractional share resulting from the Reverse Stock Split was rounded down to the nearest whole share and the affected holder received cash in lieu of such fractional share.

PPM SUMMARY

The information in this PPM may not contain all of the information that is important to you. You should read this entire PPM and the exhibits carefully before deciding whether to invest in the Series E Preferred Stock.

Our Business

We are a designer, builder and operator of next-generation digital infrastructure. We have three primary businesses, artificial intelligence ("AI") cloud services, high performance computing ("HPC") datacenter hosting, and crypto datacenter hosting.

AI Cloud Service

Our AI Cloud service operates through our Sai Computing brand and provides cloud services applicable to artificial intelligence.

On October 13, 2022, we formed Sai Computing, LLC ("Sai Computing"). Sai Computing was formed to provide artificial intelligence and machine learning application customers with access to machines and a hosting environment.

On May 15, 2023, we announced the formal launch of our AI Cloud services business through Sai Computing. On May 16, 2023, we announced that Sai Computing secured its first major AI customer with an agreement worth up to $180 million over a 24-month period. The customer will make a significant pre-payment as part of the agreement. The service is expected to start coming online in June 2023 and is expected to be fully ramped up by the end of 2023.

On May 25, 2023, we formed Sai Computing Holdings LLC ("Sai Holdings") and Sai-Foundry Computing LLC ("Sai Foundry"). Sai Holdings serves as the parent entity over Sai Computing and Sai-Foundry, and Sai-Foundry will serve as the joint venture entity between the Company and Foundry Technologies ("Foundry"). We have a 98% ownership interest in Sai-Foundry and consolidate the entity.

HPC Datacenter Hosting

Our HPC datacenter business designs, builds, and operates Next-Gen datacenters which are designed to provide massive computing power and support high-compute applications within a cost-effective model.

On December 14, 2022, we announced the beginning of construction of a 5 megawatt ("MW") facility next to the Company's currently operating 100-MW hosting facility in Jamestown, North Dakota. This separate and unique building, designed and purpose-built for Graphics Processing Units ("GPUs"), will sit separate from the our crypto hosting buildings and will host more traditional high performance computing applications, such as natural language processing, machine learning, and additional HPC developments. During early 2023, we began testing HPC hosting at this facility.

We have current plans to expand our HPC hosting capacity up to 200 MW through buildouts at existing and future locations.

Crypto Datacenter Hosting

Our crypto datacenter hosting business provides infrastructure and colocation services to crypto mining customers. With expert advisors in the fields of power, crypto mining operations, procurement, and construction, we have designed a plan for a prefabricated facility and organization within the facility that can be delivered and installed quickly and maximize performance and efficiency of the facility and our customers' crypto mining equipment. We provide energized space for customers to host computing equipment. Initially, these datacenters primarily hosted servers serving the Bitcoin network, but these facilities can also host hardware for other applications such as artificial intelligence, protein sequencing, drug discovery, machine learning and additional blockchain networks and applications. We have a colocation business model where our customers place hardware they own into our facilities and we provide full operational and maintenance services for a fixed fee. We typically enter into long-term fixed rate contracts with our customers.

Jamestown, North Dakota Datacenter

We purchased property in Jamestown, North Dakota on which we constructed our first co-hosting facility. Construction of our first co-hosting facility began in September 2021. On February 2, 2022, we brought our first facility online and it has been fully operational since that date. We entered into agreements with five customers (JointHash Holding Limited (a subsidiary of GMR), Spring Mud (a subsidiary of GMR), Bitmain Technologies Limited, F2Pool Mining, Inc. and Hashing LLC) which utilize the total available energy under the Amended and Restated Energy Services Agreement. The company pays for energy from part of the revenue from customers.

Garden City, Texas Datacenter

On November 24, 2021, we entered into a letter of intent to develop a second datacenter facility in Garden City, Texas. On April 13, 2022, the Company entered into a 99-year ground lease in Garden City, Texas, with the intent to build our second datacenter facility on this site. On April 25, 2022, we began construction on this site. This facility is collocated with a wind farm and upon completion is expected to provide 200 MW of power to hosting customers. The facility is expected to begin operating in the second calendar quarter of 2023 and the 200 MW capacity is fully contracted with our customers.

Ellendale, North Dakota Datacenter

On August 8, 2022, we completed the purchase of 40 acres of land in Ellendale, North Dakota, for a total cost of $1 million. We took possession of the land on August 15, 2022, built a hosting facility, and began energizing the site on March 4, 2023. The company pays for energy from part of the revenue from customers.

On March 7, 2023, we announced the energizing of the 180 MW facility in Ellendale, ND. Once fully energized, this location will bring our hosting operations to 280 MW of total hosting capacity across facilities in North Dakota, all of which are contracted out to customers on multi-year terms.

1.21 Gigawatts, LLC

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC ("1.21 Gigawatts"), pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20%, respectively, of 1.21 Gigawatts. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5 gigawatts ("GW") of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are primarily responsible for all site development, construction and the eventual operations of the

datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason, and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of the other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of Common Stock. The number of shares that Antpool may convert is equal to the capital contributions of 1.21 Gigawatts made by Antpool divided by $7.50, which will result in an increase in our ownership percentage of 1.21 Gigawatts.

REIT structure

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

Contract with Marathon Digital Holdings, Inc

On July 12, 2022, we entered into a five-year hosting contract with Marathon Digital Holdings, Inc. ("Marathon") for 270 MW of mining capacity. As a result of this arrangement, we will supply Marathon with 90 MW of hosting capacity at its facility in Texas and 180 MW of hosting capacity at its second facility in North Dakota. Marathon has subsequently added 39.6 MW of additional capacity at the Company’s Jamestown, North Dakota facility.

Our Competitive Strengths

Premier strategic partnerships with leading industry participants.

We have developed strategic partnerships with GMR Limited, a British Virgin Island limited liability company (“GMR”), and Bitmain Technologies Limited (“Bitmain”). We believe that these partnerships will continue to provide us with a significant competitive advantage. GMR and Bitmain have also been a proponent of our hosting strategy, and have signed contracts for our crypto datacenter hosting business. Furthermore, GMR and Bitmain are each strategic equity investors in our company, and each of them also advised us in connection with the design and buildout of our co-hosting operations.

On May 24, 2023, we announced that we are working with Supermicro, a global leader in Application-Optimized Total IT Solutions, to deliver Applied Digital’s AI Cloud service. Supermicro is a leading provider of application-optimized, high-performance server and storage solutions that address a broad range of computational-intensive workloads. Supermicro’s next-generation GPU servers significantly lower the power requirements of data centers. With the amount of power required to enable today's rapidly evolving large scale AI models, optimizing the Total Cost of Ownership (TCO) and the Total Cost to Environment (TCE) is crucial to data center operators.

Access to low-cost power with long-term services agreement.

One of the main benefits of our electrical services agreements for our Jamestown, North Dakota and Ellendale, North Dakota facilities is the low cost of power for mining. Even prior to the crypto mining restrictions in China, power capacity available for Bitcoin mining was scarce, especially at scalable sites with over 100 MW of potential capacity. This scarcity of mining power allows us to realize attractive hosting rates in the current market, in particular given our ability to provide long-term (3-5 year) hosting contracts.

Benefits of Next-Gen datacenters compared to traditional datacenters.

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

Hosting provides predictable, recurring revenue and cash flow

Within each of our businesses, we have entered into long-term fixed rate contracts with our customers. In addition, we have obtained access to low cost energy through our energy services agreements, which provides us with consistent margins and cash flow. We intend for the steady cash flows generated by our operations to be reinvested into businesses.

Strong management team and board of advisors with deep experience in crypto mining and hosting operations.

We have recently expanded our leadership team by attracting top talent in the digital infrastructure space. Recent hires from both publicly traded and private companies have allowed us to build a team capable of designing and constructing hosting facilities.

Our Growth Strategies

Continued expansion of businesses.
We have started expansion into hosting for HPC applications. We have current plans to expand our HPC hosting capacity up to 200 MW through buildouts at existing and future locations. Further, we launched our AI cloud hosting services business through Sai Computing and have announced our first major customer.

Leverage partners to grow operations while minimizing risk.

Beyond their own use of our hosting capabilities, our crypto hosting partners have strong relationships across the cryptocurrency ecosystem, and we believe that we will be able to leverage their networks to identify leads for our expansion of hosting operations.

In addition, we have signed our first major customer for our AI cloud hosting business, which we believe will help us elevate our profile within the market. Further, we have announced a partnership with Supermicro, a leading vendor in the AI hosting space, and we believe that we will be able to leverage their network to identify leads for the expansion of our AI cloud services and HPC datacenter hosting businesses.

Secure scalable power sites in areas favorable for crypto mining.

We have developed a pipeline of potential power sources. Our first hosting site in North Dakota is fully operational and our second site in North Dakota began energizing in March 2023. Further, we expect our facility in Garden City, TX to begin energizing during the second calendar quarter of 2023. Combined, these facilities will provide total hosting capacity of roughly 500 MW. Through our build-out of our first North Dakota facility and the prior experience our leadership team brings to our initiatives, we believe that we have developed a repeatable power strategy to significantly scale our operations. In addition, we are currently focused on and will continue to target states that have favorable laws and regulations for the crypto mining and HPC application industries, which we believe further minimizes the associated with risks the scaling of our operations.

Vertically integrate power assets.

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

Our Company History

Applied Digital Corporation was incorporated in Nevada in May 2001 and conducted business under several names until July 2009, when we filed a Form 15 with the SEC to suspend the registration of Common Stock and our obligations to file annual, quarterly and other periodic reports with the SEC in order to conserve financial and other resources for the continuing development and commercialization of our business. Our Common Stock continued to trade on the OTC Pink Market. In 2021, we changed our name to Applied Blockchain, Inc. and began our current next-gen data center business. On February 2, 2022, we brought our first North Dakota facility online. It is now fully operational. In April 2022, we completed our initial public offering and our Common Stock began trading on The Nasdaq Global Select Market. In November 2022, we changed our name to Applied Digital Corporation.

Use of Proceeds

We intend to use the net proceeds from this Offering for the construction of new facilities and to address the Company's working capital needs. Our board of directors (the "Board") has not adopted a specific policy for use of our Offering proceeds.

Common Stock Dividend Policy

We intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common shares in the foreseeable future. Except for any dividends on the Series E Preferred Stock as described herein, any future determination to declare dividends will be made at the discretion of our Board and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board may deem relevant.

Our Corporate Information

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

Implications of Being a Smaller Reporting Company

We are a "smaller reporting company" as defined in the Securities Exchange Act of 1934. We may take advantage of certain of the scaled disclosures in our public filings with the SEC available to smaller reporting companies so long as the market value of our voting and non-voting Common Stock held by non-affiliates is less than $250.0 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than $100.0 million during the most recently completed fiscal year and the market value of our Common Stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

Summary of Offering Terms

The following information is presented as a summary of principal terms of the Offering only and is qualified in its entirety by reference to the subscription agreement attached hereto as Appendix 1 and the Company's articles of incorporation, as amended from time to time and bylaws, as amended from time to time. This summary does not purport to be a complete description of all material terms.

Issuer	Applied Digital Corporation, a Nevada corporation (the "Company"). The Company's Common Stock is listed on the Nasdaq Global Select Market under the symbol "APLD."
Offered Securities	Up to $50,000,000 of Series E Redeemable Preferred Stock, par value $0.001 per share of preferred stock, (the "Series E Preferred Stock"). The Company may, in its sole discretion increase the maximum amount of Series E Preferred Stock to be sold in this Offering up to $100,000,000 of Series E Preferred Stock. If the Company decides to increase the maximum amount of Series E Preferred Stock to be sold in this Offering, the Company will provide that information in a supplement to the PPM.
Offering Term	The Company currently intends to sell up to $50,000,000 of Series E Preferred Stock, subject to its right, in its sole discretion, to increase the Offering to $100,000,000 of Series E Preferred Stock, in a continuous private offering (the "Offering") until the earlier of: (i) the maximum number of Series E Preferred Stock are sold or (ii) March 31, 2024 (the "Outside Offering Date"). The Company will offer its Series E Preferred Stock in this Offering pursuant to this private placement memoranda (the "PPM"). The Company may terminate the Offering at any time or extend the Offering. Upon Board approval, the Company, in its sole discretion, may extend the term of the Offering beyond the Outside Offering Date for two additional one-year periods. If the Company decides to increase the maximum amount of the Offering in excess of $50,000,000 or to extend the Offering beyond the Outside Offering Date, the Company will provide that information in a supplement to the PPM; however, in no event will the Company increase the Offering in excess of $100,000,000 or extend the Offering beyond three (3) years after the date of this PPM. The Offering is being made in a "private placement" pursuant to Rule 506(b) under Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Series E Preferred Stock is a suitable investment only for sophisticated investors who fully understand, and are willing to assume, and have the financial resources to withstand, the risks involved in an investment in the Company's Series E Preferred Stock. The Offering is limited to "accredited investors" as defined under Regulation D promulgated under the "Securities Act". An "accredited investor" includes a natural person that has (i) an individual net worth or joint net worth with his or her spouse (or spousal equivalent) of more than $1,000,000 or (ii) an individual income in excess of $200,000, or joint income with his or her spouse (or spousal equivalent) in excess of $300,000, in each case in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year. Investors in the Series E Preferred Stock who are not natural persons may also qualify as accredited investors if they meet certain conditions.

Dealer Manager	The dealer manager of this offering is Preferred Capital Securities, LLC ("PCS" or the "Dealer Manager"). The dealer manager is not required to sell any specific number or dollar amount of the Series E Preferred Stock but will use its "best efforts" to sell the Series E Preferred Stock offered. Upon Board approval, the Company, in its sole discretion, may extend the term of the Dealer Manager Agreement in accordance with an extension of the Offering beyond the Outside Offering Date.
Offering Price	$25.00 per share. The minimum permitted purchase is generally $10,000, but purchases of less than $10,000 may be made in our sole discretion.
Stated Value	$25.00 per share.
Ranking	The Series E Preferred Stock ranks, with respect to the payment of dividends and rights upon our liquidation, dissolution or winding up of our affairs: (i) prior or senior to all classes or series of our Common Stock and any other class or series of equity securities, if the holders of Series E Preferred Stock are entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series; (ii) on a parity with other classes or series of our equity securities issued in the future if, pursuant to the specific terms of such class or series of equity securities, the holders of such class or series of equity securities and the holders of Series E Preferred Stock are entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other; (iii) junior to any class or series of our equity securities if, pursuant to the specific terms of such class or series, the holders of such class or series are entitled to the receipt of dividends or amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of the Series E Preferred Stock (none of which are currently outstanding); and (iv) junior to all our existing and future debt indebtedness.
Maturity	Shares of the Series E Preferred Stock have no stated maturity. Shares of the Series E Preferred Stock will remain outstanding indefinitely unless they are redeemed or repurchased by the Company. The Company is not required to set apart for payment funds to redeem the Series E Preferred Stock and may pay for any redemption of the Series E Preferred Stock in cash or shares of Common Stock; provided, however, that Nasdaq rules and the terms of the Offering include a cap on the aggregate number of shares of Common Stock issuable thereunder for redemption equal to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company's shareholders is obtained to exceed that cap.
Dividends	Holders of the Company's Series E Preferred Stock shall be entitled to receive a cumulative dividend ("Dividends") at a fixed annual rate of 8.0% per annum of the Stated Value of $25.00 per share of the Series E Preferred Stock per year (computed on the basis of a 360-day year consisting of twelve 30-day months). Dividends will be declared and accrued monthly. Such Dividends shall be payable upon Board approval, which may not be monthly, out of legally available funds in cash.

Liquidation Preference

Subject to the liquidation preference stated in the ranking section above, Series E Preferred Stock will be entitled to be paid out of the funds and assets available for distribution, an amount per share equal to the "Stated Value," or $25.00, plus an amount per share that is issuable as the result of accrued or unpaid Dividends. After payment to the holders of the Company's Series E Preferred Stock, the remaining funds and assets available for distribution to Company stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares of Common Stock held by each such holder.

Holder Optional Redemption

Each holder of shares of Series E Preferred Stock is entitled to redeem any portion of the outstanding Series E Preferred Stock held by such holder (a "Holder Optional Redemption") at any time.

At the option of the Company, a Holder Optional Redemption may be redeemed in either cash or Company Common Stock; provided, however, that Nasdaq rules and the terms of the Offering include a cap on the aggregate number of shares of Common Stock issuable thereunder for redemption equal to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company's shareholders is obtained to exceed that cap.

The Company will settle any Holder Optional Redemption the Company determines to redeem in cash by paying the holder the Settlement Amount (as defined below). The "Settlement Amount" means (A) the Stated Value, plus (B) unpaid Dividends accrued to, but not including, the Holder Redemption Exercise Date, minus (C) the Series E Holder Optional Redemption Fee applicable on the respective Holder Redemption Deadline (defined below). The Company will settle any Holder Optional Redemption the Company determines to redeem with Common Stock, subject to the limitation discussed above, by delivering to the holder a number of shares of our Common Stock equal to (1) the Settlement Amount divided by (2) the closing price per share of our Common Stock on the Nasdaq Global Market on the date of the Holder Optional Redemption exercise.

Holders of Series E Preferred Stock may elect to redeem their shares of Series E Preferred Stock at any time by delivering to Preferred Shareholder Services (defined below) a notice of redemption (the "Holder Redemption Notice"). A Holder Redemption Notice will be effective as of: (a) the 15th day of the month (or, if the 15th day of the month is not a business day, then on the business day immediately preceding the 15th day) or the last business day of the month, whichever occurs first after a Holder Redemption Notice is duly received by Preferred Shareholder Services (such date, a "Holder Redemption Deadline"). Any Holder Redemption Notice received after 5:00 p.m. Eastern time on a Holder Redemption Deadline will be effective as of the next Holder Redemption Deadline. For all shares of Series E Preferred Stock duly submitted to us for Redemption on or before a Holder Redemption Deadline, the Company will determine the Settlement Amount (defined above) on any business day after such Holder Redemption Deadline but before the next Holder Redemption Deadline (such date, the "Holder Redemption Exercise Date"). Within such period, the Company may select the Holder Redemption Exercise Date in our sole discretion but before the next Holder Redemption Deadline. The Company may, in our sole discretion, permit a holder to revoke their Holder Redemption Notice at any time prior to 5:00 pm, Eastern time, on the business day immediately preceding the Holder Redemption Exercise Date. Please also see

Company Optional Redemption

Subject to the restrictions described herein and unless prohibited by Nevada law, a share of Series E Preferred Stock may be redeemed at our option (the "Company Optional Redemption") at any time or from time to time upon not less than 10 calendar days nor more than 90 calendar days written notice to the holders prior to the date fixed for redemption thereof, at a redemption price of 100% of the Stated Value of the shares of Series E Preferred Stock to be redeemed plus accrued but unpaid Dividends. In the Company's sole and absolute discretion, the Company may determine to fulfill a Company Optional Redemption in either cash or with fully paid and non-assessable shares of Company Common Stock; provided, however, that Nasdaq rules and the terms of the Offering include a cap on the aggregate number of shares of Common Stock issuable thereunder for redemption equal to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company's shareholders is obtained to exceed that cap.

The Company will not exercise the Company Optional Redemption prior to the earlier of the second-year anniversary of the date on which a share of Series E Preferred Stock has been issued (the "Redemption Eligibility Date"). If we exercise the Company Optional Redemption for less than all of the outstanding shares of Series E Preferred Stock, then shares of Series E Preferred Stock will be selected for redemption on a pro rata basis or by lot across holders of the series of Series E Preferred Stock selected for redemption. There is no Holder Optional Redemption Fee charged upon a Company Optional Redemption.

Holder Optional Redemption Fee

A Series E Preferred Stock is subject to an early redemption fee if it is redeemed by its holder within three years of its issuance. The amount of the fee equals a percentage of the Stated Value disclosed herein based on the year in which the redemption occurs after the Series E Preferred Stock is issued as follows:

- Prior to the first anniversary of the issuance of such Series E Preferred Stock: 9.00% of the Stated Value disclosed herein, which equals $2.25 per Series E Preferred Stock;
- On or after the first anniversary but prior to the second anniversary: 7.00% of the Stated Value disclosed herein, which equals $1.75 per Series E Preferred Stock;
- On or after the second anniversary but prior to the third anniversary: 5.00% of the Stated Value disclosed herein, which equals $1.25 per Series E Preferred Stock; and
- On or after the third anniversary: 0.00%.

The Company is permitted to waive the Holder Optional Redemption Fee. Although the Company has retained the right to waive the Holder Optional Redemption Fee in the manner described above, we are not required to establish any such waivers and we may never establish any such waivers.

Optional Redemption Following Death of a Holder

Subject to restrictions, beginning on the date of original issuance and ending at the end of the third year, we will redeem shares of Series E Preferred Stock of a beneficial owner who is a natural person (including a natural person who holds shares of Series E Preferred Stock through an Individual Retirement Account or in a personal or estate planning trust) upon his or her death at the written request of the beneficial owner's estate at a redemption price equal to the Settlement Amount without application of the Series E Holder Optional Redemption Fee.

Voting Rights

Holders of our Series E Preferred Stock do not have any Company voting rights.

Illiquidity	Even if the Company pursues other offerings, it is not anticipated that the Series E Preferred Stock will be publicly listed or quoted or that a market will develop for the Series E Preferred Stock. There is no guarantee that the Board will pursue any liquidity for the Series E Preferred Stock. Further, there is no guarantee or assurances given that the Company's common stock that may be issued on settlement of redemptions will be publicly listed or quoted on an excahnge.
Selling Commissions	Up to 7.0% of the Stated Value of each Series E Preferred Stock sold in the Offering will be paid by the Company to the Dealer Manager and reallowed to broker-dealers. Payment of the Selling Commissions by the Company may be reduced or waived in certain circumstances.
Dealer Manager Fee	Up to 3.0% of the Stated Value of each Series E Preferred Stock sold in the Offering will be paid by the Company to the Dealer Manager. Payment of the Dealer Manager Fee by the Company may be reduced or waived in certain circumstances.
Other Expenses	The Company, the Dealer Manager, a participating financial intermediary and/or broker dealer may incur other costs and expenses ("Other Expenses") associated with the sale, or the facilitation of the marketing, of Series E Preferred Stock, including, among other things, technology fees, certain wholesaling activities, certain legal expenses, the costs and expenses of sales training and educational meetings held by the Company or the Dealer Manager or for participating broker-dealer sponsored conferences, reasonable out-of-pocket due diligence expenses, provided that such expenses are detailed on itemized invoices. The Company will pay Other Expenses, directly or by reimbursing the Dealer Manager and/or a participating financial intermediary for Other Expenses, in an amount which, in the aggregate, will not exceed the greater of (a) $700,000 and (b) 3.5% of the gross proceeds of the Offering (the "Maximum Other Expenses"). The Company will not pay or reimburse Other Expenses in excess of the then applicable Maximum Other Expenses without advance approval by the Company's Board.

Use of Proceeds

Assuming that $50,000,000 shares of Series E Preferred Stock are sold in this Offering, after taking out the selling commissions and dealer manager fees, when combined with organization, offering and service expenses which do not exceed 13.5%, the net proceeds from this offering are estimated to be approximately $21.62 per Series E Preferred Stock. We intend to use the net proceeds from this Offering for the construction of new facilities and to address the Company's working capital needs. Any funds in excess of the costs of such construction may be used for construction of future facilities, general corporate purposes and for use in the operation of our business. Our Board has not adopted a specific policy for use of our Offering proceeds.

Except where the context suggests otherwise, whenever this PPM contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses if you become a common stockholder of in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

As there is no minimum offering amount for the Offering, upon the approval of any subscription in connection with a closing, the Company shall receive proceeds from the escrow account at the applicable bi-weekly closing for any subscriptions that close and may dispose of the proceeds in accordance with the Use of Proceeds. There is no assurance that your subscription will close on the next succeeding closing following receipt or acceptance of a subscription. See "Estimated Use of Proceeds" for additional information.

Transfers

A holder of Series E Preferred Stock may not sell, assign or transfer all or a portion of its Series E Preferred Stock without the prior written consent of the Company or the Servicing Agent (as defined below), which consent may be withheld in the Company's or the Servicing Agent's sole and absolute discretion. The Company or the Servicing Agent, in their sole discretion, may prevent a transfer for any reason, including, if such transfer would require the registration of the Series E Preferred Stock pursuant to any applicable federal, state, or local laws, including, without limitation, the Securities Act or the Investment Company Act of 1940, as amended (the "Investment Company Act"), or otherwise would violate any such laws.

Servicing Agent

The Company has retained Preferred Shareholder Services, LLC (the "Servicing Agent"), an affiliate of the Dealer Manager, to act as its agent to procure or otherwise deliver certain administrative services for the benefit of the Company for which the Servicing Agent will earn a fee (the "Servicing Fee"). Such services include certain non-offering issuer support services relating to the Series E Preferred Stock, including, for example, assistance with recordkeeping, transfers of Series E Preferred Stock, answering investor inquiries regarding the Company, including regarding distribution payments, helping investors understand their investments upon their request and assistance with redemptions. The Company is responsible for the Servicing Fee payments.

Risk Factors

An investment in our Series E Preferred Stock involves certain risks. You should carefully consider the risks above, as well as the other risks described under "***Risk Factors***" of this PPM before making an investment decision.

Auditor	The Company has engaged Marcum, LLP, a nationally recognized independent certified public accounting firm to serve as the auditor (the "Auditor") of its annual financial statements included in this PPM.
Material Tax Considerations	You should consult your tax advisors concerning the U.S. federal income tax consequences of owning our Series E Preferred Stock in light of your own specific situation, as well as consequences arising under the laws of any other taxing jurisdiction.
Transfer Agent	Computershare Trust Company, N.A. (the "Transfer Agent").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN INFORMATION CONTAINED IN THIS PPM CONSTITUTES "FORWARD-LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE," OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. DUE TO VARIOUS RISKS AND UNCERTAINTIES, ACTUAL EVENTS OR RESULTS OR THE ACTUAL PERFORMANCE OF THE COMPANY MAY MATERIALLY DIFFER FROM THOSE REFLECTED OR CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS.

These statements are based on our management's beliefs and assumptions, which are based on currently available information. Our actual results, and the assumptions on which we relied, could prove materially different from our expectations. You are cautioned not to place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- labor and other workforce shortages and challenges;
- our dependence on principal customers;
- the addition or loss of significant customers or material changes to our relationships with these customers;
- our sensitivity to general economic conditions including changes in disposable income levels and consumer spending trends;
- our ability to timely and successfully build new hosting facilities with the appropriate contractual margins and efficiencies;
- our ability to continue to grow sales in our hosting business;
- concentration of customers in the crypto mining industry, which customer base may decline due to price volatility and uncertainties around regulation policy of cryptoasset prices;
- that the Company may or may not elect to be taxed as a REIT, with differing tax consequences to us and our stockholders; and
- equipment failures, power or other supply disruptions; and

You should carefully review the risks described in "***Risk Factors***" Section as the occurrence of any of these events could have an adverse effect, which may be material, on our business, results of operations, financial condition or cash flows. Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this PPM. Any representation to the contrary is a criminal offense. The Company is not a government-sponsored enterprise or an instrumentality of the United States of America. Obligations of the Company are not guaranteed by the full faith and credit of the United States of America.

RISK FACTORS

Prospective Investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of your investment. Based on, among others, the factors described below and the possibility that partial or total loss of capital exists, investors should not subscribe unless they can readily bear the consequences of such loss. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently believe are immaterial may also become important factors that adversely affect our business. If any of the following risks occur, our business, operating results, financial condition and future prospects could be materially and adversely affected.

Risks Related to This Offering

There is no public market for the Series E Preferred Stock, and we do not expect one to develop.

There is no public market for the Series E Preferred Stock offered in this offering, and we currently have no plan to list these securities on a securities exchange or to include these shares for quotation on any national securities market. Additionally, the Series E Preferred Stock and any shares of our Common Stock that may be issued upon redemption of your Series E Preferred Stock contain restrictions and may not be transferred without registration of resales of such securities, or an exemption from requirements to register such resales, under the federal securities laws. The Company does not expect to register any such securities. These restrictions may inhibit your ability to sell the Series E Preferred Stock or any shares of our Common Stock that may be issued upon redemption of your Series E Preferred Stock promptly or at all. If you are able to sell any such securities, you may only be able to sell them at a substantial discount from the price you paid. If you elect to redeem your Series E Preferred Stock, it will be subject the Optional Redemption Fee and may be redeemed in shares of the Company's Common Stock. Therefore, you should purchase the Series E Preferred Stock only as a long-term investment. See *"Risks Related to our Common Stock"* below.

The Series E Preferred Stock is subordinated in right of payment to our existing and future debt, and your interests could be diluted by the issuance of additional preferred stock, including additional shares of Series E Preferred Stock, and by other transactions.

The Series E Preferred Stock is subordinated in right of payment to all of our existing and future debt. We are currently authorized to issue up to an aggregate of 5,000,000 shares of preferred stock in one or more series. Other than disclosed in this PPM, the terms of the Series E Preferred Stock do not restrict our ability to authorize or issue shares of a class or series of preferred stock with rights to distributions or upon liquidation that are on parity with or senior to the Series E Preferred Stock or to incur additional indebtedness. The issuance of additional preferred stock on parity with or senior to the Series E Preferred Stock would dilute the interests of the holders of the Series E Preferred Stock, and any issuance of preferred stock senior to the Series E Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem, or pay the liquidation preference on the Series E Preferred Stock. Additionally, none of the provisions relating to the Series E Preferred Stock relate to or limit our indebtedness or afford the holders of the Series E Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series E Preferred Stock.

Our Dealer Manager in our continuous offering may be unable to sell a sufficient number of shares of the Series E Preferred Stock and there is no minimum offering amount or "break escrow" amount established for this Offering.

Our ability to conduct our continuous private placement Offering successfully is dependent, in part, on the ability of our Dealer Manager to successfully establish, operate and maintain relationships with a network of financial intermediaries. If our Dealer Manager fails to perform, we may not be able to raise adequate proceeds through the private offering contemplated in this PPM to implement our investment strategy. If we are unsuccessful in implementing our investment strategy, you may lose all or a part of your investment. There is no minimum offering amount or amount required to "break escrow" established for this Offering. The knowledge that the minimum amount has been sold can be an important investment feature for some providing an aspect of validation of market acceptance of terms of a particular offering. Investors will not have the protections of a minimum offering amount in this Offering. Therefore, no prospective investor should place any reliance that any or even a significant amount of the Series E Preferred Stock will be sold in this Offering.

Dividends on the Series E Preferred Stock are accrued monthly, but payment of such dividends is discretionary. We cannot guarantee that we will be able to pay dividends in the future or what the actual dividends will be for any future period.

Future dividends on our Series E Preferred Stock will be declared and accrued monthly. Such dividends shall be payable upon Board approval, which may not be monthly, out of legally available funds in cash. The Board's determination of the time of payment of such dividends will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, any debt service requirements, the availability of legally available funds and any other factors our Board deems relevant. Accordingly, we cannot guarantee that we will be able to pay cash dividends on our Series E Preferred Stock or what the actual dividends will be for any future period. However, until we pay (or set apart for payment) the full cumulative dividends on the Series E Preferred Stock for all past dividend periods, our ability to make dividends and other distributions on our Common Stock (including redemptions) will be limited by the terms of the Series E Preferred Stock.

In the event you exercise your option to redeem Series E Preferred Stock, our ability to redeem such shares of Series E Preferred Stock may be subject to certain restrictions and limits.

Our ability to redeem shares of Series E Preferred Stock in cash may be limited to the extent that we do not have sufficient funds available and to the extent the cap on shares of our Common Stock that may be issued pursuant to the terms of the Offering has been reached and our shareholders have not approved exceeding such cap, taking into account such reserves and other considerations as our Board may determine in its sole discretion, to fund such cash redemption. Further, our obligation to redeem any of the shares of Series E Preferred Stock submitted for redemption in cash may be restricted by law.

The Series E Preferred Stock has not been rated.

The Series E Preferred Stock has not been rated by any nationally recognized statistical rating organization, which may negatively affect its value and your ability to sell such shares. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the value of the Series E Preferred Stock. In addition, we may elect in the future to obtain a rating of the Series E Preferred Stock, which could adversely impact the value of the Series E Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the value of the Series E Preferred Stock.

Shares of Series E Preferred Stock may be redeemed for shares of Common Stock, which rank junior to the Series E Preferred Stock with respect to dividends and upon liquidation, dissolution or winding up of our affairs.

We may opt to redeem Series E Preferred Stock with shares of our Common Stock in our sole and absolute discretion. The rights of the holders of shares of Series E Preferred Stock rank senior to the rights of the holders of shares of our Common Stock as to dividends and payments upon liquidation, dissolution or winding up of our affairs. Unless full cumulative dividends on our shares of Series E Preferred Stock for all past dividend periods have been paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our Common Stock for any period. Upon liquidation, dissolution or winding up of our affairs, the holders of shares of the Series E Preferred Stock are entitled to receive a liquidation preference of the Stated Value, plus all accrued but unpaid dividends, prior and in preference to any distribution to the holders of shares of our Common Stock or any other class of our equity securities junior to the Series E Preferred Stock. If we redeem your shares of Series E Preferred Stock for Common Stock, you will be subject to the risks of ownership of Common Stock. Ownership of the Series E Preferred Stock will not give you the rights of holders of our Common Stock. Until and unless you receive shares of our Common Stock upon redemption, you will have only those rights applicable to holders of the Series E Preferred Stock.

The Series E Preferred Stock will bear a risk of early redemption by us.

We will have the right to redeem, at our option, the outstanding shares of Series E Preferred Stock, in whole or in part through a Company Optional Redemption. It is likely that we would choose to exercise our Company Optional Redemption when prevailing interest rates have declined, which would adversely affect your ability to reinvest your proceeds from the redemption in a comparable investment with an equal or greater yield to the yield on the Series E Preferred Stock had the Series E Preferred Stock not been redeemed. We may elect to exercise our partial redemption right on multiple occasions.

The amount of your liquidation preference is fixed and you will have no right to receive any greater payment regardless of the circumstances.

The payment due upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs is fixed. Upon any liquidation, dissolution or winding up of our affairs, and after payment of the liquidating distribution has been made in full to the holders of Series E Preferred Stock, you will have no right or claim to, or to receive, our remaining assets.

We established the offering price and other terms for the Series E Preferred Stock pursuant to discussions between us and our Dealer Manager; as a result, the actual value of your investment may be substantially less than what you pay.

The offering price and net offering proceeds for the Series E Preferred Stock and the related selling commissions and dealer manager fees have been determined pursuant to discussions between us and our Dealer Manager, based upon our financial condition and the perceived demand. Because the offering price is not based upon any independent valuation, such as the amount that a firm-commitment underwriter is willing to pay for the securities to be issued, the offering price may not be indicative of the price that you would receive upon the sale of the Series E Preferred Stock in a hypothetical liquid market.

Series E Preferred Stock does not have any management or voting rights in the Company.

Unlike our Common Stock, our Series E Preferred Stock does not grant holders any voting rights. You will be dependent on our Board and our executive management for Company decisions, of which such decisions may not reflect your preferred approach or preference. Furthermore, we will have broad discretion in the application of the net proceeds from this Offering, and holders of the Series E Preferred Stock will not have the opportunity as part of their investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may result in investments that are not accretive to our results from operations.

Our ability to pay dividends and redeem shares of Series E Preferred Stock may be limited by the requirements of Nevada law.

Our ability to pay dividends and redeem shares of the Series E Preferred Stock is limited by the laws of Nevada. Applicable Nevada law provides that no distribution (including dividends on, or redemption or repurchases of, shares of capital stock) may be made if, after giving effect to such distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or, except as specifically permitted by the articles of incorporation, the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed at the time of a dissolution to satisfy the preferential rights of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on the Series E Preferred Stock or redeem shares of Series E Preferred Stock if, after giving effect to the distribution or redemption, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of the Series E Preferred Stock.

The Dealer Manager's relationship with us may cause a conflict of interest and may hinder the Dealer Manager's performance of its due diligence obligations.

In connection with the offering, we entered into a Dealer Manager Agreement with PCS. As Dealer Manager, PCS will receive selling commissions and a dealer manager fee, all or a portion of which it may re-allow to other broker-dealers, in connection with this Offering. The Company has also retained Preferred Shareholder Services, LLC, an affiliate of the Dealer Manager, to act as its agent to procure or otherwise deliver certain administrative services for the benefit of the Company for a Servicing Fee. These fees may cause a conflict of interest which may not be resolved in your favor.

The Dealer Manager also has certain obligations under the federal securities laws to undertake a due diligence investigation with respect to the parties involved in this Offering, including entities in which it has an affiliation. The fees and affiliation with us may cause a conflict of interest for Dealer Manager in carrying out its due diligence obligations. The absence of an independent due diligence review by the Dealer Manager may increase the risk and uncertainty you face as a potential investor in our Series E Preferred Stock.

Private Placement Compliance; Lack of Liquidity

Since this is not a public offering and, as such, is not registered under federal or state securities laws, Prospective Investors will not have the benefit of review by the SEC or any state securities regulatory authority.

The Series E Preferred Stock are being offered, and will be sold, to "accredited investors" in reliance upon a private offering exemption from registration provided by the Securities Act and applicable state securities laws. It is possible that one or more investors seeking rescission would succeed. This rescission right might also apply under the applicable state securities or "blue sky" laws and regulations in states where the Series E Preferred Stock are offered. If a number of investors were successful in seeking rescission, the Company would face severe financial demands that would adversely affect it as a whole and, thus, the investment in the Series E Preferred Stock by the remaining investors. Furthermore, there is "bad actor" risk pursuant to Rule 506(d) of Regulation D. Series E Preferred Stock are "restricted securities" and the Series E Preferred Stock are not transferable except as permitted by applicable law.

Risks Related to the Company

We are at an early stage of development of our hosting business, currently have limited sources of revenue, and may not become profitable in the future.

Although we began generating revenue from crypto mining in June 2021 and began generating revenue from hosting operations when our first co-hosting facility came online on February 2, 2022, we are subject to the risks and uncertainties of a new business, including the risk that we may never further develop, complete development of or market any of our proposed services. During the building of our co-hosting operations, we determined that it would be beneficial to our stockholders to focus more of our resources on building our co-hosting operations than on expanding our mining operations. Accordingly, in December 2021, we began selling our crypto mining equipment. On March 9, 2022, we ceased all crypto mining operations and completed the sale of all crypto mining equipment in service. We have no plans to return to crypto mining operations in the future.

Accordingly, we have only a limited history upon which an evaluation of our prospects and future performance can be made. Hosting revenues includes only fees from access to space and electricity and not maintenance or other services provided by us. Direct costs of sales from hosting includes operations, maintenance, and power related costs. However, any increased hosting revenue or decreased costs, for instance, as a result of pricing power, economies of scale and additional services provided, or any decrease in demand for our hosting services, for example as a result of increased regulation on cryptoasset mining of our hosting customers or a significant decrease in cryptoasset prices, will significantly change the terms on which we are able to enter into additional agreements necessary to expand our business and thus impact the results of our hosting revenues and direct hosting costs.

We intend to reduce the impact of such variability on our hosting revenue and hosting costs by entering into long term contracts with the goal of having one blue chip anchor tenant that has signed a 3-5 year long-term contract at each site and filling the rest of the facility with customers with 18-36 month terms. The actual results may vary significantly from the plans set forth above and we make no representations with respect thereto.

If we are unable to successfully implement our development plan or to increase our generation of revenue, we will not become profitable, and we may be unable to continue our operations. Furthermore, our proposed operations are subject to all business risks associated with new enterprises. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the continued development of advertising, promotions and a corresponding customer base. There can be no assurances that we will operate profitably.

Our success depends on external factors in the cryptomining industry.

We have a material concentration of customers in the crypto mining industry. The cryptomining industry is subject to various risks which could adversely affect our current customers' ability to continue to operate their businesses, including, but not limited to:

- ongoing and future government or regulatory actions that could effectively prevent our customers' mining operations, with little to no access to policymakers and lobbying organizations in many jurisdictions;
- a high degree of uncertainty about cryptoassets' status as a "security," a "commodity" or a financial instrument in any relevant jurisdiction which may subject our customers to regulatory scrutiny, investigations, fines, and other penalties;
- banks or financial institutions may close the accounts of businesses engaging in cryptoasset- related activities as a result of compliance risk, cost, government regulation or public pressure;
- use of cryptoassets in the retail and commercial marketplace is limited;
- extreme volatility in the market price of cryptoassets that may harm our customers financial resources, ability to meet their contractual obligations to us or cause them to reduce or cease mining operations;
- use of a ledger-based platform may not necessarily benefit from viable trading markets or the rigors of listing requirements for securities creating higher potential risk for fraud or the manipulation of the ledger due to a control event;
- concentrated ownership, large sales of cryptoassets, or distributions or redemptions by vehicles invested in cryptoassets could have an adverse effect on the demand or, and market price of, such cryptoasset;
- our customers could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto, rapidly changing technology or methods of, rules of, or access to, platforms;
- the number of cryptoassets awarded for solving a block in a blockchain could decrease which may adversely affect our customers' incentive to expend processing power to solve blocks and/or continue mining and our customers may not have access to resources to invest in increasing processing power when necessary in order to in order to maintain the continuing revenue production of their mining operations;
- our customers may face third parties' intellectual property claims or claims relating to the holding and transfer of cryptoassets and their source code, which, regardless of the merit of any such action, could reduce confidence in some or all cryptoasset networks' long-term viability or the ability of end-users to hold and transfer cryptoassets;
- contributors to the open-source structure of the cryptoasset network protocols are generally not directly compensated for their contributions in maintaining and developing the protocol and may lack incentive to properly monitor and upgrade the protocols;
- a disruption of the Internet on which our customers' business of mining cryptoassets is dependent;
- decentralized nature of the governance of cryptoasset systems, generally by voluntary consensus and open competition with no clear leadership structure or authority, may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles; and
- security breaches, hacking, or other malicious activities or loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' cryptoassets could adversely affect their ability to access or sell their cryptoassets or effectively utilize impacted platforms.

Even if we are able to diversify our customer base, negative impacts to the cryptomining industry may negatively affect our business, financial condition, operating results, liquidity and prospects.

Custody of cryptoassets involve unique risks and uncertainties not present in arrangements to safeguard assets that are not cryptoassets, including bankruptcy, legal, and economic risks and uncertainties and therefore since the

Company safeguards our customer's mining equipment or other technology anciliary to the digital asset industry, the Company will have indirect exposure to these risks.

Due to the unique characteristics of cryptoassets and the lack of legal precedent, there are significant legal questions surrounding how third party arrangements to safeguard cryptoassets would be treated in a court proceeding arising from an adverse event (e.g., fraud, loss, theft, or bankruptcy). Because custodially held cryptoassets may be considered to be the property of a bankruptcy estate, in the event of a bankruptcy, the cryptoassets held in custody could be subject to bankruptcy proceedings and such customers could be treated as general unsecured creditors of a custodial platform. Cryptoasset platforms are relatively new. Many are unlicensed, unregulated, operate without supervision by any governmental authorities, and do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. Since the inception of the cryptoeconomy, numerous cryptoasset platforms have been sued, investigated, or shut down due to fraud, manipulative practices, business failure, bankruptcy, and security breaches.

The United States and other key international economies have experienced cyclical downturns from time to time in which economic activity declined resulting in lower consumption rates, restricted credit, reduced profitability, weaknesses in financial markets, bankruptcies, and overall uncertainty with respect to the economy. The impact of general economic conditions on the cryptoeconomy is highly uncertain and dependent on a variety of factors, including market adoption of crypto assets, global trends in the cryptoeconomy, central bank monetary policies, and other events beyond our control. Furthermore, some of our customers or third-party service providers they rely on may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our results of operations, financial condition and cash flow.

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

We are a development stage company with a small management team and are subject to the strains of ongoing development and growth, which will place significant demands on our management and our operational and financial infrastructure. Although we may not grow as we expect, if we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business and financial results could be materially harmed. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify emerging trends and growth opportunities in this business sector and we may lose out on opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

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

As cryptoassets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. Future regulations may require our co-hosting customers to change their businesses in order to comply fully with federal and state laws regulating cryptoasset (including Ethereum and Bitcoin) mining. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business.

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

We expect to need to raise substantial additional capital to expand our operations, pursue our growth strategies and to respond to competitive pressures or unanticipated working capital requirements. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations.

If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our Common Stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of Common Stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, pay dividends to our shareholders, or take other actions. We may also be required to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

Any disruption of service experienced by certain of our third-party service providers, or our ineffective management of relationships with third-party service providers could harm our business, financial condition, operating results, cash flows, and prospects.

We rely on several third-party service providers for services that are essential to our business model, the most important of which are our suppliers of power, electrical equipment, building materials, and construction services. If these third parties experience difficulty providing the services we require, or if they experience disruptions or financial distress or cease operations temporarily or permanently, it could make it difficult for us to execute our operations. If we are unsuccessful in identifying or finding highly qualified third-party service providers, or if we fail to negotiate cost-effective relationships with them or if we are ineffective in managing and maintaining these relationships, it could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects.

Certain natural disasters or other external events could harm our business, financial condition, results of operations, cash flows, and prospects.

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

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

Certain conflicts of interest may exist, or be perceived to exist, between certain of our directors or officers and us. Mr. Cummins and certain of our directors have other business interests to which they also must devote time, resources and attention. These other interests may conflict with such officer's or director's interest in us, including conflicting with interests in allocating resources, time and attention to our business and impacting decisions made on our behalf with respect to such entities, their affiliates or competitors.

Our Service Providers (other than SparkPool which discontinued its operations as of June 2022) and Bitmain, operate businesses related to crypto mining. Specifically, GMR and Bitmain actively mine cryptoassets. Valuefinder consults with and advise other cryptoasset-related companies. Our Service Providers' and Bitmain's interest in their own

business and that of entities they advise may conflict with our interests and may impact the advice provided to us or our competitors such that our business, operations and financial results may be negatively impacted.

We do not have specific procedures in place with respect to potential conflicts of interest, however, in determining to engage with potential competitors and entities with whom our officers or directors may have relationships, we considered the risks and risk mitigation factors, including requiring that transactions with entities that are related to our officers and directors be approved or ratified by our Audit Committee. Recognizing that Mr. Cummins holds over 24% of our Common Stock, and our Service Providers, other than Xsquared which no longer operates, hold between 3.2% and 7.5% of our Common Stock, all of them have a financial interest in the success of our operations. Additionally, none of our Service Providers or Bitmain operate in the co-hosting business.

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

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

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

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

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

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

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

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

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

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

If our co-hosting customers determine not to use our co-hosting facility, our co-hosting operations may suffer from significant losses.

We have material customer concentration in our co-hosting business. We have entered into contracts with five customers to utilize our first co-hosting facility in North Dakota. These five customers account for 100% of the revenue from our first co-hosting facility (100 MW). These customers have also contracted for 85 MW of power at our second co-hosting facility once it is completed and operational. In addition, in July 2022, the Company entered into a five-year hosting contract with Marathon Digital Holdings, Inc. for 270 MW of mining capacity which will be hosted at the Company's Texas and second North Dakota facilities. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers.

Additionally, as a result of the risks our crypto mining customers face, it is not possible for us to predict the future level of demand for our services that will be generated by these customers or the future demand for the products and services of these customers. Should some or all of our co-hosting customers suffer from harm or loss due to a set of circumstances, their businesses could be negatively impacted or prevented. Further, our contracts with these customers permit them to terminate our services at any time (subject to notice and certain other provisions).

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

Under the Inflation Reduction Act of 2022, we may have liability for the 1% stock buyback tax to the extent holders of Series E Preferred Stock redeem such stock.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax (the "Excise Tax") on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign

corporations occurring on or after January 1, 2023. The Excise Tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the Excise Tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the Excise Tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the Excise Tax. The U.S. Department of the Treasury (the "Treasury") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the Excise Tax. Any share redemption or other share repurchase that occurs after December 31, 2022 may be subject to the Excise Tax. Whether and to what extent we would be subject to the Excise Tax will depend on a number of factors, including (i) the fair market value of any redemptions and repurchases, (ii) the nature and amount of any equity issuances, and (iii) the content of regulations and other guidance from the Treasury. Depending on the number of holders of Series E Preferred Stock who redeem their stock, the Excise Tax could be applicable to the Company and adversely affect the cash we have available for our operations.

We maintain cash deposits in excess of federally insured limits. Adverse developments affecting financial institutions, including bank failures, could adversely affect our liquidity and financial performance.

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks that exceed the FDIC insurance limits. Bank failures, events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about such events, may lead to liquidity constraints. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the FDIC. The failure of a bank, or other adverse conditions in the financial or credit markets impacting financial institutions at which we maintain balances, could adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S., or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis.

Accounting for our power purchase agreements could cause variability in the results we report.

With respect to certain of our power purchase agreements, it is both possible and probable that we will net settle them, meaning that we have the ability and intent to sell power back into the grid in lieu of taking full physical delivery of all of the contracted power. Accordingly, these agreements will meet the definition of an accounting derivative. This means that these agreements will be accounted for at fair value at each quarterly measurement period, and these values may fluctuate significantly. As a result, our consolidated financial statements and results of operations may fluctuate quarterly based on factors outside of our control. We could have substantial variability in our financial results and disclosures, which, if material, could affect our operating results and in turn could impact our stock price. Investors should consider such derivative accounting matters when evaluating our financial results

Risks Related to our Common Stock

The liquidity of our Common Stock is uncertain; the limited trading volume of the Common Stock may depress the price of such stock or cause it to fluctuate significantly.

In the event we fulfill a Series E Preferred Stock redemption request with a portion of Company Common Stock, you will be subject to the risks, uncertainties and prospects associated with owning Company Common Stock. Although our Common Stock is listed on Nasdaq, there has been a limited public market for the Common Stock and there can be no assurance that a more active trading market will develop. Any Common Stock that may be issued upon

redemption of your Series E Preferred Stock will contain restrictions and may not be transferred without registration of resales of such Common Stock, or an exemption from requirements to register such Common Stock, under the federal securities laws. The Company does not expect to register any such Common Stock. As a result, shareholders may not be able to sell shares of Common Stock in short time periods, or possibly at all.

The price of our Common Stock may have little or no relationship to the historical bid prices of our Common Stock and continued volatility may affect the price at which you could sell our Common Stock.

Until our Common Stock was listed on Nasdaq Global Select Market on April 12, 2022, there had been no public market for our capital stock other than the OTC Pink. Given the limited history of sales and the lack of publicly available information about our business, financing and financial results available, among other factors, the historical bid prices prior to April 12, 2022 may have little or no relation to broader market demand for our Common Stock and thus the price of our Common Stock. As a result, you should not rely on these historical sales prices as they may differ materially from the price of our common after April 12, 2022.

The trading price of our Common Stock has been volatile and may continue to be volatile in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on an investment in our securities:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- relative success of our competitors;
- our operating results failing to meet the expectations of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us and the market for our co-hosting facilities;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to continue to expand our operations;
- changes in laws and regulations affecting our business or our industry;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the borrowing of additional debt;
- the volume of shares of Common Stock available for public sale pursuant to an effective registration statement or exemption from registration requirements;
- any major change in our board of directors or management;
- sales of substantial amounts of our Common Stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, international currency and crypto currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our Common Stock irrespective of our operating performance. The stock market in general, and Nasdaq in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected.

The trading prices and valuations of these stocks, and of our Common Stock, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies that investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our Common Stock also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

We do not expect to declare or pay dividends on our Common Stock in the foreseeable future, which may limit the return our shareholders realize on their investment.

We do not expect to declare or pay dividends on our Common Stock in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Therefore, holders of our Common

Stock may not receive any return on their investment in our Common Stock unless and until the value of such Common Stock increases and they are able to sell such shares of Common Stock, and there is no assurance that any of the foregoing will occur.

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

We are a newly public company and are now required to comply with the SEC's rules implementing Section 302 of the Sarbanes-Oxley Act ("SOX"), which requires our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. We will not be required to make our first assessment of our internal control over financial reporting until the year following this annual report, (i.e., the fiscal year ending May 31, 2023). To comply with the requirements of being a public company, we will need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting, finance and legal staff.

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

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

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

In the future, we may issue additional shares of capital stock in our company, resulting in the dilution of current stockholders' relative ownership. Our board and stockholders have approved an employee incentive plan and a non-employee director incentive plan. We have reserved 15,166,666 shares of our Common Stock for future issuance under our plans. Such conversions and issuances would also result in dilution of current stockholders' relative ownership.

On January 6, 2022, we and Antpool entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC pursuant to which we and Antpool will own 80% and 20%, respectively, of 1.21 Gigawatts. Antpool's interest in each such entity will be convertible by it at any time into a number of shares of our Common Stock equal to Antpool's capital contribution in connection with the acquisition of such interests divided by $1.25 (or $7.50 after giving effect to the Reverse Stock Split). Antpool's potential ownership of our Common Stock is dependent on its capital contributions to 1.21 Gigawatts which in turn will depend on which projects are approved by us and Antpool and the costs associated therewith. Accordingly, we cannot predict the amount of Antpool's potential ownership of our Common Stock.

On January 14, 2022, we granted an aggregate of 1,791,666 restricted stock units ("RSUs") to three consultants, consisting of 125,000 RSUs to Roland Davidson, who acts as our Executive Vice President of Engineering, 416,666 RSUs to Nick Phillips, our Executive Vice President of Hosting and Public Affairs, and 1,250,000 RSUs to Etienne Snyman, who acts as our Executive Vice President of Power. Subsequently, Mr. Phillips' 416,666 RSUs were terminated and Mr. Phillips was hired as an employee receiving awards under our employee incentive plan.

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

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

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

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

The effect of the control share law is that the acquiring person, and those acting in association with it, obtains only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to strip voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell its shares to others. If the buyers of those shares themselves do not acquire a controlling interest, their shares do not become governed by the control share law. If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, any stockholder of record, other than an acquiring person, who has not voted in favor of approval of voting rights is entitled to demand fair value for the redemption of such stockholder's shares. Nevada's control share law may have the effect of discouraging takeovers of the corporation.

In addition to the control share law, Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and "interested stockholders" for two years after the "interested

stockholder" first becomes an "interested stockholder," unless our Board approves the combination in advance or thereafter by both the Board and 60% of the disinterested stockholders. For purposes of Nevada law, an "interested stockholder" is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The definition of the term "business combination" is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation's assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders. The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of us from doing so if it cannot obtain the approval of our Board.

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

We expect the trading market for our Common Stock to be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. As a new public company, we have only minimal research coverage by securities and industry analysts. If we do not expand securities or industry analyst coverage, or if one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and our Common Stock to be less liquid. Moreover, if one or more of the analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, or if our results of operations do not meet their expectations, our stock price could decline.

We may not be able to maintain the listing of our Common Stock on Nasdaq, which may adversely affect the ability of holders of Common Stock to resell their securities in the secondary market.

Our Common Stock is presently listed on Nasdaq, which requires us to meet certain conditions to maintain our listing status. If the Company is unable to meet the continued listing criteria of Nasdaq and the Common Stock became delisted, trading of the Common Stock could thereafter be conducted in the over-the-counter markets in the OTC Pink, also known as "pink sheets" or, if available, on another OTC trading platform. We cannot assure you that we will meet the criteria for continued listing, in which case the Common Stock could become delisted. Any such delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the loss of confidence in our financial stability by suppliers, customers and employees. Investors would likely find it more difficult to dispose of, or to obtain accurate market quotations for, the Common Stock, as the liquidity that Nasdaq provides would no longer be available to investors. In addition, the failure of our Common Stock to continue to be listed on the Nasdaq could adversely impact the market price for the Common Stock and our other securities, and we could face a lengthy process to re-list the Common Stock, if we are able to re-list such Stock.

We are a public reporting company. There are ongoing costs in maintaining compliance with being a public reporting company and our management will spend a significant amount of time ensuring such compliance. These costs and the amount of time our management will spend will not be impacted by the offer or sale of any number of shares of Series E Preferred Stock. If we are unable to maintain compliance with our public reporting company obligations, our securities may be delisted and we may be unable to re-list our Common Stock on another national stock exchange or quotation system.

Risks Related to REIT Status

We have not yet determined if or when we may elect to be taxed as a REIT.

Our board of directors has not yet determined whether we will elect to be taxed as a REIT and/or when any such election would be effective. In addition, even if we do make an election to be taxed as a REIT, our board of directors may revoke or otherwise terminate the REIT election of the Company, without the approval of holders of the common stock, if the board determines that it is no longer in the best interest of the stockholders to continue to qualify as a REIT. We can make no assurance that we will ever elect to be taxed as a REIT or, if we do make such an election, that such REIT election will be in place during a stockholder's entire holding period of our stock. Our board of directors' broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks our stockholders face.

Our qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Code. If we fail to quality as a REIT after electing to be taxed as a REIT, we would generally be disqualified from qualifying as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. To qualify for REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our REIT taxable income, determined without regard for any deduction for distributions paid and excluding any net capital gain to our stockholders. If we do not qualify as a REIT (either because we choose not to elect to be taxed as a REIT or because we failed to so qualify after having made a REIT election), this would reduce our net earnings available for distribution and would adversely affect the timing, amount, and character of distributions to our common stockholders. If we do not elect to be taxed as a REIT or fail to maintain REIT status, we will continue to be subject to federal income tax at regular corporate rates.

If we elect REIT status, the REIT ownership and distribution requirements may inhibit opportunities or have an impact on the Company.

If we elect to be taxed as a REIT, then in order to qualify as a REIT, we must satisfy certain tests on an ongoing basis concerning, among other things, ownership requirements, the sources of our income, nature of our assets, and the amounts we distribute to our stockholders. For example, in order for us to qualify as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after the first year for which we elect to qualify as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a taxable year (other than the first taxable year for which we elect to be taxed as a REIT). Additionally, as typical for REITs, our board of directors would likely pursue an amendment of our Articles to restrict any person from owning more than 9.8% by value of our outstanding capital stock. These ownership limits could delay or prevent a transaction or a change in control of our company that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

If we elect to be taxed as a REIT and we do not have other funds available to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement, we could be subject to corporate income tax and the 4% excise tax in a particular year. To qualify as a REIT, we must not have any non-REIT accumulated earnings and profits, as measured for U.S. federal income tax purposes, at the end of any REIT taxable year. Such non-REIT earnings and profits generally will include any accumulated earnings and profits of any corporations acquired by us (or whose assets we acquire), which, for this purpose, would include any earnings and profits we have in a taxable year in which we were taxed as a C corporation prior to the taxable year in which our REIT election is effective.

PLAN OF DISTRIBUTION

The Offering

The Company currently intends to sell up to $50,000,000 Series E Preferred Stock in a continuous private offering (the "Offering") until the earlier of: (i) the maximum number of Series E Preferred Stock are sold or (ii) March 31, 2024 (the "Outside Offering Date"). The Company will offer its Series E Preferred Stock in this Offering pursuant to this private placement memoranda (the "PPM"). The Company may terminate the Offering at any time or extend the Offering. The Company may, in its sole discretion, increase the maximum amount of Series E Preferred Stock to be sold in this Offering up to $100,000,000 shares of Series E Preferred Stock. Upon Board approval, the Company may, in its sole discretion, extend the term of the Offering beyond the Outside Offering Date for two additional one-year periods. If the Company decides to increase the maximum Offering in excess of $50,000,000 or to extend the Offering beyond the Outside Offering Date, the Company will provide that information in a supplement to the PPM; however, in no event will the Company extend the Offering beyond three (3) years from the date of this PPM.

The Offering is being made in a "private placement" pursuant to Rule 506(b) under Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Series E Preferred Stock is a suitable investment only for sophisticated investors who fully understand, and are willing to assume, and have the financial resources to withstand, the risks involved in an investment in the Company's Series E Preferred Stock. The Offering is limited to "accredited investors" as defined under Regulation D promulgated under the "Securities Act" and discussed below.

The Series E Preferred Stock will be offered to prospective investors on a best efforts basis by Preferred Capital Securities, LLC ("PCS" or the "Dealer Manager"), a member of the Financial Industry Regulatory Authority ("FINRA"). Best efforts means that our Dealer Manager is not obligated to purchase any specific number or dollar amount of the Series E Preferred Stock, but it will use its best efforts to sell the Series E Preferred Stock. Our Dealer Manager may engage additional broker-dealers who are members of FINRA or other financial intermediaries exempt from broker-dealer registration (collectively, "Financial Intermediaries") to assist in the sale of the Series E Preferred Stock. There is no minimum offering amount established for this Offering.

Suitability Requirements

This offering is limited to "Accredited Investors" as defined under Rule 501 of Regulation D. If you meet one of the following tests you qualify as an Accredited Investor:

(i) You are a natural person who has had individual income in excess of $200,000 in each of the two most recent years, or joint income with your spouse (or spousal equivalent) in excess of $300,000 in each of these years, and have a reasonable expectation of reaching the same income level in the current year;

(ii) You are a natural person and your individual net worth, or joint net worth with your spouse (or spousal equivalent), exceeds $1,000,000 at the time you purchase the Series E Preferred Stock (please see below on how to calculate your net worth);

(iii) You are an executive officer, director, trustee, general partner or advisory board member of the issuer or a person serving in a similar capacity as defined in the Investment Company Act of 1940, as amended, the Investment Company Act, or a manager or executive officer of the general partner of the issuer;

(iv) You are an investment adviser registered pursuant to Section 203 of the Investment Advisers Act of 1940 or an exempt reporting adviser as defined in Section 203(l) or Section 203(m) of that act, or an investment adviser registered under applicable state law.

(v) You are an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, the Code, a corporation, a Massachusetts or similar business trust or a partnership or limited liability company, not formed for the specific purpose of acquiring the Series E Preferred Stock, with total assets in excess of $5.000.000;

(vi) You are an entity, with investments, as defined under the Investment Company Act, exceeding $5,000,000, and you were not formed for the specific purpose of acquiring the Series E Preferred Stock;

(vii) You are a bank or a savings and loan association or other institution as defined in the Securities Act, a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, the Exchange Act, an insurance company as defined by the Securities Act, an investment company registered under the Investment Company Act of 1940, as amended, the Investment Company Act, or a business development company as defined in that act, any Small Business Investment Company licensed by the Small Business Investment Act of 1958, any Rural Business Investment Company as defined in the Consolidated Farm and Rural Development Act of 1961 or a private business development company as defined in the Investment Advisers Act of 1940;

(viii) You are an entity with total assets not less than $5,000,000 (including an Individual Retirement Account trust) in which each equity owner is an accredited investor;

(ix) You are a trust with total assets in excess of $5,000,000, your purchase of the Series E Preferred Stock is directed by a person who either alone or with his purchaser representative(s) (as defined in Regulation D promulgated under the Securities Act) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, and you were not formed for the specific purpose of investing in the Series E Preferred Stock; or

(x) You are a family client of a family office, as defined in the Investment Advisers Act, with total assets not less than $5,000,000, your purchase of the Series E Preferred Stock is directed by a person who has such knowledge and experience in financial and business matters that the family office is capable of evaluating the merits and risks of the prospective investment, and the family office was not formed for the specific purpose of investing in the Series E Preferred Stock;

(xi) You are a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has assets in excess of $5,000,000; or

(xii) You are a holder in good standing of certain professional certifications or designations, including the Financial Industry Regulatory Authority, Inc. Licensed General Securities Representative (Series 7), Licensed Investment Adviser Representative (Series 65), or Licensed Private Securities Offerings Representative (Series 82) certifications.

Additionally, the Series E Preferred Stock is a suitable investment only for sophisticated investors who fully understand, and are willing to assume, and have the financial resources to withstand, the risks involved in an investment in the Company's Series E Preferred Stock. The investor suitability standards represent minimum suitability requirements as established by the Company for prospective investors. Accordingly, the satisfaction of such suitability standards by a prospective investor will not necessarily mean that the Series E Preferred Stock are a suitable investment for such prospective investor or that the Company will accept the investor as a holder of Series E Preferred

Stock. Furthermore, the Company may, in its sole discretion, modify such requirements from time to time, and any such modification may raise the suitability requirements for investors.

The broker-dealers and registered investment advisors recommending the purchase of Series E Preferred Stock in this Offering have the responsibility to make every reasonable effort to determine that your purchase of Series E Preferred Stock in this Offering is a suitable and appropriate investment for you based on information provided by you regarding your financial situation and investment objectives. In making this determination, these persons have the responsibility to ascertain that you:

- meet the minimum income and net worth standards set forth in this PPM;
- can reasonably benefit from an investment in our Series E Preferred Stock based on your overall investment objectives and portfolio structure;
- are able to bear the economic risk of the investment based on your overall financial situation;
- are in a financial position appropriate to enable you to realize to a significant extent the benefits described in this PPM of an investment in our Series E Preferred Stock; and
- have apparent understanding of:
    - the fundamental risks of the investment;
    - the risk that you may lose your entire investment;
    - the lack of liquidity of our Series E Preferred Stock;
    - the restrictions on transferability of our Series E Preferred Stock; and
    - the tax consequences of your investment.

Relevant information for this purpose will include at least your age, investment objectives, investment experience, income, net worth, financial situation, and other investments as well as any other pertinent factors.

Dealer Manager

The Company has engaged PCS, a registered broker-dealer and member of FINRA, to serve as the Dealer Manager for the Offering. PCS is a third-party managing broker-dealer focused on the wholesale distribution of high-quality alternative investments to Independent Broker-Dealers (IBDs) and Registered Investment Advisors (RIAs) across the United States and Puerto Rico. The Dealer Manager will act as a distributor of the Series E Preferred Stock offered by this PPM. The Series E Preferred Stock are being offered on a reasonable "best efforts" basis, which means generally that the Dealer Manager is required to use only its best efforts to sell the Series E Preferred Stock and it has no firm commitment or obligation to purchase any of the Series E Preferred Stock. The Dealer Manager is headquartered at 3284 Northside Parkway, NW Suite 150, Atlanta, GA 30327. The agreement with the Dealer Manager may be terminated by either party upon 30 days' written notice. The Dealer Manager may engage unrelated, third-party participating broker-dealers in connection with this Offering of Series E Preferred Stock. As used in this PPM, the term participating financial intermediary includes the Dealer Manager, other members of FINRA, registered investment advisers and other entities exempt from broker-dealer registration. The Company may suspend or terminate this Offering in its sole discretion.

Selling Commission and Dealer Manager Fees

The Company, out of its net assets, will pay to the Dealer Manager: (a) selling commissions of up to 7.0% of the Series E Preferred Stock Stated Value for the sale of Series E Preferred Stock in this Offering ("Selling Commissions") and (b) dealer manager fees of up to 3.0% of the Series E Preferred Stock Stated Value for the sale of Series E Preferred Stock in this Offering ("Dealer Manager Fees"). The Dealer Manager may reallow all or a portion of the Selling Commissions or Dealer Manager Fees to a participating Financial Intermediary. Payment of the Selling Commissions or Dealer Manager Fees by the Company may be reduced or waived in certain circumstances.

Reductions in Selling Commissions and Dealer Manager Fees

The Dealer Manager will utilize multiple distribution channels to sell Series E Preferred Stock, including through FINRA-registered broker-dealers, registered investment advisers and other financial intermediaries exempt from broker-dealer registration. Although the price of the Series E Preferred Stock will remain at $25.00 per share, the Company expects that Selling Commissions and the Dealer Manager Fee paid by the Company could be reduced or waived for particular sales from time to time upon agreement of the Dealer Manager and the participating financial intermediary, if any, involved in the sale and in connection with Series E Preferred Stock placements through registered investment advisers thereby reducing the price per share paid by particular investors but not the net proceeds to the Company. The Company also expects that Selling Commissions and the Dealer Manager Fee paid by the Company could likewise be reduced or waived for purchases by registered representatives, associated persons or principals of the Managing Dealer or participating financial intermediaries, and their respective affiliates, officers and employees.

Fees and Expenses

Except where the context suggests otherwise, whenever this PPM contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses if you become a common stockholder of in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

The Company, the Dealer Manager, a participating financial intermediary and/or broker dealer may incur other costs and expenses ("Other Expenses") associated with the sale, or the facilitation of the marketing, of Series E Preferred Stock, including, among other things, technology fees, certain wholesaling activities, certain legal expenses, the costs and expenses of sales training and educational meetings held by the Company or the Dealer Manager or for participating broker-dealer sponsored conferences, reasonable out-of-pocket due diligence expenses, provided that such expenses are detailed on itemized invoices.

The Company will pay Other Expenses, directly or by reimbursing the Dealer Manager and/or a participating financial intermediary for Other Expenses, in an amount which, in the aggregate, will not exceed the greater of (a) $700,000 and (b) 3.5% of the gross proceeds of the Offering (the "Maximum Other Expenses"). The Company will not pay or reimburse Other Expenses in excess of the then applicable Maximum Other Expenses without advance approval by the Company's Board.

The Selling Commission and Dealer Manager Fees, when combined with Other Expenses, will not exceed 13.5% of the gross offering proceeds without the prior approval of the Company's Board.

Indemnification of the Dealer Manager

To the extent permitted under applicable law and the Company's Articles, the Company has agreed to indemnify the Dealer Manager and participating Financial Intermediaries against certain liabilities arising under the Securities Act

and liabilities arising from breaches of the Company's representations and warranties contained in the Dealer Manager Agreement. The Dealer Manager has agreed to indemnify the Company and its officers and directors, if applicable, against certain liabilities arising under the Securities Act and liabilities arising from breaches of the Dealer Manager's representations and warranties contained in the Dealer Manager Agreement.

Sales Literature

In addition to this PPM, the Company may make use of brochures, pamphlets and other sales literature describing certain aspects of the Company's business and this Offering. However, this Offering is made only by means of this PPM and the documents provided herewith. The information in the supplemental sales material does not purport to be complete and should not be considered a part of this PPM, or as incorporated in this PPM by reference or as forming the basis of this Offering. No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this PPM or in any sales literature issued by Company and referred to in this PPM, and, if given or made, such information or representations must not be relied upon.

Notice to Prospective Non-U.S. Investors

Non-U.S. investors located within the United States may purchase our Series E Preferred Stock. However, the Series E Preferred Stock described in this PPM have not been registered and are not expected to be registered under the laws of any country or jurisdiction. To the extent you are a citizen of, or domiciled in, a country or jurisdiction outside of the United States, please consult with your advisors before purchasing or disposing of Series E Preferred Stock. This PPM does not constitute an invitation or offer to the public in locations outside of the United States, whether by way of sale or subscription. Participants in this Offering may not offer or sell any Series E Preferred Stock outside of the United States.

Subscription Process

Prospective Investors seeking to purchase Series E Preferred Stock should read this entire PPM, including all appendices and supplements hereto and deliver a check or submit a wire transfer for the full purchase price of the Series E Preferred Stock being subscribed for along with the completed subscription agreement. Your check should be made payable, or wire transfer directed to the account as set forth in the subscription agreement. The minimum permitted purchase is generally $10,000, but purchases less than $10,000 may be made in our sole discretion.

Except in certain limited situations, the Company has delegated its authority to accept subscriptions to the transfer agent and Dealer Manager and authorized the Dealer Manager to schedule bi-weekly closings on subscriptions received and accepted. However, there is no assurance that your subscription will close on the next succeeding closing following receipt of your subscription date. Subscriptions will be effective only upon acceptance, and the Company, and the transfer agent or Dealer Manager on the Company's behalf, reserve the right, in each of their sole discretion, to accept or reject any subscription in whole or in part. There is no assurance that your subscription will be accepted.

Funds received in connection with a subscription will be placed in a non-interest bearing escrow account pending closing. Subscriptions will be accepted or rejected within thirty (30) calendar days of receipt of a subscription by our escrow agent. If a subscription is rejected, all subscription proceeds will be returned to you without deduction for any expenses within ten (10) business days from the date such subscription is rejected. Subscription funds held in the non-interest bearing account following the escrow period do not accrue interest or any other benefits to you. Upon closing, accepted investment proceeds will be transferred to our operating account.

All subscription documents will be sent to our transfer agent. Once our transfer agent receives subscription documents as set forth above, it will make a determination regarding whether or not the investor's subscription documents are in good order. If the investor's subscription documents are found to be in good order, then the investor's funds will remain in escrow pending closing. There is no assurance that your subscription will close on the next succeeding closing following receipt of your subscription agreement. Subscriptions will be effective only upon acceptance, and the Company, and the transfer agent or Dealer Manager on the Company's behalf, reserve the right, in each of their sole discretion, to accept or reject any subscription in whole or in part. There is no assurance that your subscription will be accepted.

ESTIMATED USE OF PROCEEDS

The following tables present information about how the proceeds raised in this Offering will be used. Information is provided assuming the sale of $50,000,000 worth of shares of Series E Preferred Stock and the sale of $100,000,000, if the Company, in its sole discretion, increases the maximum Offering amount to $100,000,000. Many of the numbers in the table are estimates because all fees and expenses cannot be determined precisely at this time. The actual amount of expenses cannot be determined at the present time and will depend on numerous factors, including the aggregate amount borrowed by us.

We intend to use the net proceeds from this Offering for construction of new facilities and to address the Company's working capital needs. Any funds in excess of the costs of such construction may be used for construction of future facilities, general corporate purposes and for use in the operation of our business. The actual use of proceeds will be different than the figures presented in the table if we do not raise $50,000,000. The amounts reflected below are estimates. Our Board has not adopted a specific policy for use of the Offering proceeds.

	Maximum Sale of $50,000,000 in this Offering		**Maximum Sale of $100,000,000 in this Offering**	
	Amount ($)	**Percent of Offering Proceeds**	**Amount ($)**	**Percent of Offering Proceeds**
Gross Proceeds[1]	50,000,000	100.00 %	100,000,000	100.00 %
Less Offering Expenses[2]				
Selling Commissions[2]	3,500,000	7.00 %	7,000,000	7.00 %
Dealer Manager Fee	1,500,000	3.00 %	3,000,000	3.00 %
Other Expenses[3]	1,750,000	3.50 %	3,500,000	3.50 %
Net Proceeds available for use by the Company	43,250,000	86.50 %	86,500,000	86.50 %
Use of Net Proceeds				
Construction of facilities	43,250,000	100 %	86,500,000	100 %

(1) See the section of this PPM entitled "Plan of Distribution" for a description of the circumstances under which Selling Commissions and Dealer Manager fees may be reduced in connection with certain purchases including, but not limited to, purchases by investors that are clients of a registered investment adviser, registered representatives or principals of the Managing Dealer or participating financial intermediaries, and their respective affiliates, officers and employees.

(2) This includes (a) Selling Commissions of up to 7.00% of gross offering proceeds on the sale of Series E Preferred Stock and (b) a Dealer Manager Fee of up to 3.00% of gross offering proceeds on the sale of Series E Preferred Stock All Selling Commissions and Dealer Manager Fees will be paid by the Company out of its net assets to PCS as our managing broker-dealer, who may reallow all or any portion of such amount to Financial Intermediaries.

(3) The Company, the Dealer Manager, a participating financial intermediary and/or broker dealer may incur other costs and expenses ("Other Expenses") associated with the sale, or the facilitation of the marketing, of Series E Preferred Stock, including, among other things, technology fees, certain wholesaling activities, certain legal expenses, the costs and expenses of sales training and educational meetings held by the Company or the Dealer Manager or for participating broker-dealer sponsored conferences, reasonable out-of-pocket due diligence expenses, provided that such expenses are detailed on itemized invoices. The Company will pay Other Expenses, directly or by reimbursing the Dealer Manager and/or a participating financial intermediary for Other Expenses, in an amount which, in the aggregate, will not exceed the greater of (a) $700,000 and (b) 3.5% of the gross proceeds of the Offering (the "Maximum Other Expenses"). The Company will not pay or reimburse Other Expenses in excess of the then applicable Maximum Other Expenses without advance approval by the Company's Board.

Except where the context suggests otherwise, whenever this PPM contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, the Company will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses if you become a common stockholder of in the Company. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

OUR BUSINESS

Business

We are a designer, builder and operator of next-generation digital infrastructure. We have three primary businesses, artificial intelligence ("AI") cloud services, high performance computing ("HPC") datacenter hosting, and crypto datacenter hosting.

AI Cloud Service

Our AI Cloud service operates through our Sai Computing brand and provides cloud services applicable to artificial intelligence.

On October 13, 2022, we formed Sai Computing, LLC ("Sai Computing"). Sai Computing was formed to provide artificial intelligence and machine learning application customers with access to machines and a hosting environment.

On May 15, 2023, we announced the formal launch of our AI Cloud services business through Sai Computing. On May 16, 2023, we announced that Sai Computing secured its first major AI customer with an agreement worth up to $180 million over a 24-month period. The customer will make a significant pre-payment as part of the agreement. The service is expected to start coming online in June 2023 and is expected to be fully ramped up by the end of 2023.

On May 25, 2023, we formed Sai Computing Holdings LLC ("Sai Holdings") and Sai-Foundry Computing LLC ("Sai Foundry"). Sai Holdings serves as the parent entity over Sai Computing and Sai-Foundry, and Sai-Foundry will serve as the joint venture entity between the Company and Foundry Technologies ("Foundry"). We have a 98% ownership interest in Sai-Foundry and consolidate the entity.

HPC Datacenter Hosting

Our HPC datacenter business designs, builds, and operates Next-Gen datacenters which are designed to provide massive computing power and support high-compute applications within a cost-effective model.

On December 14, 2022, we announced the beginning of construction of a 5 megawatt ("MW") facility next to the Company's currently operating 100-MW hosting facility in Jamestown, North Dakota. This separate and unique building, designed and purpose-built for Graphics Processing Units ("GPUs"), will sit separate from the our crypto hosting buildings and will host more traditional high performance computing applications, such as natural language processing, machine learning, and additional HPC developments. During early 2023, we began testing HPC hosting at this facility.

We have current plans to expand our HPC hosting capacity up to 200 MW through buildouts at existing and future locations.

Crypto Datacenter Hosting

Our crypto datacenter hosting business provides infrastructure and colocation services to crypto mining customers. With expert advisors in the fields of power, crypto mining operations, procurement, and construction, we have designed a plan for a prefabricated facility and organization within the facility that can be delivered and installed quickly and maximize performance and efficiency of the facility and our customers' crypto mining equipment. We

provide energized space for customers to host computing equipment. Initially, these datacenters primarily hosted servers serving the Bitcoin network, but these facilities can also host hardware for other applications such as artificial intelligence, protein sequencing, drug discovery, machine learning and additional blockchain networks and applications. We have a colocation business model where our customers place hardware they own into our facilities and we provide full operational and maintenance services for a fixed fee. We typically enter into long-term fixed rate contracts with our customers.

Jamestown, North Dakota Datacenter

We purchased property in Jamestown, North Dakota on which we constructed our first co-hosting facility. Construction of our first co-hosting facility began in September 2021. On February 2, 2022, we brought our first facility online and it has been fully operational since that date. We also entered into agreements with five customers (JointHash Holding Limited (a subsidiary of GMR), Spring Mud (a subsidiary of GMR), Bitmain Technologies Limited, F2Pool Mining, Inc. and Hashing LLC) which utilize the total available energy under the Amended and Restated Energy Services Agreement. The company pays for energy from part of the revenue from customers.

Garden City, Texas Datacenter

On November 24, 2021, we entered into a letter of intent to develop a second datacenter facility in Garden City, Texas. On April 13, 2022, the Company entered into a 99-year ground lease in Garden City, Texas, with the intent to build our second datacenter facility on this site. On April 25, 2022, we began construction on this site. This facility is collocated with a wind farm and upon completion is expected to provide 200 MW of power to hosting customers. The facility is expected to begin operating in the second calendar quarter of 2023 and the 200 MW capacity is fully contracted with our customers.

Ellendale, North Dakota Datacenter

On August 8, 2022, we completed the purchase of 40 acres of land in Ellendale, North Dakota, for a total cost of $1 million. We took possession of the land on August 15, 2022, built a hosting facility, and began energizing the site on March 4, 2023. The company pays for energy from part of the revenue from customers.

On March 7, 2023, we announced the energizing of the 180 MW facility in Ellendale, ND. Once fully energized, this location will bring our hosting operations to 280 MW of total hosting capacity across facilities in North Dakota, all of which are contracted out to customers on multi-year terms.

1.21 Gigawatts, LLC

On January 6, 2022, we and Antpool, an affiliate of Bitmain Technologies Holding Company, entered into a Limited Liability Company Agreement of 1.21 Gigawatts, LLC ("1.21 Gigawatts"), pursuant to which we and Antpool contributed $8,000 and $2,000, respectively, and will initially own 80% and 20%, respectively, of 1.21 Gigawatts. 1.21 Gigawatts will develop, acquire, construct, finance, operate, maintain and own one or more Next-Gen datacenters with up to 1.5 gigawatts ("GW") of capacity for hosting blockchain infrastructure. We are the managing member of 1.21 Gigawatts and are primarily responsible for all site development, construction and the eventual operations of the datacenters. However, certain activities of 1.21 Gigawatts and its subsidiaries require the vote of 90% of the then outstanding units of each such entity. As long as Antpool owns 10% or more of the total issued and outstanding units of 1.21 Gigawatts, Antpool may appoint an individual with industry expertise to serve as an advisor to 1.21 Gigawatts. 1.21 Gigawatts will pay fees to such advisor as reasonably determined by us as managing member. Transfers by

members of units of 1.21 Gigawatts are prohibited without approval of 90% of units then outstanding, which consent may be granted or withheld for any reason, and transfers of such units to non-affiliates, after obtaining consent, are subject to a right of first refusal of the other members to purchase some or all of such units. Additionally, Antpool has the right at any time to convert all or any portion of its 1.21 Gigawatts units into a number of shares of Common Stock. The number of shares that Antpool may convert is equal to the capital contributions of 1.21 Gigawatts made by Antpool divided by $7.50, which will result in an increase in our ownership percentage of 1.21 Gigawatts.

REIT structure

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

Contract with Marathon Digital Holdings, Inc

On July 12, 2022, we entered into a five-year hosting contract with Marathon Digital Holdings, Inc. ("Marathon") for 270 MW of mining capacity. As a result of this arrangement, we will supply Marathon with 90 MW of hosting capacity at its facility in Texas and 180 MW of hosting capacity at its second facility in North Dakota. Marathon has subsequently added 39.6 MW of additional capacity at the Company's Jamestown, North Dakota facility.

Company History

Applied Digital Corporation was incorporated in Nevada in May 2001 and conducted business under several names until July 2009, when we filed a Form 15 with the SEC to suspend the registration of Common Stock and our obligations to file annual, quarterly and other periodic reports with the SEC in order to conserve financial and other resources for the continuing development and commercialization of our business. Our Common Stock continued to trade on the OTC Pink Market. In 2021, we changed our name to Applied Blockchain, Inc. and began our current next-gen data center business. On February 2, 2022, we brought our first North Dakota facility online. It is now fully operational. In April 2022, we completed our initial public offering and our Common Stock began trading on The Nasdaq Global Select Market. In November 2022, we changed our name to Applied Digital Corporation.

Our Competitive Strengths

Premier strategic partnerships with leading industry participants.

We have developed strategic partnerships with GMR Limited, a British Virgin Island limited liability company ("GMR"), and Bitmain Technologies Limited ("Bitmain"). We believe that these partnerships will continue to provide us with a significant competitive advantage. GMR and Bitmain have also been a proponent of our hosting strategy, and have signed contracts for our crypto datacenter hosting business. Furthermore, GMR and Bitmain are each strategic equity investors in our company, and each of them also advised us in connection with the design and buildout of our co-hosting operations.

On May 24, 2023, we announced that we are working with Supermicro, a global leader in Application-Optimized Total IT Solutions, to deliver Applied Digital's AI Cloud service. Supermicro is a leading provider of application-optimized, high-performance server and storage solutions that address a broad range of computational-intensive

workloads. Supermicro's next-generation GPU servers significantly lower the power requirements of data centers. With the amount of power required to enable today's rapidly evolving large scale AI models, optimizing the Total Cost of Ownership (TCO) and the Total Cost to Environment (TCE) is crucial to data center operators.

Access to low-cost power with long-term services agreement.

One of the main benefits of our electrical services agreements for our Jamestown, North Dakota and Ellendale, North Dakota facilities is the low cost of power for mining. Even prior to the crypto mining restrictions in China, power capacity available for Bitcoin mining was scarce, especially at scalable sites with over 100 MW of potential capacity. This scarcity of mining power allows us to realize attractive hosting rates in the current market, in particular given our ability to provide long-term (3-5 year) hosting contracts.

Benefits of Next-Gen datacenters compared to traditional datacenters.

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

Hosting provides predictable, recurring revenue and cash flow

Within each of our businesses, we have entered into long-term fixed rate contracts with our customers. In addition, we have obtained access to low cost energy through our energy services agreements, which provides us with consistent margins and cash flow. We intend for the steady cash flows generated by our operations to be reinvested into businesses.

Strong management team and board of advisors with deep experience in crypto mining and hosting operations.

We have recently expanded our leadership team by attracting top talent in the digital infrastructure space. Recent hires from both publicly traded and private companies have allowed us to build a team capable of designing and constructing hosting facilities.

Our Growth Strategies

Continued expansion of businesses.

We have started expansion into hosting for HPC applications. We have current plans to expand our HPC hosting capacity up to 200 MW through buildouts at existing and future locations. Further, we launched our AI cloud hosting services business through Sai Computing and have announced our first major customer.

Leverage partners to grow operations while minimizing risk.

Beyond their own use of our hosting capabilities, our crypto hosting partners have strong relationships across the cryptocurrency ecosystem, and we believe that we will be able to leverage their networks to identify leads for our expansion of hosting operations.

In addition, we have signed our first major customer for our AI cloud hosting business, which we believe will help us elevate our profile within the market. Further, we have announced a partnership with Supermicro, a leading vendor in the AI hosting space, and we believe that we will be able to leverage their network to identify leads for the expansion of our AI cloud services and HPC datacenter hosting businesses.

Secure scalable power sites in areas favorable for crypto mining.

We have developed a pipeline of potential power sources. Our first hosting site in North Dakota is fully operational and our second site in North Dakota began energizing in March 2023. Further, we expect our facility in Garden City, TX to begin energizing during the second calendar quarter of 2023. Combined, these facilities will provide total hosting capacity of roughly 500 MW. Through our build-out of our first North Dakota facility and the prior experience our leadership team brings to our initiatives, we believe that we have developed a repeatable power strategy to significantly scale our operations. In addition, we are currently focused on and will continue to target states that have favorable laws and regulations for the crypto mining and HPC application industries, which we believe further minimizes the associated with risks the scaling of our operations.

Vertically integrate power assets.

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

Site Selection Criteria

To the extent we are building new facilities, our site selection criteria considers geographic diversity, attractive return on investment, and environmental impact.

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

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

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

agreements with renewable energy providers will increase and accelerate the buildout of renewable energy infrastructures.

There is no assurance that selection criteria will be met or that viable sites will be selected.

Customers

We have material customer concentration in our crypto datacenter hosting business. We have entered into contracts with JointHash Holding Limited (a subsidiary of GMR), Spring Mud, LLC (a subsidiary of GMR) Bitmain Technologies Limited, F2Pool Mining, Inc., Hashing LLC (a subsidiary of GMR), and Marathon Digital Holdings, Inc., who have contracted to use the entire capacity of our three crypto datacenters.

The agreements with certain customers are effective until terminated. In addition to providing for termination for breaches or defaults (subject to certain cure periods) and by mutual agreement of the relevant parties, these customers may terminate their agreements with respect to all or part of their equipment subject to the relevant agreement with payment of a termination fee calculated by reference to the equipment as to which the agreement is being terminated and its forecasted energy usage. The terms of the agreements with other customers is 60 months from the date on which no less than a negotiated number of megawatts of power are available at our first facility. The term may be extended for an additional 24 months without change to the fee structure by agreement of both parties. Unilateral termination rights are only available upon defaults or breaches of the agreement (subject to cure periods), bankruptcy or similar situations and certain assignment. Our site level strategy consists of having one key anchor tenant that has signed a 3 – 5 year long-term contract at the site and filling the rest of the facility with customers with 18 – 36 month terms.

On May 16, 2023, we announced that we had signed our first customer in our AI cloud hosting business. This agreement has a value up to $180 million over 24 months, and contains a significant prepayment.

Government Regulations

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

increasing regulation of the cryptoasset industry. For instance, on September 24, 2021, China imposed a ban on all crypto transactions and mining.

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

Environmental Regulations

North Dakota is one of the states leading the United States in wind power generation. The power comes off a grid and we cannot control whether that energy is generated by wind or other methods. Currently, we do not have access to such information. In addition, we expect our Texas facility will be largely supplied with power that is generated from wind, including power generated by the adjacent wind farm. Beyond the wind farm, the data center will be connected to the Wind Energy Transmission of Texas transmission lines, which for the most part transmit wind generated power. We are, however, not purchasing the renewable energy credits from the wind generation facility. We have, and will continue to, consider opportunities for limiting the impact of our business on the environment.

Employees and Human Capital

As of May 25, 2023, we had 121 employees, all of whom were full time. We also had 6 independent contractors who focus full time on our business and 67 independent contractors who worked on a part time basis on our business. We have relied and plan on continuing to rely on independent organizations, advisors and consultants to perform certain services for us. Such services may not always be available to us on a timely basis, on commercially reasonable terms or at all. Our future performance will depend in part on our ability to successfully integrate newly hired employees and to engage and retain consultants, as well as our ability to develop an effective working relationship with our employees and consultants.

Description of Properties

We lease approximately 10,699 square feet of office space at 3811 Turtle Creek Blvd., Suite 2100, Dallas, Texas 75219. We use this location as our principal offices. In addition, we lease approximately 11,000 square feet of office and warehouse space in Irving, Texas that serve as our datacenter operational control center. Our wholly-owned subsidiary, APLD Hosting LLC, owns in fee simple a 40-acre parcel of land located in Jamestown, Stutsman County, North Dakota. APLD – Rattlesnake Den I LLC, a wholly-owned subsidiary of the 1.21 Gigawatts, LLC joint venture, of which the Company owns 80%, is party to a 99-year land lease for a 50-acre parcel of land located in Garden City, Texas. APLD ELN-01, LLC, a wholly owned subsidiary of the Company, owns 40 acres of land in Ellendale, North Dakota. The Company has built datacenters on each of the properties in Jamestown, North Dakota; Garden City, Texas; and Ellendale, North Dakota.

Legal Matters

As of the date of this PPM, we are not involved in any material pending legal proceedings.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

The following discussion is based on the unaudited financial statements in our Quarterly Report on Form 10-Q for the periods ended February 28, 2023 and 2022 and the audited financial statements on Form 10-K, as amended, for the fiscal year ended May 31, 2022. This information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes in our recent Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements, notes and management's discussion and analysis included in our recent Annual Report on Form 10-K. Capitalized terms used in this section have the same meaning as in the accompanying condensed financial statements unless otherwise defined herein.

Our Business

We are a designer, builder and operator of next-generation digital infrastructure as described in more detail in "Our Business" beginning on page 42 of this PPM.

Trends and Other Factors Affecting Our Business

Regulatory Environment

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

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

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our unaudited

condensed consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 3 – Basis of Presentation and Significant Accounting Policies, of the Notes to Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2022 filed with the SEC on August 29, 2022.

Hosting Operation Highlights

Applied Digital's first facility is in Jamestown, North Dakota with capacity of 100 MW. The entire 100 MW of capacity has been fully contracted on multi-year contracts with our customers, providing revenue visibility for the Company. Additionally, the facility is powered through a five-year energy services agreement with a local utility.

The facility began energizing in late January 2022 and has over 90 MW online as of February 28, 2023. As previously reported in a Current Report on Form 8-K filed by the Company on July 18, 2022, there was an unexpected equipment failure at the substation powering the facility, resulting in a partial outage of approximately 50%. The power provider completed the required repairs in mid-August, fully restoring power capacity to Jamestown ahead of the schedule for early September. The Jamestown facility was not damaged and remains fully operational and capable of hosting the entire 100 MW of capacity. There have been no reductions or interruptions in service since that time and February 28, 2023.

On July 12, 2022, the Company entered into a five-year hosting contract with Marathon Digital Holdings, Inc. ("Marathon") for 270 MW of mining capacity. As a result of this arrangement, the Company will supply Marathon with 90 MW of hosting capacity at its facility in Texas and 180 MW of hosting capacity at its second facility in North Dakota. Marathon has subsequently added 39.6 MW of additional capacity at the Company's Jamestown, North Dakota facility.

Discontinued Operations

During the fourth quarter of our last fiscal year, the Company ceased all crypto mining operations and completed the sale of all crypto mining equipment. The results of the crypto mining operations are accounted for as discontinued operations in our unaudited condensed consolidated financial statements.

Expansion Opportunities

On November 24, 2021, we entered into a letter of intent to develop a facility in Texas using 200 MW of wind power. On April 13, 2022, the Company entered into a 99-year ground lease in Garden City, Texas, with the intent to build our second datacenter facility on this site. On April 25, 2022 the Company began construction on this site. This facility is collocated with a wind farm and upon completion is expected to provide 200 MW of power to hosting customers. The facility is substantially complete and the 200 MW capacity is fully contracted with customers.

On August 8, 2022, the Company completed the purchase of 40 acres of land in Ellendale, North Dakota, for a total cost of $1 million. The Company took possession of the land on August 15, 2022, built a hosting facility, and began energizing the site on March 4, 2023. Once fully energized, this location will bring the Company to 280 MW of total hosting capacity across its facilities in North Dakota, all of which are contracted out to customers on multi-year terms.

As our hosting operations expand, we believe our business structure may become conducive to a real estate investment trust ("REIT") structure, comparable to Digital Realty Trust (NYSE: DLR) and Equinix, Inc. (NASDAQ: EQIX), each of which is a traditional datacenter operator, and Innovative Industrial Properties, Inc. (NYSE: IIPR), a specialty REIT that similarly

services a new growth industry. We have begun to investigate the possibility, costs and benefits of converting to a REIT structure.

On October 13, 2022, the Company entered into a joint venture agreement with Foundry Technologies, Inc. ("Foundry") to form SAI Computing, LLC ("SAI"). SAI will provide artificial intelligence and machine learning application customers with access to machines and a hosting environment. The Company is currently expanding capacity at the Jamestown, North Dakota datacenter facility to provide access to SAI and its customers. The Company has an 98% ownership interest in SAI and consolidates the entity.

On December 14, 2022, the Company began construction of its latest specialized processing center, a 5 MW facility next to the Company's currently operating 100-MW hosting facility in Jamestown, North Dakota. This separate and unique building, designed and purpose-built for Graphics Processing Units ("GPUs"), will sit separate from the Company's current buildings and plans to host more traditional high performance computing ("HPC") applications, such as natural language processing, machine learning, and additional HPC developments.

Changes to Equity

On April 12, 2022, the Company effected a one-for-six (1:6) reverse split (the "Reverse Stock Split") of shares of the Company's common stock, par value $0.001 per share (the "Common Stock"). All references to Common Stock, options to purchase Common Stock, restricted stock units, share data, per share data and related information contained in the unaudited condensed consolidated financial statements have been retrospectively adjusted to reflect the effect of the Reverse Stock Split for all periods presented. No fractional shares of the Company's Common Stock were issued in connection with the Reverse Stock Split. Any fractional share resulting from the Reverse Stock Split was rounded down to the nearest whole share and the affected holder received cash in lieu of such fraction share. On January 14, 2022, the Company granted restricted stock awards to directors and officers and restricted stock units to certain consultants. Each of these awards and units contained a vesting condition of an effective registration statement covering the resale of the Common Stock underlying these awards. On October 11, 2022, the Securities and Exchange Commission declared the Company's registration statement covering these awards to be effective. In conjunction with this registration statement being declared effective, awards for approximately 1.1 million shares of Common Stock vested.

On April 18, 2022, the Company completed its initial public offering. The net proceeds received by the Company from the offering (after deducting underwriting discounts and commission and estimated offering expenses) were approximately $36 million. The Company intends to use the net proceeds to lease or purchase additional property on which to build additional co-hosting facilities, to construct those facilities, to enter into additional energy service agreements for each additional site and for funding its working capital and general corporate purposes.

On June 6, 2022, through an agreement between the Company and Sparkpool, Sparkpool agreed to forfeit to the Company shares of Common Stock that had been issued pursuant to the service agreement executed on March 19, 2021. Sparkpool ceased providing the contracted services for the Company, and agreed to forfeit shares to compensate for future services that will not be rendered. As a result of this agreement, 4,965,432 shares of Common Stock were forfeited and canceled by the Company.

Results of Operations Comparative Results for the Three and Nine Months Ended February 28, 2023 and 2022:

The following table sets forth key components of the results of operations (in thousands) of Applied Digital during the three and nine months ended February 28, 2023 and 2022.

	Three Months Ended		Nine Months Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenues:				
Hosting revenue	$ 14,090	$ 1,026	$ 33,354	$ 1,026
Cost of revenues	$ 10,533	$ 2,073	$ 28,438	$ 2,073
Gross profit	3,557	(1,047)	4,916	(1,047)
Costs and expenses:				
Selling, general and administrative	$ 10,514	$ 1,370	$ 42,727	$ 15,585
Total costs and expenses	$ 10,514	$ 1,370	$ 42,727	$ 15,585
Operating loss	$ (6,957)	$ (2,417)	$ (37,811)	$ (16,632)
Other income (expense):				
Interest Expense	$ (384)	$ —	$ (1,125)	$ —
Gain on extinguishment of accounts payable	—	80	—	405
Loss on extinguishment of debt	—	—	(94)	(1,342)
Total other expense, net	(384)	80	(1,219)	(937)
Net loss from continuing operations before income tax expenses	(7,341)	(2,337)	(39,030)	(17,569)
Income tax benefit (expense)	—	(60)	280	(274)
Net loss from continuing operations	(7,341)	(2,397)	(38,750)	(17,843)
Net loss from discontinued operations, net of income taxes	—	(4,048)	—	(2,870)
Net loss including noncontrolling interests	(7,341)	(6,445)	(38,750)	(20,713)
Net loss attributable to noncontrolling interest	(316)	—	(577)	—
Net loss attributable to Applied Digital Corporation	$ (7,025)	$ (6,445)	$ (38,173)	$ (20,713)
Basic and diluted net (loss) gain per share:				
Continuing Operations	$ (0.08)	$ (0.04)	$ (0.41)	$ (0.35)
Discontinued Operations	$ —	$ (0.08)	$ —	$ (0.06)
Basic and diluted net loss per share	$ (0.08)	$ (0.12)	$ (0.41)	$ (0.41)
Basic and diluted weighted average number of shares outstanding	94,119,944	53,396,920	93,545,687	50,546,048
Adjusted Amounts (a)				
Adjusted Operating Loss from Continuing Operations	(1,017)	(2,064)	(7,613)	(2,289)
Adjusted Operating Margin from Continuing Operations	(7)%	(201)%	(23)%	(223)%
Adjusted Net Loss from Continuing Operations	(1,401)	(2,044)	(8,552)	(3,500)
Other Financial Data (a)				
EBITDA	(5,030)	(2,092)	(33,274)	(17,324)
as a percentage of revenues	(36)%	(204)%	(100)%	(1688)%
Adjusted EBITDA	910	(1,739)	(3,076)	(2,981)
as a percentage of revenues	6 %	(169)%	(9)%	(291)%
Adjusted Gross Profit	4,435	(987)	7,611	(987)
as a percentage of revenues	31 %	(96)%	23 %	(96)%

(a) Adjusted Amounts and Other Financial Data are non-GAAP performance measures. A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Measures and Reconciliation" section of the MD&A.

Commentary on Results of Operations Comparative Results for the three months Ended February 28, 2023 compared to the three months ended February 28, 2022

Revenues

Hosting revenues increased by $13.1 million, or 1273%, from $1.0 million for the three months ended February 28, 2022 to $14.1 million for the three months ended February 28, 2023. The increase in hosting revenues was driven by a full three months of operation at our first hosting facility in Jamestown, North Dakota.

Cost of Revenues

Cost of revenues increased by $8.4 million, or 407%, from $2.1 million for the three months ended February 28, 2022 to $10.5 million for the three months ended February 28, 2023. The increase in cost of revenues was primarily driven by driven by a full three months of operation at our first hosting facility in Jamestown, North Dakota. The primary drivers of the change to cost of revenues for the three months ended February 28, 2023 were:

- approximately $0.8 million increase in depreciation and amortization expense directly attributable to the property and equipment at the Jamestown, North Dakota hosting facility;
- approximately $6.7 million increase in energy costs used to generate our hosting revenues; and
- approximately $0.9 million increase in personnel expenses for employees directly working at the Jamestown, North Dakota hosting facility.

Operating Expenses

Selling, general and administrative expenses increased by $9.3 million, or 782%, from $1.2 million for the three months ended February 28, 2022 to $10.5 million for the three months ended February 28, 2023. The primary drivers of the change to selling, general and administrative expense for the three months ended February 28, 2023 were:

- approximately $0.8 million increase in employee salaries and benefits expense not directly attributable to revenues;
- approximately $0.3 million increase in professional service expenses incurred to support the growth of the business;
- approximately $4.5 million increase in stock-based compensation expense;
- approximately $1.0 million increase in depreciation and amortization expense not directly attributable to the Jamestown, North Dakota hosting facility; and
- approximately $2.7 million increase in other selling, general, and administrative expenses such as insurance premiums and computer and software expenses, which is directly related to the growth of the Company.

Other Expense

Interest expense increased $0.4 million, or 100%, from zero for the three months ended February 28, 2022 to $0.4 million for the three months ended February 28, 2023. The increase was driven by the increase in finance leases and change in the Company’s debt obligations between periods.

Loss on extinguishment of debt for the three months ended February 28, 2022 and for the three months ended February 28, 2023 was zero for both periods.

Income tax benefit

The income tax benefit decreased $0.1 million or 100% from a $0.1 million expense for the three months ended February 28, 2022 to a zero for the three months ended February 28, 2023. This change was driven by a change in valuation allowance for the three months ended February 28, 2023 compared to the three months ended February 28, 2022.

Loss from Discontinued Operations

Loss from discontinued operations decreased $4.0 million, or 100%, from $4.0 million for the three months ended February 28, 2022 to zero for the three months ended February 28, 2023. The change was due to the fact that the Company no longer generates revenues from mining operations.

Commentary on Results of Operations Comparative Results for the nine months Ended February 28, 2023 compared to the nine months ended February 28, 2022

Revenues

Hosting revenues increased by $32.3 million, or 3150%, from $1.0 million for the nine months ended February 28, 2022 to $33.4 million for the nine months ended February 28, 2023. The increase in hosting revenues was driven by a full nine months of operations at our first hosting facility in Jamestown, North Dakota.

Cost of Revenues

Cost of revenues increased by $26.3 million, or 1270%, from $2.1 million for the nine months ended February 28, 2022 to $28.4 million for the nine months ended February 28, 2023. The increase in cost of revenues was driven by a full nine months of operations at our first hosting facility in Jamestown, North Dakota. The primary drivers of the change to cost of revenues for the nine months ended February 28, 2023 were:

- approximately $2.5 million increase in depreciation and amortization expense attributable to the property and equipment at the Jamestown, North Dakota hosting facility;
- approximately $21.9 million increase in energy costs used to generate the hosting revenues; and
- approximately $1.9 million increase in personnel expenses for employees directly working at the Jamestown, North Dakota hosting facility.

Operating Expenses

Selling, general and administrative expenses increased by $27.1 million, or 174%, from $15.6 million for the nine months ended February 28, 2022 to $42.7 million for the nine months ended February 28, 2023. The primary drivers of the change to selling, general and administrative expense for the nine months ended February 28, 2023 were:

- approximately $2.9 million increase in employee salaries and benefits expense not directly attributable to revenues;

- approximately $2.4 million increase in professional service expenses incurred to support the growth of the business;

- approximately $14.5 million increase in of stock-based compensation expense;

- approximately $1.9 million increase in depreciation and amortization expense not directly attributable to the Jamestown, North Dakota hosting facility; and

- approximately $5.4 million increase in other selling, general, and administrative expenses such as insurance premiums and computer and software expenses, which is directly related to the growth of the Company.

Other Expense

Interest expense increased $1.1 million, or 100%, from zero for the nine months ended February 28, 2022 to $1.1 million for the nine months ended February 28, 2023. The change is driven by the increase in finance leases and change in the Company's debt obligations between periods.

Loss on extinguishment of debt decreased $1.2 million, or 93%, from $1.3 million for the nine months ended February 28, 2022 to $0.1 million for the nine months ended February 28, 2023. This decrease was driven by the extinguishment of our related party notes payable by conversion to common stock during the nine months ended February 28, 2022, compared to a smaller extinguishment of term debt that was recognized in the nine months ended February 28, 2023.

Income tax benefit (expense)

Income tax benefit increased $0.6 million or 202% from a $0.3 million expense for the nine months ended February 28, 2022 to approximately $0.3 million benefit for the nine months ended February 28, 2023. This change was driven by a change in valuation allowance for the nine months ended February 28, 2023 compared to the nine months ended February 28, 2022.

Loss from Discontinued Operations

Loss from discontinued operations decreased $2.9 million, or 100%, from $2.9 million for the nine months ended February 28, 2022 to zero for the nine months ended February 28, 2023. The change was due to the fact that the Company no longer generates revenues from mining operations.

Non-GAAP Measures

Adjusted Operating Loss and Adjusted Net Loss

"Adjusted Operating Loss" and "Adjusted Net Loss" are non-GAAP measures that represents operating loss and net loss, respectively, from continuing operations excluding stock-based compensation and nonrecurring expenses. We believe these are useful metrics as they provide additional information regarding factors and trends affecting our business and provide perspective on results absent one-time or significant non-cash items. However, Applied Digital's presentation of these measures should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. Applied Digital's computation of Adjusted Operating Loss and Adjusted Net Loss may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted Operating Loss and Adjusted Net Loss in the same fashion.

Because of these limitations, Adjusted Operating Loss and Adjusted Net Loss should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Applied Digital compensates for these limitations by relying primarily on its GAAP results and using Adjusted Operating Loss and Adjusted Net Loss on a supplemental basis. You should review the reconciliation of operating loss to Adjusted Operating Loss and net loss to Adjusted Net Loss above and not rely on any single financial measure to evaluate Applied Digital's business.

EBITDA and Adjusted EBITDA

"EBITDA" is defined as earnings before interest, taxes, and depreciation and amortization. "Adjusted EBITDA" is defined as EBITDA adjusted for stock-based compensation, gain on extinguishment of accounts payable, loss on extinguishment of debt, and one-time professional service costs not directly related to the Company's offering and therefore not deferred under the guidance in ASC 340 and SAB Topic 5A. These costs have been adjusted as they are not indicative of business operations. Adjusted EBITDA is intended as a supplemental measure of Applied Digital's performance that is neither required by, nor presented in accordance with, GAAP. Applied Digital believes that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. We also believe EBITDA and Adjusted EBITDA are useful metrics to investors because they provide additional information regarding factors and trends affecting our business, which are used in the business planning process to understand expected operating performance, to evaluate results against those expectations, and because of their importance as measures of underlying operating performance, as the primary compensation performance measure under certain programs and plans. However, you should be aware that when evaluating EBITDA and Adjusted EBITDA, Applied Digital may incur future expenses similar to those excluded when calculating these measures. In addition, Applied Digital's presentation of these measures should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. Applied Digital's computation of Adjusted

EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Applied Digital compensates for these limitations by relying primarily on its GAAP results and using EBITDA and Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net loss to EBITDA and Adjusted EBITDA above and not rely on any single financial measure to evaluate Applied Digital's business.

Adjusted Gross Profit

"Adjusted Gross Profit" is a non-GAAP measure that represents gross profit adjusted for depreciation expense within cost of revenues. We believe this is a useful metric as it provides additional information regarding gross profit aside from significant non-cash expense in depreciation. However, Applied Digital's presentation of this measure should not be construed as an inference that its future results will be unaffected by other factors within cost of revenues. Applied Digital's computation of Adjusted Gross Profit may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted Gross Profit in the same fashion.

Because of these limitations, Adjusted Gross Profit should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Applied Digital compensates for these limitations by relying primarily on its GAAP results and using Adjusted Gross Profit on a supplemental basis. You should review the reconciliation of gross profit to Adjusted Gross Profit above and not rely on any single financial measure to evaluate Applied Digital's business.

Reconciliation of GAAP to Non-GAAP Measures

$ in thousands	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Nine Months Ended February 28, 2023	Nine Months Ended February 28, 2022
Adjusted operating loss				
Operating Loss from Continuing Operations (GAAP)	$ (6,957)	$ (2,417)	$ (37,811)	$ (16,632)
Add: Stock-based compensation	4,481	—	26,879	12,337
Add: Gain on Extinguishment of Accounts Payable	—	(80)	—	(405)
Add: Loss on Extinguishment of Debt	—	—	94	1,342
Add: Non-recurring professional service costs	365	433	1,437	1,069
Add: One-time electricity charges	—	—	114	—
Add: Other non-recurring expenses	1,094	—	1,675	—
Adjusted Operating Loss from Continuing Operations (Non-GAAP)	$ (1,017)	$ (2,064)	$ (7,613)	$ (2,289)
Adjusted operating margin from Continuing Operations	(7.2)%	(201.2)%	(22.8)%	(223.1)%
Adjusted net income (loss)				
Net Loss from Continuing Operations (GAAP)	$ (7,341)	$ (2,397)	$ (38,750)	$ (17,843)
Add: Stock-based compensation	4,481	—	26,879	12,337
Add: Gain on Extinguishment of Accounts Payable	—	(80)	—	(405)
Add: Loss on Extinguishment of Debt	—	—	94	1,342
Add: Non-recurring professional service costs	365	433	1,437	1,069
Add: One-time electricity charges	—	—	114	—
Add: Other non-recurring expenses	1,094	—	1,675	—
Adjusted net loss from Continuing Operations (Non-GAAP)	$ (1,401)	$ (2,044)	$ (8,552)	$ (3,500)
EBITDA and Adjusted EBITDA				
Net Loss from Continuing Operations (GAAP)	$ (7,341)	$ (2,397)	$ (38,750)	$ (17,843)
Add: Interest Expense	384	—	1,125	—
Add: Income Tax Benefit (Expense)	—	60	(280)	274
Add: Depreciation and Amortization	1,927	245	4,631	245
EBITDA (Non-GAAP)	$ (5,030)	$ (2,092)	$ (33,274)	$ (17,324)
Add: Stock-based compensation	4,481	—	26,879	12,337
Add: Gain on Extinguishment of Accounts Payable	—	(80)	—	(405)
Add: Loss on Extinguishment of Debt	—	—	94	1,342
Add: Non-recurring professional service costs	365	433	1,437	1,069
Add: One-time electricity charges	—	—	114	—
Add: Other non-recurring expenses	1,094	—	1,675	—
Adjusted EBITDA (Non-GAAP)	$ 910	$ (1,739)	$ (3,076)	$ (2,981)
Adjusted Gross Profit				
Gross profit (GAAP)	$ 3,557	$ (1,047)	$ 4,916	$ (1,047)
Add: Depreciation and amortization in cost of revenues	878	60	2,581	60
Add: One-time electricity charges	—	—	114	—
Adjusted Gross Profit (Non-GAAP)	$ 4,435	$ (987)	$ 7,611	$ (987)

Results of Operations for the fiscal year ended May 31, 2022 (fiscal year 2022) compared to fiscal year ended May 31, 2021

	Fiscal Year Ended	
	May 31, 2022	May 31, 2021
Hosting revenue	$ 8,549	$ —
Cost of revenues	$ 9,506	$ —
Gross loss	$ (957)	$ —
Costs and expenses:		
Selling, general and administrative	$ 7,555	$ 332
Stock-based compensation	12,337	—
Depreciation and amortization	49	—
Total costs and expenses	$ 19,941	$ 332
Operating loss	$ (20,898)	$ (332)
Other (expense) income:		
Interest expense	$ (112)	$ (236)
Gain on extinguishment of accounts payable	406	—
Loss on extinguishment of debt	(1,342)	—
Total other expense	$ (1,048)	$ (236)
Net loss from continuing operations before income tax expenses	(21,946)	(568)
Income tax expenses	(540)	—
Net loss from continuing operations	$ (22,486)	$ (568)
Net loss from discontinued operations, net of income taxes	(1,044)	—
Net Loss including noncontrolling interests	(23,530)	(568)
Net Loss attributable to noncontrolling interest	10	—
Net loss attributable to Applied Digital Corporation	(23,520)	(568)

Revenues

Hosting revenues increased $8.5 million, or 100%, from the year ended May 31, 2021 to May 31, 2022. Hosting revenues for the quarter-ended May 31, 2021 were $0, compared to $7.5 million for the quarter-ended May 31, 2022 The increase in hosting revenues was driven by our completion of our first hosting facility in Jamestown, North Dakota, which was brought online in phases between the third and fourth fiscal quarters of fiscal year 2022.

Cost of Revenues

Cost of revenues increased $9.5 million, or 100%, from the year ended May 31, 2021 to May 31, 2022. The increase in cost of revenues was primarily driven by the initiation of our Co-hosting business in fiscal year 2022, which represent all of our continuing operations.

Cost of revenues for the year ended May 31, 2022 consists of $986,000 of depreciation and amortization expense attributable to the property, plant and equipment at our Jamestown, ND hosting facility, $8.1 million of energy costs used to generate our hosting revenues, and $414,000 of personnel expenses for employees directly working at the hosting facility.

Operating Expenses

Selling, general and administrative expense increased $7.2 million, or 2177%, from the year ended May 31, 2021 to May 31, 2022. This increase is driven by the initiation of our co-hosting business in fiscal year 2022, which

represents our sole continuing operations. The two primary drivers of Selling, general and administrative expense are $2.3 million of employee salaries and benefits expense, and $2.4 million of professional service expenses incurred to support the growth of the business.

Stock-based compensation for service agreement increased $12.3 million, or 100%, from the year ended May 31, 2021 to May 31, 2022. The expense was related to our service agreements with strategic partners, who provided advisory and consulting services in exchange for shares of Common Stock we issued to them. These services were fully rendered within the first quarter of fiscal year 2022.

Other Expense

Interest expense decreased by $124,000, or 52%, from the year ended May 31, 2021 to May 31, 2022. This decrease was driven by the change in our debt obligations. Interest expense for the year ended May 31, 2021 was incurred on related party notes, which bore interest at a annual rate of 16%. These notes were extinguished through a conversion to Common Stock which occurred on June 12, 2021. Interest expense in fiscal year 2022 relates to our VBT Term Loan which we entered into on March 11, 2022.

Loss on extinguishment of debt increased $1.3 million, or 100% from the year ended May 31, 2021 to May 31, 2022. This increase was driven by the extinguishment of our related party notes payable by conversion to Common Stock. The extinguishment loss reflects the difference in the carrying value of the notes and accrued interest and the fair value of the Common Stock issued in exchange for the debt.

Income tax expense increased by $540,000, or 100% from the year ended May 31, 2021 to May 31, 2022. This increase is a result of the commencement of our hosting operations in the third quarter of fiscal year 2022.

Loss from Discontinued Operations

Beginning in the quarter ended August 31, 2021 (the first quarter of fiscal year 2022), we began cryptoasset mining operations, using Nvidia GPU miners which we hosted at a facility operated by Coinmint. In fiscal year 2022, we made the strategic decision to discontinue our mining operations and focus on hosting operations in the future. As a result of this strategic shift, our mining operations were reclassified as discontinued operations.

Loss from discontinued operations totaled $1.0 million for the year-ended May 31, 2022, and consists of $3.0 million of mining revenues and a $1.2 million gain on the purchase and subsequent resale of miners, offset by $1.6 million of recurring mining costs and $393,000 in cryptocurrency impairment charges, and losses of $2.9 million and $327,000 in the write-down of mining assets and assets purchased from Bitmain, respectively, as a result of presenting these assets as held-for sale within discontinued operations. As of May 31, 2022, the Company no longer generates revenues from mining operations.

Liquidity and Capital Resources as of November 30, 2022

We have primarily generated cash in the last 12 months from the proceeds of our term loans, proceeds from our initial public offering, and the receipt of contractual deposits and revenue prepayments from hosting customers. On April 18, 2022, we received approximately $36 million in net proceeds from the issuance of 8 million shares of Common Stock in conjunction with the closing of our initial public offering. On July 25, 2022, the Company entered into the

Starion Loan Agreement. The Starion Loan Agreement provides for the Starion Term Loan. A portion of the proceeds were used to pay down the Vantage term loan that was entered into on March 11, 2022.

The remaining proceeds of the term loan will be used for working capital needs for the operation of Phase I of the hosting facility in Jamestown, North Dakota.

On November 7, 2022, APLD – Rattlesnake Den I, LLC (the "Borrower"), a wholly-owned subsidiary of the Company, entered into the Vantage Garden City Loan Agreement. As of the date of this report, an aggregate amount of $6.6 million has been advanced under the Vantage Garden City Loan Agreement. The proceeds of the Vantage Garden City Loan will be used for the costs and expenses of a building at the Garden City Facility.

See Note 7 - Debt to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on the Starion Term Loan and Vantage Garden City Loan.

During the three and six months ended November 30, 2022, we received $22.4 million and $44.6 million, respectively, in payments for future hosting services. During the fiscal year ended May 31, 2022, we generated revenue from crypto mining and co-hosting, but we have incurred net losses from operations. During the three and six months ended November 30, 2022, we have generated revenue from co-hosting, but have incurred net losses from operations. As of November 30, 2022 and May 31, 2022, we had cash of $18.1 million and $46.3 million, respectively, and an accumulated deficit of $87.2 million and $56.1 million, respectively.

Funding Requirements

We have experienced net losses through the periods ended November 30, 2022. Our transition to profitability is dependent on the successful operation of our co-hosting facilities. We believe that amounts we received from proceeds from our term loans, proceeds from our initial public offering, and revenue payments we have begun to achieve in our co-hosting operations since our first co-hosting facility was brought online in February 2022, after planned expenditures with respect to the items described in the section titled "*Expansion Opportunities"* above, will be sufficient to meet our working capital needs for at least the next 12 months and all of the Company's known requirements and plans for cash.

We expect that our general and administrative expenses and our operating expenditures will continue to increase as we continue to expand our operations and as we bear the costs of being a public company. We believe that the significant investments in property and equipment will begin to decrease into calendar 2023 as we complete construction of additional capacity. We also expect that our revenues will increase as we continue to bring online additional capacity at our Jamestown, North Dakota, Garden City, Texas, and Ellendale, North Dakota locations.

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

Liquidity and Capital Resources for the year ended May 31, 2022 and 2021

We have generated cash from the sale of our equity securities, the sale of Ether generated from our discontinued mining operations, and the receipt of contractual deposits, revenue and pre-payments from hosting customers, and proceeds from loans. Since December 2020, when we began planning to acquire or build an operational business, we have raised aggregate gross proceeds of $51 million from issuances of our convertible preferred stock. On April 15, 2021, we received $16.5 million in gross proceeds from the issuance of our Series C Convertible Redeemable Preferred Stock and on July 30, 2021, we received $34.5 million in gross proceeds from the issuance of our Series D Preferred Stock.

On April 18, 2022, we received $40.0 million in gross proceeds from the issuance of 8 million shares of the Company's Common Stock in conjunction with the closing of our initial public offering. During the year ended May 31, 2021, we did not generate any revenue from crypto mining, co-hosting or otherwise. We have incurred net losses from operations. In June 2021, as a result of commencement of our crypto mining operations, we began to generate revenue. As of May 31, 2022 and May 31, 2021, we had cash of $46.3 million and $11.8 million respectively, and an accumulated deficit of $56.1 million and $21.6 million, respectively. On March 11, 2022, we entered into the VBT Loan Agreement for $7.5 million for a term of five years with an interest rate of 5% per annum. On August 5, 2022, the VBT Term Loan was paid off in full and the VBT Term Loan Agreement and the associated VBT Mortgage were terminated.

On July 25, 2022, Hosting entered into the Starion Loan Agreement. The Starion Loan Agreement provides for the Starion Loan in the principal amount of $15 million with a maturity date of July 25, 2027. The Starion Loan Agreement contains customary covenants, representations and warranties and events of default, and provides for an interest rate of 6.50% per annum.

Sources of Liquidity

We have primarily generated cash in the last 12 months from the proceeds of our term loans, proceeds from our initial public offering, and the receipt of contractual deposits and revenue prepayments from hosting customers. On April 18, 2022, we received approximately $36 million in net proceeds from the issuance of 8 million shares of Common Stock in conjunction with the closing of our initial public offering. On July 25, 2022, the Company entered into the Starion Loan Agreement. The Starion Loan Agreement provides for the Starion Term Loan. A portion of the proceeds were used to pay down the Vantage term loan that was entered into on March 11, 2022. The remaining proceeds of the term loan will be used for working capital needs for the operation of Phase I of the hosting facility in Jamestown, North Dakota.

On November 7, 2022, the Company entered into the Vantage Garden City Loan Agreement. As of February 28, 2023, an aggregate amount of $10.3 million has been advanced under the Vantage Garden City Loan Agreement. The proceeds of the Vantage Garden City Loan will be used for the costs and expenses of a building at the Garden City Facility.

See Note 7 - Debt to the unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for more information on the Starion Term Loan and Vantage Garden City Loan.

On February 16, 2023, the Company entered into a Starion Ellendale Loan Agreement with Starion Bank. This agreement provides for a term loan in the principal amount of $20,000,000 with a maturity date of February 3, 2028.

The loan provides for an interest rate of 7.48% per annum. The proceeds of the loan will be used to fund expansion on the Ellendale Facility. On March 30, 2023, the Company received funding for the Starion Ellendale Loan. The funding, net of issuance fees, totaled $19.8 million.

During the three and nine months ended February 28, 2023, we received $32.3 million and $77.0 million, respectively, in payments for future hosting services. During the fiscal year ended May 31, 2022, we generated revenue from crypto mining and co-hosting, but we have incurred net losses from operations. During the three and nine months ended February 28, 2023, we have generated revenue from co-hosting, but have incurred net losses from operations. As of February 28, 2023 and May 31, 2022, we had cash of $22.9 million and $46.3 million, respectively, and an accumulated deficit of $94.2 million and $56.1 million, respectively.

Funding Requirements

Having ceased our operations in 2014, we have experienced net losses through the periods ended February 28, 2023. Our transition to profitability is dependent on the successful operation of our co-hosting facilities. We believe that amounts we received from proceeds from our term loans, proceeds from our initial public offering, and revenue payments we have begun to achieve in our co-hosting operations since our first co-hosting facility was brought online in February 2022, after planned expenditures with respect to the items described in the section titled “Expansion Opportunities” above, will be sufficient to meet our working capital needs for at least the next 12 months and all of the Company’s known requirements and plans for cash. We have based our estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect, in which case, we would be required to obtain additional financing sooner than currently projected, which may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

We expect that our general and administrative expenses and our operating expenditures will continue to increase as we continue to expand our operations and as we bear the costs of being a public company. We believe that the significant investments in property and equipment will begin to decrease during calendar 2023 as we complete construction of additional capacity. We also expect that our revenues will increase as we continue to bring online additional capacity at our Jamestown, North Dakota, Garden City, Texas, and Ellendale, North Dakota locations.

Cash Flows

The following table provides information about Applied Digital's net cash flow (in thousands) for the nine months ended February 28, 2023.

$ in thousands	Nine Months Ended February 28, 2023	Nine Months Ended February 28, 2022
Net cash provided by operating activities	$ 54,144	$ 4,228
Net cash used in investing activities	(96,314)	(35,588)
Net cash provided by financing activities	18,792	31,571
Net change in cash and cash equivalents	(23,378)	$ 211
Cash and cash equivalents at beginning of year	46,299	$ 11,750
Cash and cash equivalents at end of period	$ 22,921	$ 11,961

Commentary on cash flows for the nine months Ended February 28, 2023

Operating Activities

The net cash provided by operating activities of $54.1 million for the nine months ended February 28, 2023 consisted primarily of the following:

- $26.9 million non-cash adjustment for stock-based compensation expense;
- $26.8 million increase in customer deposits due to the Company executing new contracts during the period; and
- $43.7 million increase in deferred revenue due to prepayments due to prepayments from new contracts as well as more cash being received than revenue recognized during the period.

The above factors were partially offset by the $38.8 million loss from continuing operations

Investing Activities

The net cash used in investing activities of $96.3 million for the nine months ended February 28, 2023 was driven by the increase of purchases of property and equipment related to the construction of the Company's Garden City, Texas and Ellendale, North Dakota facilities.

Financing Activities

The net cash provided by financing activities of $18.8 million for the nine months ended February 28, 2023 was primarily driven by:

- $25.6 million in proceeds from the Starion Term Loan and the Vantage Garden City Loan; and
- $4.1 million in equity contributions to 1.21 Gigawatts, a subsidiary of the Company, by noncontrolling interest.

These above factors were partially offset by the extinguishment of the Vantage term loan totaling $7.1 million.

Commentary on cash flows for the nine months Ended February 28, 2022

Operating Activities
The net cash provided by operating activities of $4.2 million for the nine months ended February 28, 2022 consisted primarily of:

- $12.3 million non-cash expense adjustment for stock-based compensation expense;
- $1.3 million non-cash adjustment for loss on the extinguishment of debt;
- $4.5 million increase in accounts payable and accrued liabilities due to the timing of payments;
- $2.1 million increase in customer deposits; and
- $2.9 million increase in deferred revenue.

These above factors were partially offset by:

- $2.1 million increase to prepaid expense and other current assets due to the timing of payments; and
- $17.8 million in loss from continuing operations

Investing Activities
The net cash used in investing activities of $35.6 million for the nine months ended February 28, 2022 consisted of:

- $28.2 million in purchases of property and equipment related to the construction of the Company's Jamestown, ND facility; and
- $7.4 million in purchases of equipment related to the Company's discontinued operations.

Financing Activities
The net cash provided by financing activities of $31.6 million for the nine months ended February 28, 2022 represents proceeds from the issuance of preferred stock $34.5 million, partially offset by issuance costs of $2.9 million.

Summary of Cash Flows for the year ended May 31, 2022 and May 31, 2021

For the year ended May 31, 2022, we used $0.9 million in cash from operating activities from continuing operations. Significant reconciling items between our net loss and our net cash inflows from operations include the $12.3 million stock-based operating expense described above, and our $1.3 million loss incurred upon the conversion of our related party notes payable to common stock. Our working capital also fluctuated, with accounts receivable and prepaid expenses increasing by $227,000 and $1.3 million, respectively, and accounts payable and accrued expenses increasing by $6.7 million. These fluctuations were the result of the normal timing differences accrual-basis revenue & expenses and cash payments and receipts. In addition, cash outflows related to our discontinued operations were $10.1 million.

For the year ended May 31, 2022, we had $45.9 million of cash outflows from investing activities from continuing operations, which primarily consisted of $58.3 million of cash paid for property, plant, and equipment for our hosting facilities, partially offset by $3.3 million of a decrease in deposits on equipment as these were applied against equipment purchases. These are partially offset by $9.1 million in net inflows related to our discontinued operations, which consist of sales of mining equipment and Ether.

For the year ended May 31, 2022, we had $81.3 million of cash inflows from financing activities, which primarily consisted of inflows of $40.0 million from our initial public offering of common stock, $34.5 million from the placement of Class D preferred stock, and $7.3 million from term loan proceeds, less issuance costs of $2.9 million and $4.3 million related to these equity offerings.

For the year ended May 31, 2021, cash outflows from operating activities was $83,000, which was primarily driven by accrued paid in kind interest and changes in accounts payable and accrued liabilities. Net cash outflows from investing activities was $3.3 million, which was primarily driven by payments for deposits on equipment. Net cash outflows from financing activities was $15.1 million, which was primarily driven by the issuance of preferred stock, partially offset by issuance costs for preferred stock.

Subsequent Events

On May 23, 2023, SAI Computing LLC, a wholly-owned subsidiary of the Company, entered into a Loan and Security Agreement with B. Riley Commercial Capital, LLC and B. Riley Securities, Inc. (the "Lenders"), B. Riley Commercial Capital, LLC, as Collateral Agent, and the Company as Guarantor (the "Loan and Security Agreement"). The Loan and Security Agreement provides for a term loan (the "Loan") in the principal amount of $50,000,000 with a maturity date of May 23, 2025. At the closing on May 23, 2023, the Lenders advanced to the Borrower $36,500,000, with the remaining $13,500,000 to be advanced at the sole discretion of the Lenders. The Loan and Security Agreement provides for an interest rate of 9.00% per annum. The proceeds of the Loan will be used to provide additional liquidity to fund the buildout of the Company's recently announced AI cloud platform and datacenters by the Borrower, and for general corporate purposes and working capital. The Loan and Security Agreement contains events of default and covenants customary for such an agreement. The Loan is secured by a security interest in substantially all of the assets of the Borrower as set forth in the Loan and Security Agreement and a security interest in any proceeds of the Borrower's operations. Pursuant to the Loan and Security Agreement, the Company unconditionally guaranteed the Borrower's obligations to the Lender.

Off Balance Sheet Arrangements

None.

Significant Accounting Pronouncements

None.

DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following table provides information regarding our Named Executive Officers (as defined below) and directors as of January 30, 2022

Executive Officers

Name	Age	Position(s)	Period of Service
Wes Cummins	45	Chief Executive Officer, Secretary, Treasurer, Chairman of the Board	Director from February 2007 to December 2020 and March 2021 to Present, sole officer from March 2012 to December 2020 and CEO, Secretary and Treasurer from March 2021 to Present
David Rench	45	Chief Financial Officer	March 2021 to Present
Regina Ingel	35	Chief Marketing Officer	April 2021 to Present

Non-Employee Directors

Chuck Hastings	44	Director	April 2021 to Present
Kelli McDonald	45	Director	April 2021 to Present
Douglas Miller	65	Director	April 2021 to Present
Virginia Moore	49	Director	April 2021 to Present
Richard Nottenburg	69	Director	June 2021 to Present

Executive officers

Wes Cummins

Mr. Cummins has served as a member of our Board from 2007 until 2020 and from March 11, 2021 through present. During that time Mr. Cummins also served in various executive officer positions and he is currently serving as our chairman of the Board, chief executive officer, president, secretary and treasurer. Mr. Cummins was also the founder and CEO of 272 Capital LP, a registered investment advisor, which he sold to B. Riley Financial, Inc. (Nasdaq: RILY) in August 2021. Following the sale Mr. Cummins joined B. Riley as President of B. Riley Asset Management. Mr. Cummins intends to spend at least 40 hours per week on our business. Mr. Cummins has been a technology investor for over 20 years and held various positions in capital markets including positions at investment banks and hedge

funds. Prior to founding 272 Capital and starting our operating business, Mr. Cummins was an analyst with Nokomis Capital, L.L.C., an investment advisory firm, a position he held from October 2012 until February 2020. Mr. Cummins also served as president of B. Riley & Co., from 2002 to 2011. Mr. Cummins also serves as a member of the boards of Sequans Communications S.A. (NYSE: SQNS), a fabless designer, developer and supplier of cellular semiconductor solutions for massive, broadband and critical Internet of Things markets and Vishay Precision Group, Inc. (VPG), designer, manufacturer and marketer of sensors, and sensor-based measurement systems, as well as specialty resistors and strain gages based upon their proprietary technology. Mr. Cummins served on the board of Telenav, Inc. (NASDAQ: TNAV) from August 2016 until February 2021. He holds a BSBA from Washington University in St. Louis where he majored in finance and accounting.

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

David Rench

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

Regina Ingel

Ms. Ingel became our Vice President of Operations in March 2021, and was named Chief Marketing Officer in July 2022. Her experience is in marketing and operations to support growth of companies across sectors. From 2016 to 2018, Ms. Ingel worked with operations in the corporate buying offices at Neiman Marcus, a large department store chain, where she worked closely with the executive team on projections, marketing and planning for the web business. Ms. Ingel also founded an event planning company in Dallas in 2019, which she grew through creative marketing and sales despite a nationwide pandemic. Ms. Ingel sold her company in early 2021 to pursue a career in the cryptocurrency marketplace and specifically as our Vice President of Operations.

Appointment of Officers

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

Non-employee directors

Chuck Hastings

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

Kelli McDonald

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

Douglas Miller

Mr. Miller has served as a member of the board of directors of three public companies over the past nine years: Telenav, Inc (NASDAQ: TNAV), CareDx, Inc. (NASDAQ: CDNA) and Procera Networks. He has chaired the Audit Committee for each of these companies, and has also served as Lead Independent Director and as chair or committee member on Compensation, Nominating and Governance and Special committees. Prior to his roles as board member, Mr. Miller served as senior vice president, chief financial officer and treasurer of Telenav, a wireless application developer specializing in personalized navigation services, from 2006 to 2012. From 2005 to 2006, Mr. Miller served as vice president and chief financial officer of Longboard, Inc., a privately held provider of telecommunications software. Prior to that, from 1998 to 2005, Mr. Miller held various management positions, including senior vice president of finance and chief financial officer, at Synplicity, Inc., a publicly traded electronic design automation company.

Mr. Miller also served as chief financial officer of 3DLabs, Inc., a publicly held graphics semiconductor company, and as an audit partner at Ernst & Young LLP, a professional services organization. Mr. Miller is a certified public accountant (inactive). He holds a B.S.C. in Accounting from Santa Clara University. We believe Mr. Miller's experience as a chief financial officer and board member of public companies gives him insight and perspective into how other boards function and enables him to be an effective member of the Board.

Virginia Moore

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

Richard Nottenburg

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

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own more than 10% of its Common Stock to file reports of ownership and changes in ownership with the Commission and to furnish the Company with copies of all such reports they file.

Based on the Company's review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that none of its directors, executive officers or persons who beneficially own more than 10% of the Common Stock failed to comply with Section 16(a) reporting requirements during the fiscal year ended May 31, 2022.

Code of Business Conduct and Ethics

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

Board of Directors Composition

Our Board currently consists of seven members. Each of our current directors serves until the next annual meeting of our stockholders or earlier death, resignation or removal. Despite the expiration of a director's term, however, the

director shall continue to serve until such director's successor is elected and qualifies or until there is a decrease in the number of directors.

Director Independence

Lead Independent Director

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

Committees of the Board of Directors

Our Board has established an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee, each of which have the composition and responsibilities described below. Members serve on these committees until their resignation or until otherwise determined by our Board. Each committee operates under a written charter approved by our Board that satisfies the applicable rules of the SEC and the listing standards of the Nasdaq Global Select Market. Copies of each committee's charter are posted on the Investors section of our website. Membership in each committee is shown in the following table.

	Audit Committee	**Compensation Committee**	**Nominating and Governance Committee**
Wes Cummins			
Chuck Hastings	•		•
Kelli McDonald		•	•
Douglas Miller	▲	•	
Virginia Moore		•	▲
Richard Nottenburg	•	▲	

▲ Chair • Member

Audit Committee

Our Audit Committee is comprised of Messrs. Miller, Hastings and Nottenburg. Mr. Miller is the chairperson of our Audit Committee. Each Audit Committee member meets the requirements for independence under the current Nasdaq Global Select Market listing standards and SEC rules and regulations. Mr. Miller qualifies as an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K promulgated under the Securities Act of 1933 (the "Securities Act"). This designation does not impose any duties, obligations, or liabilities that are greater than are generally imposed on members of our Audit Committee and our Board. Each member of our Audit Committee is financially literate. Our Audit Committee is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our consolidated financial statements;
- ensuring the independence of the independent registered public accounting firm;

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

Compensation Committee

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

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

Nominating and Governance Committee

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

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

- advising our Board on corporate governance matters.

Board's Role in Risk Oversight

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

Board Diversity

Each year, our Nominating and Governance Committee will review, with the Board, the appropriate characteristics, skills, and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates, our nominating and governance committee will consider factors including, without limitation, an individual's character, integrity, judgment, potential conflicts of interest, other commitments, and diversity. While we have no formal policy regarding board diversity for our Board as a whole nor for each individual member, the Nominating and Governance Committee does consider such factors as gender, race, ethnicity and experience, area of expertise, as well as other individual attributes that contribute to the total diversity of viewpoints and experience represented on the Board. In August 2021, the SEC approved a Nasdaq Stock Market proposal to adopt new listing rules relating to board diversity and disclosure. As approved by the SEC, the new Nasdaq listing rules require all Nasdaq listed companies to disclose consistent, transparent diversity statistics regarding their boards of directors. The rules also require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self identifies as either an under-represented minority or LGBTQ+. The Board Diversity Matrix below presents the Board's diversity statistics in the format prescribed by the Nasdaq rules.

Board Diversity Matrix (as of November 10, 2022)				
Total Number of Directors	6			
	Female	**Male**	**Non-Binary**	**Did Not Disclose Gender**
Part I: Gender Identity				
Directors	2	4	0	0
Part II: Demographic Background				
African American or Black	0	0	0	0
Alaskan Native or Native American	0	0	0	0
Asian	0	0	0	0
Hispanic or Latinx	1	0	0	0
Native Hawaiian or Pacific Islander	0	0	0	0
White	1	4	0	0
Two or More Races or Ethnicities	0	0	0	0
Other (Race or Ethnicity)	0	0	0	0
LGBTQ+	0	0	0	0
Did Not Disclose Demographic Background	0	0	0	0

Legal Proceedings

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

EXECUTIVE AND DIRECTOR COMPENSATION

Our compensation programs are designed to:

- Attract, motivate, incentivize, and retain employees at the executive level who contribute to our long-term success;
- Provide compensation packages to our executives that are competitive, reward the achievement of our business objectives, and effectively align their interests with those of our stockholders; and
- Focus on long-term equity incentives that correlate with the growth of sustainable long-term value for our stockholders.

Our Compensation Committee is responsible for the executive compensation programs for our Named Executive Officers and reports to our Board of Directors on its discussions, decisions, and other actions. Our Chief Executive Officer makes recommendations for the respective executive officers that report to him to our Compensation Committee and typically attends Compensation Committee meetings.

Our Chief Executive Officer makes such recommendations (other than with respect to himself) regarding base salary, and short-term and long-term compensation, including equity incentives, for our executive officers based on our results, an executive officer's individual contribution toward these results, the executive officer's role and performance of his or her duties, and his or her achievement of individual goals. Our Compensation Committee then reviews the recommendations and other data, including various compensation survey data and publicly available data of our peers, and makes decisions as to the target total direct compensation for each executive officer, including our Chief Executive Officer, as well as each individual compensation element. While our Chief Executive Officer typically attends meetings of the Compensation Committee, the Compensation Committee meets outside the presence of our Chief Executive Officer when discussing his compensation and when discussing certain other matters, as well.

Our Compensation Committee is authorized to retain the services of one or more executive compensation advisors, as it sees fit, in connection with the establishment of our executive compensation programs and related policies. In fiscal year ending May 31, 2022, the Compensation Committee retained Compensia Inc., a national compensation consulting firm with compensation expertise relating to technology and life science companies, to provide it with market information, analysis, and other advice relating to executive compensation on an ongoing basis.

The Compensation Committee engaged Compensia, Inc. to, among other things, assist in developing an appropriate group of peer companies to help us determine the appropriate level of overall compensation for our executive officers, as well as to assess each separate element of compensation, with a goal of ensuring that the compensation we offer to our executive officers, individually as well as in the aggregate, is competitive and fair. We do not believe the retention of, and the work performed by, Compensia, Inc. creates any conflict of interest.

Our 2022 Incentive Plan was approved in January 2022. Previously, compensation was primarily in the form of cash, except for grants made in 2021 outside of the 2022 Incentive Plan. Going forward, compensation will be in the form of a mix of cash and equity, and we expect equity compensation to be a significant portion of the overall pay mix.

Compensation and Governance Practices and Policies

We endeavor to maintain strong governance standards in our policies and practices related to executive compensation. Below is a summary of our key executive compensation and corporate governance practices.

	What We Do		What We Don't Do
✓	Annually assess the risk-reward balance of our compensation programs in order to mitigate undue risks in our programs	✗	No pension plans or Supplemental Executive Retirement Plans
✓	Provide compensation mix that involves variable pay	✗	No hedging or pledging of our securities
✓	An independent compensation consultant advises the Compensation Committee	✗	No excise tax gross-ups upon a change of control

Peer Group

The Compensation Committee reviews market data of companies that we believe are comparable to us. With Compensia's assistance, the Compensation Committee developed a peer group for use when making its compensation decisions for the fiscal year ending May 31, 2022, which consisted of publicly traded technology companies headquartered in the U.S. that generally had a market capitalization between 0.25x and 4.0x the Company's market capitalization. The Compensation Committee referred to compensation data from this peer group and broader survey data (for similarly-sized companies) when making base salary, cash bonus and equity award decisions for our executive officers for the fiscal year ending May 31, 2022. The following is a list of the public companies that composed our peer group for the fiscal year ending May 31, 2022:

Alkami Technology	Core Scientific	Riot Blockchain
Backblaze	Couchbase	Sezzle
Bakkt Holdings	Global Tech Industries Group	Sollensys
Bit Digital	Greenidge Generation Holdings	Stronghold Digital Mining
BTRS Holdings	Marathon Digital Holdings	Sumo Logic
Cantaloupe	Paya Holdings	Tera Wulf
Cipher Mining	Payoneer Global	Veritone
Clean Spark		

Base Salaries

The compensation of Named Executive Officers is generally determined and approved by the Compensation Committee of the Board of Directors. The base salaries of each of the Named Executive Officers for the fiscal years ending May 31, 2021 and 2022 were as follows.

Named Executive Officer	Position	Base Salary FY21	Base Salary FY22
Wes Cummins	CEO	$250,000	$300,000
David Rench	CFO	$200,000	$240,000
Regina Ingel	EVP of Operations	$90,000	$120,000

Annual Bonuses

We maintain an annual bonus program that rewards each of our Named Executive Officers for our performance against business objectives. Our Board establishes performance goals for this program each year and then evaluates performance against these established goals to determine the amount of each award. This program is based on

performance over a fiscal year and pays out early in the following year, subject to the executive's continued service through the payment date. All awards under this program are subject to the discretion of the Compensation Committee and the Board of Directors. For the fiscal year ended May 31, 2022, the payment and magnitude of compensation bonuses to our executive officers were based on the successful completion of our initial public offering, which occurred on April 21, 2022. For the fiscal year ending May 31, 2022, the target annual bonuses for our Named Executive Officers were as follows:

Named Executive Officer	Position	Target Bonus (% of Salary)
Wes Cummins	CEO	100%
David Rench	CFO	75%
Regina Ingel	EVP of Operations	50%

For the fiscal year ended May 31, 2023, we intend to base the payment and magnitude of compensation bonuses on financial and other performance metrics as set by the Compensation Committee. The core of our executive compensation philosophy going forward is that our executives' pay should be linked to the performance of the Company.

Equity Compensation

During the fiscal year ended May 31, 2022, we granted restricted stock units to each of our Named Executive Officers. We feel this equity mix effectively aligns Named Executive Officer compensation with shareholder returns while also achieving retention objectives. On January 4, 2022, grants to our Named Executive Officers were as follows:

Named Executive Officer	Position	# of Restricted Stock Units
Wes Cummins	CEO	500,000
David Rench	CFO	166,666
Regina Ingel	EVP of Operations	100,000

Employment Agreements with Named Executive Officers

The Company currently has employment agreements with Mr. Cummins, Mr. Rench and Ms. Ingel. The employment agreements include non-compete and non-solicitation provisions.

Welfare and other Benefits

The Company maintains a broad-based 401(k) plan for its employees including its Named Executive Officers. Our Named Executive Officers did not participate in, or otherwise receive any benefits under, any pension or retirement plan sponsored by us during the fiscal year ending May 31, 2022. Our Named Executive Officers did not participate in, or earn any benefits under, a nonqualified deferred compensation plan sponsored by us during the fiscal year ending May 31, 2022.

Potential Payments upon Termination or Change in Control

Except as provided below, the Named Executive Officers' employment agreements do not provide for any special payments in the event of a termination of employment or a Change in Control of the Company while the agreement is

in effect. Under the terms of each Named Executive Officer's restricted stock award (each, an "Award"), if the Named Executive Officer's employment terminates before the Award is vested and the termination is on account of the Named Executive Officer's death, disability or termination by the Company without Cause (as defined in the Award), the Named Executive Officer will vest in a portion of the unvested Award based on the number of full months of employment that the Named Executive Officer has completed as of the termination date, and since the grant date of the Award. In addition, if there is a change in control of the Company as defined in the Award ("Change in Control") of the Company while the Award remains unvested, the Award will be treated in accordance with one of the following as determined by the Compensation Committee: (1) the Award may be replaced with a new award that constitutes a "Replacement Award" under the terms of the Award and relevant tax rules; (2) if the Company's stock continues to be publicly traded on The Nasdaq Global Select Market or another established securities market after the Change in Control, then the Award will continue in place and be treated as a Replacement Award; or (3) if, following the Change in Control, the Company's stock is no longer publicly traded on The Nasdaq Global Select Market or another established securities market, the unvested portion of the Award shall become vested immediately prior to the consummation of the Change in Control. Notwithstanding any of the foregoing, the Committee may determine that any unvested portion of the Award will be cancelled and terminated for consideration instead.

Executive Compensation

We are a "smaller reporting company" under applicable SEC rules and are providing disclosure regarding our executive compensation arrangements pursuant to the rules applicable to emerging growth companies, which means that we are not required to provide a compensation discussion and analysis and certain other disclosures regarding our executive compensation. The following discussion relates to the compensation of each of the Company's Chief Executive Officer and its two other most highly compensated individuals who were serving as executive officers at the end of the fiscal year ended May 31, 2022, for services rendered in all capacities during such year (the "Named Executive Officers"), consisting of Wes Cummins, our Chief Executive Officer, Secretary, Treasurer, Chairman of the Board, David Rench, our Chief Financial Officer, and Regina Ingel, our Chief Marketing Officer.

Summary Compensation Table

Name and Principal Position(s)	Year	Salary ($) (1)	Bonus ($)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($) (3)	Total ($)
Wes Cummins	2022	$279,167	$300,000	$ 4,020,000	$—	$4,599,167
Chief Executive Officer, President, Secretary, Treasurer and Chair of the Board	2021	52,083	—	—	—	52,083
	2020	—	—	—	—	—
David Rench	2022	$254,707	$180,000	$1,339,987	$—	$1,774,694
Chief Financial Officer	2021	41,667	20,000	—	—	61,667
	2020	—	—	—	—	—
Regina Ingel	2022	$105,000	$60,000	$804,000	$969,000	$969,000
Chief Marketing Officer	2021	12,500	9,000	—	—	21,500
	2020	—	—	—	—	—

1. 2021 amounts represent compensation for partial year service from March 2021 through May 31, 2021.
2. Represents the aggregate grant date of value of restricted stock awards during fiscal year ended May 31, 2022, computed in accordance with FASB ASC Topic 718.
3. Consists of all other compensation not covered in the salary, bonus, and non-equity incentive compensation categories.

Employment Agreements

Cummins Agreement

Wes Cummins is our Chief Executive Officer. On January 4, 2022, we and Mr. Cummins entered into an Employment Agreement, effective as of November 1, 2021 (the "Cummins Employment Agreement"). Pursuant to the Cummins Employment Agreement, Mr. Cummins receives a base salary of $300,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 100% of his base salary, to be determined at our sole discretion. The term of the Cummins Employment Agreement ends on October 31, 2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Cummins Employment Agreement grants Mr. Cummins an incentive award of 500,000 restricted shares of our Common Stock ("Restricted Stock"). All of such Restricted Stock has vested except 62,500 shares that will vest on April 1, 2023.

The Cummins Employment Agreement requires Mr. Cummins to devote his full-time efforts to his employment duties and obligations, and provides that Mr. Cummins will be entitled to participate in all benefit plans provided to our employees in accordance with our applicable plan, policy or practices, as well as in any long-term incentive program

established by us. It also provides for unlimited annual paid vacation, and reimbursement of reasonable business expenses, and provides that either party may terminate the employment arrangement pursuant to the notice requirements set forth in the Cummins Employment Agreement.

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

Rench Agreement

David Rench is our Chief Financial Officer. On January 4, 2022, we and Mr. Rench entered into an Employment Agreement, effective as of November 1, 2021 (the "Rench Employment Agreement"). Pursuant to the Rench Employment Agreement, Mr. Rench receives a base salary of $240,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 75% of his base salary, to be determined at our sole discretion. The term of the Rench Employment Agreement ends on October 31, 2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Rench Employment Agreement grants Mr. Rench an incentive award of 166,666 shares of Restricted Stock. All of such Restricted Stock vested, except 20,834 shares that will vest on April 1, 2023.

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

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

On July 18, 2022, the Compensation Committee increased Mr. Rench's annual base salary to $275,000, effective August 1, 2022.

Ingel Agreement

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

Pursuant to the Ingel Employment Agreement, Ms. Ingel receives a base salary of $185,000 per annum, subject to annual review, and shall also be eligible for an annual bonus of up to 50% of her base salary, to be determined at our sole discretion. The term of the Ingel Employment Agreement ends on October 31, 2024, with automatic one (1) year extensions unless notice not to renew is given by either party at least 60 days prior to the relevant end date.

The Ingel Employment Agreement granted Ms. Ingel an incentive award of 100,000 shares of Restricted Stock. All of such Restricted Stock vested, except 12,500 shares that will vest on April 1, 2023.

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

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

On August 1, 2022, the Ingel Employment Agreement was amended to change Ms. Ingel's title to Chief Marketing Officer and increase her annual base salary to $185,000.

Severance Agreements

None of our employees have severance agreements.

Outstanding Equity Awards at May 31, 2022

	STOCK AWARDS	
Name	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Wes Cummins	500,000	$2,415,000
David Rench	166,666	$804,997
Regina Ingel	100,000	$483,000

(1) Reflects shares of restricted stock granted outside of the 2022 Incentive Plan. All of such shares vested except for one-eighth that will vest on April 1, 2023.

Equity Compensation Plans

The following table sets forth certain information, as of May 31, 2022, regarding the shares of the Company's Common Stock authorized for issuance under the Company's equity compensation plans.

Plan	Number of shares of Common Stock issuable upon exercise of outstanding options, warrants or rights (1)	Weighted average of exercise price of outstanding options, warrants and rights	Number of shares of Common Stock remaining available for future issuance under equity compensation plans
2022 Incentive Plan	—	$—	13,333,333
2022 Non-Employee Director Stock Plan	—	$—	1,833,333
Compensation plans not approved by shareholders (2)	1,791,667(3)	$—	--

(1) Shares of Common Stock.

(2) Reflects restricted stock units which were not granted under the 2022 Incentive Plan or 2022 Non-Employee Director Stock Plan.

(3) Includes 416,667 RSUs which were subsequently terminated.

Employee Benefit Plans

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

The Incentive Plan

The following summary of the material features of the Incentive Plan is qualified in its entirety by reference to the Incentive Plan, a copy of which is filed with the SEC or available upon request.

Administration

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

The Compensation Committee may delegate its administrative duties or powers to one or more of its members or to one or more of our officers, our affiliates or subsidiaries, or to one or more agents or advisors. However, the authority to grant awards to individuals who are subject to Section 16 of the Exchange Act, cannot be delegated to anyone who

is not a member of the Compensation Committee. As used in this summary, the term "Incentive Plan Administrator" means the Compensation Committee and any delegate, as appropriate.

Eligibility

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

Awards

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

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

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

SARs. A stock appreciation right ("SAR") entitles the Participant to receive an amount upon exercise equal to the excess of the fair market value of one share of Common Stock on the exercise date over the grant price of the SAR. SARs shall be subject to applicable vesting conditions and such other provisions as the Incentive Plan Administrator may determine consistent with the Incentive Plan, including, without limitation, mandatory holding periods for any shares received upon exercise. The grant price per SAR shall be determined by the Incentive Plan Administrator, but cannot be less than the fair market value of one share of Common Stock on the grant date.

The minimum vesting period for a SAR is generally one year. The maximum period in which a vested SAR may be exercised will be fixed by the Incentive Plan Administrator at the time the SAR is granted, but generally cannot exceed 10 years. The Award Agreement shall set forth the extent to which a Participant may exercise the SAR following termination of employment. The amount payable upon the exercise of an SAR may, in the Incentive Plan

Administrator's discretion, be settled in cash, Common Stock, or a combination thereof, or any other manner approved by the Incentive Plan Administrator.

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

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

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

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

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

Dividend Equivalents

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

Minimum Vesting of Stock-Based Awards

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

Transferability

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

Performance Objectives

The Compensation Committee shall have full discretionary authority to select performance measures and related performance goals upon which payment or vesting of an award depends. Performance measures may relate to financial metrics, non-financial metrics, GAAP and non-GAAP metrics, business and individual objectives or any other performance metrics that the Compensation Committee deems appropriate. The Compensation Committee may provide in any award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (a) asset write- downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in management's discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses.

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

Change in Control

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

1. For awards other than performance awards, a Replacement Award (that is, an award with a value and terms that are at least as favorable as the outstanding award) may be issued;
2. For awards other than performance awards, if a Replacement Award is not issued and our Common Stock ceases to be publicly traded after the Change in Control, such awards shall be immediately vested and exercisable upon such Change in Control;

3. For unearned performance awards, the award shall be (i) earned on a pro-rata basis at the higher of actual or target performance and (ii) measured as of the end of the calendar quarter before the effective date of the Change in Control, or, if the award is stock-price based, as of the effective date of the Change in Control;
4. For earned but unvested performance awards, the award shall be immediately vested and payable as of the effective date of the Change in Control;
5. For awards other than performance awards, if our Common Stock continues to be publicly traded after a Change in Control, such awards shall continue under their applicable terms, unless otherwise determined by the Compensation Committee.

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

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

Share Authorization

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

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

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

1. With respect to any awards, the number of shares available for awards shall be reduced by one share for each share covered by such award or to which the award relates; and
2. Awards that do not entitle the holder to receive or purchase shares and awards that are settled in cash shall not be counted against the aggregate number of shares available for awards under the Incentive Plan.
In addition, any shares related to awards which terminate by expiration, forfeiture, cancellation, or otherwise without issuance of shares shall be available again for grant under the Incentive Plan.
In no event, however, will the following shares again become available for awards or increase the number of shares available for grant under the Incentive Plan:

(i) shares tendered by the Participant in payment of the exercise price of an option;
(ii) shares withheld from exercised awards for tax withholding purposes;
(iii) shares subject to a SAR that are not issued in connection with the settlement of that SAR; and
(iv) shares repurchased by us with proceeds received from the exercise of an option.

Amendment and Termination

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

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

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

Federal Income Tax Consequences

We have been advised by counsel regarding the federal income tax consequences of the Incentive Plan. No income is recognized by a Participant at the time an option or SAR is granted. If the option is an ISO, no income will be recognized upon the Participant's exercise of the option (except that the alternative minimum tax may apply). Income is recognized by a Participant when they dispose of shares acquired under an ISO. The exercise of a nonqualified stock option or SAR generally is a taxable event that requires the Participant to recognize, as ordinary income, the difference between the shares' fair market value and the option price. If a Participant disposes of shares acquired under an ISO before two years after the ISO was granted, or before one year after the ISO was exercised, this is a "disqualifying

disposition" and any gain recognized by the Participant upon the disposition of such shares will be taxed as ordinary income to the extent such gain does not exceed the fair market value of such shares on the date the ISO was exercised over the option price. Income is recognized on account of the award of restricted stock and performance shares when the shares first become transferable or are no longer subject to a substantial risk of forfeiture unless the Participant makes an election to recognize income on the grant date under Section 83(b) of the Code. At the applicable time, the Participant recognizes income equal to the fair market value of the Common Stock.

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

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

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

The Director Plan

The following summary of the material features of the Director Plan is qualified in its entirety by reference to the Director Plan filed with the SEC or available upon request.

Amendment No. 1

The First Amendment ("Amendment") to Director Plan, approved on April 4, 2023 and effective as of November 10, 2022, revised the Director Plan terms as follows: (1) the Amendment changed the "Compensation Year" during which eligible directors' cash compensation is paid, to a 12-month period that commences each year on the date of the Company's annual shareholder meeting, (2) the Amendment changed the amount of directors' annual stock awards so that, effective after the Company's annual meeting on November 10, 2022, annual share grants will equal a number of shares having a fair market value as of the date of the share grant, of $160,000, rounded up to the nearest whole share; as currently provided in the Director Plan, the Company will continue to have the discretion to revise the foregoing formula, subject to the Director Plan's overall share limits and (3) the Amendment provided for a one-time share grant to directors who were elected at the 2022 annual shareholder meeting, equal to 76,191 shares per director.

The special share grant is subject to all of the Director Plan terms that apply to regular share grants under the Director Plan, including, but not limited to, the Director Plan's vesting and forfeiture provisions.

Awards and Deferrals

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

Administration

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

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

Share Authorization

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

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

Grant of Shares

During our fiscal year ended May 31, 2022, the Director Plan provided that as of the first day of each compensation year (as defined in the Director Plan), we would, unless a different formula was selected in accordance with the last sentence of this paragraph, grant each Director a number of shares of our Common Stock for such year determined by

(i) dividing the amount of each Director's cash retainer for the compensation year by the fair market value of the shares on the first day of the compensation year, and (ii) rounding such number of shares up to the nearest whole share. We may revise the foregoing formula for any year without stockholder approval, subject to the Plan's overall share limits.

Vesting of Shares

Shares granted under the Director Plan will vest on the first anniversary of the grant date unless otherwise determined by the Director Plan Administrator. Unvested shares will be forfeited when a Director's service as a director terminates, except that (i) a Director's unvested shares shall become fully vested upon the Director's death or disability and (ii) a Director who elects not to stand for reelection as a Director for the following compensation year shall vest in a pro-rata portion of their outstanding grants at the annual meeting at which their service as a Director terminates.

Deferral Elections

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

Distributions of Deferrals

Distributions of deferrals under the Director Plan, once permitted, would generally be paid in a lump sum unless the Director specifies installment payments over a period up to 10 years. Deferred cash account amounts would be paid in cash, and deferred stock would be paid in whole shares of Common Stock. Unless otherwise elected by the Director, distributions would begin on February 15th of the year following the year in which the Director ceases to be a non-employee director. A Director could also elect to have their distributions commence on (a) the February 15th of the year following the later of the year in which they cease to be a non-employee director and the year in which they attain a specified age (which age must be at least 2 years after their age on the December 31 of the year they made the relevant deferral election), or (b) the February 15th of the year following the year in which they attain a specified age (which age must be at least 2 years after their age on December 31 of the year they made the relevant deferral election), without regard to whether they are still a non- employee director. Cash deferral accounts would be credited with earnings and losses on such basis as determined by the Board or its designee, and stock deferral accounts would be credited with additional share units equal to the value of any dividends paid during the deferral period on deferred stock. Under limited hardship circumstances, Directors could withdraw some or all of the amounts of deferred cash and stock in their deferral accounts.

Change in Control

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

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

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

Amendment and Termination

The Director Plan Administrator may, at any time, alter, amend, modify, suspend, or terminate the Director Plan in whole or in part; provided, however, that, without the prior approval of our stockholders, no such amendment shall increase the number of shares that may be granted to any Director, except as otherwise provided in the Director Plan, or increase the total number of shares that may be granted under the Director Plan. In addition, any amendment of the Director Plan must comply with the rules of the Trading Market, and no material amendment of the Director Plan shall be made without stockholder approval if stockholder approval is required by law, regulation, or stock exchange rule.

Federal Income Tax Consequences

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

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

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

Other Information

The number of shares to be issued in each year will vary based on the value of the Company's shares on the date of the grant of stock to Directors.

Welfare and Other Benefits

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

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

Director Compensation

General

The Board maintains a compensation arrangement for the non-employee directors of the Board. The Board compensation arrangement is comprised of the following types and levels of compensation:

Equity Grants

On January 14, 2022, each non-employee director was granted 100,000 shares of restricted stock, all of which vested on or prior to April 1, 2023.

On January 20, 2022, our 2022 Non-Employee Director Stock Plan (the "Director Plan") became effective, which provides for grants of restricted stock to non-employee directors and for deferral of cash and stock compensation if such deferral provisions are activated at a future date.

Retainers and Fees Paid in Cash

The following table shows the annual cash retainer fees for non-employee directors during our fiscal year ended May 31, 2022.

Base Retainer	$25,000
Audit Committee Chair	$15,000
Audit Committee Member	$8,000
Compensation Committee Chair	$10,000
Compensation Committee Member	$5,000
Nominating and Governance Committee Chair	$5,000

Nominating and Governance Committee Member	$3,000

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

Director Compensation Table

The following table presents the compensation for each person who served as a director on our Board during fiscal year ended May 31, 2022.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Total ($)
Chuck Hastings	36,000	483,000	519,000
Kelli McDonald	38,000	483,000	521,000
Douglas Miller	45,000	483,000	528,000
Virginia Moore	35,000	483,000	518,000
Richard Nottenburg	38,000	483,000	521,000
Jason Zhang(2)	25,000	483,000	508,000

1. Amounts shown represent the aggregate grant date fair value, computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, of awards of restricted stock granted during fiscal year ended May 31, 2022, which include 100,000 shares of restricted stock granted to each non-employee director on January 14, 2022, not pursuant to the Director Plan. Each director held 100,000 unvested shares of restricted stock as of May 31, 2022.

2. Mr. Zhang's service as director ended on November 10, 2022.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is, or has been, our officer or employee. None of our executive officers currently serves, or during the year ended May 31, 2022 served, as a member of the Board, or as a member of the compensation or similar committee, of any entity that has one or more executive officers serving on our Board or Compensation Committee.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Transactions

In addition to the compensation arrangements discussed in the section titled "Executive Officer and Director Compensation," the following is a description of each transaction since June 1, 2020 and each currently proposed transaction in which: (i) we have been or are to be a participant; (ii) the amount involved exceeded or will exceed $120,000 or one percent of the average of our total assets at May 31, 2022 and 2021; and (iii) any of our directors, executive officers, or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

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

In March 2021, we executed a strategy planning and portfolio advisory services agreement ("Services Agreement") with GMR Limited, a British Virgin Island limited liability company ("GMR"), Xsquared Holding Limited, a British Virgin Island limited liability company ("SparkPool") and Valuefinder, a British Virgin Islands limited liability company ("Valuefinder" and, together with GMR and SparkPool, the "Service Providers"). Jason Zhang, a former director and consultant of the Company, is the sole equity holder and manager, of Valuefinder and a related party. Pursuant to the Services Agreement, the Service Providers agreed to provide cryptoasset mining management and analysis and to assist us in securing difficult to obtain equipment and we agreed to issue 7,440,148 shares of our Common Stock to GMR or its designees, 7,440,148 shares of our Common Stock to SparkPool or its designees and 3,156,426 shares of our Common Stock to Valuefinder or its designees. Each Service Provider has provided such services to us which services commenced in June 2021.

In July 2021, we issued 7,440,148 shares of our Common Stock to each of GMR and SparkPool and 3,156,426 shares of our Common Stock to Jason Zhang, Valuefinder's designee.

On December 8, 2021, we entered into a Service Order with Global Operating Infrastructure LLC pursuant to which we provide energized space for mining activities of Global Operating Infrastructure LLC. Mr. Zhang, a former director and consultant of the Company, owns 15% of Global Operating Infrastructure LLC's outstanding equity. During fiscal year 2022, Global Operating Infrastructure LLC paid $1,409,193.00 to Company pursuant to the Service Order.

As part of his consulting agreement, Mr. Zhang receives $25,000 per month in return for his services providing oversight of the Company's management team and assistance, as necessary, to the Company's CEO. In fiscal year 2022, the Company paid Mr. Zhang $270,000 as consideration for his consulting services.

In 2009, certain affiliates of B. Riley Securities, Inc., including members of senior management, purchased preferred shares of, and funded certain loans to, us. Such shares and loans have been converted into an aggregate of approximately 3.6 million shares of our Common Stock. In April 2021, certain employees of B. Riley Securities, Inc. purchased an aggregate of 67,400 shares of our Series C Preferred Stock. B. Riley Securities, Inc. provided investment banking services in connection with the offering of our Series C Preferred Stock. Additionally, in July 2021, certain employees of B. Riley Securities, Inc. purchased an aggregate of 85,960 shares of our Series D Preferred Stock. B.

Riley Securities, Inc. provided investment banking services in connection with the offering of our Series D Preferred Stock.

On May 23, 2023, SAI Computing LLC, a wholly-owned subsidiary of the Company, entered into a Loan and Security Agreement with B. Riley Commercial Capital, LLC and B. Riley Securities, Inc. (the "Lenders"), B. Riley Commercial Capital, LLC, as Collateral Agent, and the Company as Guarantor (the "Loan and Security Agreement"). The Loan and Security Agreement provides for a term loan (the "Loan") in the principal amount of $50,000,000 with a maturity date of May 23, 2025. At the closing on May 23, 2023, the Lenders advanced to the Borrower $36,500,000, with the remaining $13,500,000 to be advanced at the sole discretion of the Lenders. The Loan and Security Agreement provides for an interest rate of 9.00% per annum. The proceeds of the Loan will be used to provide additional liquidity to fund the buildout of the Company's recently announced AI cloud platform and datacenters by the Borrower, and for general corporate purposes and working capital. The Loan and Security Agreement contains events of default and covenants customary for such an agreement. The Loan is secured by a security interest in substantially all of the assets of the Borrower as set forth in the Loan and Security Agreement and a security interest in any proceeds of the Borrower's operations. Pursuant to the Loan and Security Agreement, the Company unconditionally guaranteed the Borrower's obligations to the Lender.

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

Review, Approval, or Ratification of Transactions with Related Parties

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

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our Common Stock, as of May 18, 2023 by: (1) each of our Named Executive Officers; (2) each of our directors; (3) all of our directors and executive officers as a group; and (4) each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of Common Stock.

We have determined beneficial ownership in accordance with the rules of the SEC. Unless otherwise indicated below, to our knowledge, based on information furnished to us, the persons and entities named in the table have sole voting and investment power with respect to all shares that they beneficially own, subject to applicable community property laws. We have based our calculation of the percentage ownership of our Common Stock on 95,908,964 shares of our Common Stock.

	Shares Beneficially Owned (b)	
Name and Address(a)	**Number**	**Percentage**
Directors and Officers:		
Wes Cummins	23,310,868 (b)	24.3 %
David Rench	165,997 (c)	*
Chuck Hastings	559,321 (d)	*
Kelli McDonald	194,821 (e)	*
Douglas Miller	194,821 (f)	*
Virginia Moore	1,076,055 (g)	1.1 %
Richard Nottenburg	194,821 (h)	*
Regina Ingel	98,262	*
Officers and Directors as a group (8 people)	25,794,966 (b)-(h)	26.9 %
5% Holders:		
Guo Chen c/o GMR Limited Trinity Chamber PO BOX 4301 Tortola, British Virgin Islands	7,440,148 (j)	7.5%

* Less than 1%.

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

(b) Includes (i) 17,590,238 shares of Common Stock held by Cummins Family Ltd, of which Mr. Cummins is the CEO, (ii) 742,166 shares of Common Stock held by Wesley Cummins IRA Account, (iii) 2,030,686 shares of Common Stock held by B. Riley Asset Management, LLC, of which Mr. Cummins is the President.

(c) Includes 76,191 shares of restricted Common Stock held directly by Mr. Rench which will vest on November 11, 2023.

(d) Includes 76,191 shares of restricted Common Stock held directly by Mr. Hastings which will vest on November 11, 2023.

(e) Includes 76,191 shares of restricted Common Stock held directly by Ms. McDonald which will vest on November 11, 2023.

(f) Includes 76,191 shares of restricted Common Stock held directly by Mr. Miller which will vest on November 11, 2023.

(g) Includes (i) 613,617 shares of Common Stock held by B. Riley Securities, Inc., of which Andrew Moore, Ms. Moore's spouse, is the Chief Executive Officer, (ii) 267,617 shares of Common Stock, held directly by Mr. Moore and (iii) 76,191 shares of restricted Common Stock held directly by Ms. Moore which will vest on November l1, 2023.

(h) Includes 76,191 shares of restricted Common Stock held directly by Dr. Nottenburg which will vest on April 1, 2023.

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

DESCRIPTION OF CAPITAL STOCK AND THE SERIES E PREFERRED STOCK

The following descriptions are summaries of the material terms of our Articles and our Bylaws. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, our Articles and Bylaws, forms of which are filed with the SEC or are available upon request to the Company, and applicable law.

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

General

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

Common Stock

As of May 18, 2023, there were 95,908,964 shares of our Common Stock issued and outstanding and we had (i) 12,958,459 shares reserved for issuance under the 2022 Incentive Plan, (ii) 1,359,229 shares reserved for issuance under the 2022 Non-Employee Director Stock Plan, (iii) 545,836 shares reserved for issuance under restricted stock unit awards to certain consultants and (iii) 4,965,432 shares that were forfeited by Xsquared Holding Limited and returned to the Company and placed in treasury.

Dividend Rights

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

Voting Rights

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

Liquidation Rights

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

Other Rights

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

Preferred Stock

We are authorized to issue 5,000,000 shares of Preferred Stock at par value $0.001 per share. As of the date of this PPM, 2,120,578 shares of Preferred Stock had been issued and retired, no shares of preferred stock are outstanding and 2,879,422 shares of Preferred Stock remain available and authorized for issuance.

Series E Preferred Stock

Our Board has created out of the authorized and available shares of our preferred stock, a series of convertible redeemable preferred stock, designated as the Series E Redeemable Preferred Stock (the "Series E Preferred Stock"). The following is a brief description of the terms of the Series E Preferred Stock.

Ranking

The Series E Preferred Stock ranks, with respect to the payment of dividends and rights upon our liquidation, dissolution or winding up of our affairs:

- prior or senior to all classes or series of our Common Stock and any other class or series of equity securities, if the holders of Series E Preferred Stock are entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series;

- on a parity with other classes or series of our equity securities issued in the future if, pursuant to the specific terms of such class or series of equity securities, the holders of such class or series of equity securities and the Series E Preferred Stock are entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other;

- junior to any class or series of our equity securities if, pursuant to the specific terms of such class or series, the holders of such class or series are entitled to the receipt of dividends or amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of the Series E Preferred Stock (none of which are currently outstanding); and

- junior to all our existing and future debt.

The term "equity securities" does not include potential convertible debt securities, which will rank senior to the Series E Preferred Stock prior to conversion.

Stated Value

Each share of Series E Preferred Stock will have a "Stated Value" of $25.00, subject to an equitable adjustment for stock splits, stock combinations, recapitalizations and similar transactions.

Dividends

Holders of the Company's Series E Preferred Stock shall be entitled to receive a cumulative dividend ("Dividends") at a fixed annual rate of 8.0% per annum of the Stated Value of $25.00 per share of the Series E Preferred Stock per year (computed on the basis of a 360-day year consisting of twelve 30-day months). Dividends will be declared and accrued monthly. Such Dividends shall be payable upon Board approval, which may not be monthly, out of legally available funds in cash.

Dividends payable on each share of Series E Preferred Stock will begin accruing on, and will be cumulative from, the first day of the dividend period during which such share of Series E Preferred Stock was originally issued. Each

subsequent Dividend will begin accruing on, and will be cumulative from, the end of the most recent dividend period for which a Dividend has been paid on each such share of Series E Preferred Stock. The term "dividend period" means the respective periods commencing on, and including, the first day of each month of each year and ending on, and including, the day preceding the first day of the next succeeding dividend period (other than the dividend period during which any shares of Series E Preferred Stock shall be redeemed, which shall end on, and include, the day preceding the redemption date with respect to the shares of Series E Preferred Stock being redeemed). The timing of payment of our Dividends will be determined by our Board, in its sole discretion, from time to time.

Holders of our shares of Series E Preferred Stock are not entitled to any dividend in excess of full cumulative Dividends on our shares of Series E Preferred Stock. Unless full cumulative Dividends on our shares of Series E Preferred Stock for all past dividend periods have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set apart for payment dividends and we will not declare and make any other distribution of cash or other property (other than dividends or distributions paid in shares of stock ranking junior to the Series E Preferred Stock as to the dividend rights or rights upon our liquidation, dissolution or winding up of our affairs, and options, warrants or rights to purchase such shares), directly or indirectly, on or with respect to any shares of our Common Stock or any class or series of our stock ranking junior to or on parity with the Series E Preferred Stock as to dividend rights or rights upon our liquidation, dissolution or winding up of our affairs for any period; or

- except by conversion into or exchange for shares of stock ranking junior to the Series E Preferred Stock as to dividend rights or rights upon our liquidation, dissolution or winding up of our affairs, or options, warrants or rights to purchase such shares, redeem, purchase or otherwise acquire (other than a redemption, purchase or other acquisition of Common Stock made for purposes of an employee incentive or benefit plan) for any consideration, or pay or make available any monies for a sinking fund for the redemption of, any Common Stock or any class or series of our stock ranking junior to or on parity with the Series E Preferred Stock as to dividend rights or rights upon our liquidation, dissolution or winding up of our affairs.

Holder Optional Redemption

Each holder of shares of Series E Preferred Stock is entitled to redeem any portion of the outstanding Series E Preferred Stock held by such holder (a “Holder Optional Redemption”). At the option of the Company, a Holder Optional Redemption may be redeemed in either cash or Company Common Stock. The Company will settle any Holder Optional Redemption in cash by paying the holder the Settlement Amount (as defined below). The Company will settle any Holder Optional Redemption with Common Stock by delivering to the holder a number of shares of our Common Stock at a rate equal to (1) the Settlement Amount divided by (2) price of shares of our Common Stock on the traded day ended on the Holder Redemption Exercise Date. The “Settlement Amount” means (A) the Stated Value, plus (B) unpaid Dividends accrued to, but not including, the Holder Redemption Exercise Date, minus (C) the Series E Holder Optional Redemption Fee applicable on the respective Holder Redemption Deadline (defined below). Nasdaq rules and the terms of the Offering include a cap on the aggregate number of shares of Common Stock issuable thereunder for redemption equal to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company’s shareholders is obtained to exceed that cap.

Holders of Series E Preferred Stock may elect to redeem their shares of Series E Preferred Stock at any time by delivering to Preferred Shareholder Services (define below) a notice of redemption (the "Holder Redemption Notice"). A Holder Redemption Notice will be effective as of: (a) the 15th day of the month (or, if the 15th day of the month is not a business day, then on the business day immediately preceding the 15th day) or (b) the last business day of the month, whichever occurs first after a Holder Redemption Notice is duly received by Preferred Shareholder Services (such date, a "Holder Redemption Deadline"). Any Holder Redemption Notice received after 5:00 p.m. Eastern time on a Holder Redemption Deadline will be effective as of the next Holder Redemption Deadline. For all shares of Series E Preferred Stock duly submitted to us for Redemption on or before a Holder Redemption Deadline, the Company will determine the Settlement Amount (defined above) on any business day after such Holder Redemption Deadline but before the next Holder Redemption Deadline (such date, the "Holder Redemption Exercise Date"). Within such period, the Company may select the Holder Redemption Exercise Date in our sole discretion but before the next Holder Redemption Deadline. The Company may, in our sole discretion, permit a holder to revoke their Holder Redemption Notice at any time prior to 5:00 pm, Eastern time, on the business day immediately preceding the Holder Redemption Exercise Date.

Our ability to redeem shares of Series E Preferred Stock in cash may be limited to the extent that we do not have sufficient funds available, taking into account such reserves and other considerations as our Board may determine in its sole discretion, to fund such cash redemption. Our ability to redeem shares of Series E Preferred Stock in Common Stock is limited by Nasdaq rules and the terms of the Offering capping the aggregate number of shares of Common Stock issuable thereunder for redemption to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company's shareholders is obtained to exceed that cap. Further, our obligation to redeem any of the shares of Series E Preferred Stock submitted for redemption in cash may be restricted by law.

Series E Holder Optional Redemption Fee

A Series E Preferred Stock is subject to an early redemption fee if it is redeemed by its holder within three years of its issuance. The amount of the fee equals a percentage of the Stated Value disclosed herein based on the year in which the redemption occurs after the Series E Preferred Stock is issued as follows:

- Prior to the first anniversary of the issuance of such Series E Preferred Stock: 9.00% of the Stated Value disclosed herein, which equals $2.25 per Series E Preferred Stock;

- On or after the first anniversary but prior to the second anniversary: 7.00% of the Stated Value disclosed herein, which equals $1.75 per Series E Preferred Stock;

- On or after the second anniversary but prior to the third anniversary: 5.00% of the Stated Value disclosed herein, which equals $1.25 per Series E Preferred Stock; and

- On or after the third anniversary: 0.00%.

For purposes of this section, the issuance date of the shares to be redeemed means the date that the acquired the shares of Series E Preferred Stock. The Company is permitted to waive the Holder Optional Redemption Fee. Any such waiver would apply to any holder Series E Preferred Stock qualifying for the waiver and exercising a Holder Optional Redemption during the pendency of the term of such waiver. Although the Company has retained the right to waive the Holder Optional Redemption Fee in the manner described above, we are not required to establish any such waivers and we may never establish any such waivers.

Optional Redemption Following Death of a Holder

Subject to restrictions, beginning on the date of original issuance and ending at the end of the third year, we will redeem Series E Preferred Stock of a beneficial owner who is a natural person (including a natural person who holds shares of Series E Preferred Stock through an Individual Retirement Account or in a personal or estate planning trust) upon his or her death at the written request of the beneficial owner's estate at a redemption price equal to the Settlement Amount without application of the Series E Holder Optional Redemption Fee.

Company Optional Redemption

Subject to the restrictions described herein and unless prohibited by Nevada law, a share of Series E Preferred Stock may be redeemed at our option (the "Company Optional Redemption") at any time or from time to time upon not less than 10 calendar days nor more than 90 calendar days written notice to the holders prior to the date fixed for redemption thereof, at a redemption price of 100% of the Stated Value of the shares of Series E Preferred Stock to be redeemed plus accrued but unpaid Dividends. In the Company's sole and absolute discretion, the Company may determine to fulfill a Company Optional Redemption in either cash or with fully paid and non-assessable shares of Company Common Stock; provided, however, that Nasdaq rules and the terms of the Offering include a cap on the aggregate number of shares of Common Stock issuable thereunder for redemption equal to 19.99% of the number of shares of Common Stock outstanding immediately prior to the commencement of this Offering (or 18,800,189 shares of Common Stock) unless consent of the Company's shareholders is obtained to exceed that cap. The Company will not exercise the Company Optional Redemption prior to the earlier of the second-year anniversary of the date on which a share of Series E Preferred Stock has been issued (the "Redemption Eligibility Date"). If we exercise the Company Optional Redemption for less than all of the outstanding shares of Series E Preferred Stock, then shares of Series E Preferred Stock will be selected for redemption on a pro rata basis or by lot across holders of the series of Series E Preferred Stock selected for redemption. There is no Holder Optional Redemption Fee charged upon a Company Optional Redemption.

Reserves of Common Stock

To the extent the Company determines to fulfill a Holder Optional Redemption or a Company Optional Redemption with fully paid and non-assessable shares of Company Common Stock, instead of with cash, the Company shall ensure it has available shares of Common Stock out of its authorized and unissued shares of Common Stock. All rights with respect to the Series E Preferred Stock will terminate upon the redemption.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment is made to the holders of our Common Stock or any other class or series of capital stock ranking junior to the Series E Preferred Stock, the holders of the Series E Preferred Stock will have the right to receive, out of our assets legally available for distribution to our stockholders, after payment or provision for our debts and other liabilities, a liquidation preference equal to the Stated Value, plus an amount equal to any accrued but unpaid dividends (whether or not declared) to, but not including, the date of payment. The rights of the holders of the Series E Preferred Stock to receive the Stated Value will be subject to the rights of holders of our debt, holders of any equity securities ranking senior in liquidation preference to the Series E Preferred Stock (none of which are currently outstanding) and the proportionate rights of other preferred stock holders of each other series or class of our equity securities ranked on a parity with Series E Preferred Stock. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the Series E Preferred Stock will have no right or claim to any of our remaining assets. Our

consolidation or merger with or into any other corporation, trust or other entity, the consolidation or merger of any other corporation, trust or entity with or into us, the sale or transfer of any or all our assets or business, or a statutory share exchange will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

Voting Rights

Holders of our Series E Preferred Stock will not have any Company voting rights.

Transfer Agent and Registrar

The transfer agent and registrar for the Series E Preferred Stock is Computershare Trust Company, N.A.

Listing

The shares of Series E Preferred Stock are not listed on an exchange, and we do not intend to apply to have any such shares listed on an exchange in the future.

Limitations on Liability and Indemnification Matters

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

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

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

Our Bylaws require us to indemnify our directors and officers to the maximum extent not prohibited by the NRS and allows us to indemnify other employees and agents as set forth in the NRS. Subject to certain limitations, our amended and restated bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted. We believe that provisions of our amended and restated bylaws are necessary to attract and retain qualified directors, officers, and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers, or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Listing

Our Common Stock is presently quoted on The Nasdaq Global Select Market under the symbol "APLD."

Common Shares Eligible for future sales

Future sales of substantial amounts of our Common Stock in the public market, or the perception that such sales may occur, could adversely affect market prices prevailing from time to time. Further, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our Common Stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. As of May 18, 2023, there are 95,908,964 shares of our Common Stock outstanding. There are 88,018,153 shares of our Common Stock that are freely transferable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining 7,890,811 shares of our Common Stock outstanding are "restricted shares" as defined in Rule 144. Restricted shares may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144.

Our Board and stockholders also approved an employee incentive plan and non-employee director incentive plan, and 14,317,688 shares of our Common Stock are reserved for issuance under the plans and available for future issuance. We have also issued an aggregate of 545,836 shares of restricted stock units to certain of our consultants as part of their consulting compensation which, if and when vested, will result in an additional 545,836 shares of Common Stock issued and outstanding.

Rule 144

In general, a person who has beneficially owned restricted shares of our Common Stock for at least six months would be entitled to sell such securities, provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, the sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our Common Stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, the sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of the following: (i) 1% of the number of shares of our Common Stock then outstanding, which will equal approximately 942,389 shares; or (ii) the average weekly trading volume of our Common Stock on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale; provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale and notice provisions of Rule 144 to the extent applicable. As of November 30, 2021, we are no longer a shell company under Rule 405 of the Securities Act. However, because we have been a shell company, a person selling restricted or control securities may not use Rule 144 unless certain conditions have been met. Rule 144(i) provides that Rule 144 may only become available for the resale of securities by a person selling restricted or control securities that were originally issued by a shell company if certain conditions are met. These conditions are: (a) that the issuer is no longer a shell company; (b) that the issuer is an SEC reporting company; (c) that the issuer has filed all required reports during the preceding 12 months or any shorter period during which we have been subject to reporting requirements; and (d) has filed current Form 10 information with the SEC reflecting that it is no longer a shell company.

Price History of Common Stock

The table below shows the high and low bid and ask prices for our Common Stock, for the indicated periods. You should not place undue reliance on these historical sales prices as they may differ materially from the subsequent public price of our Common Stock on the Nasdaq Global Select Market.

	High	**Low**
Year Ended May 31, 2021		
First Quarter	$0.15	$0.0426
Second Quarter	$0.18	$0.0510
Third Quarter	$2.10	$0.0918
Fourth Quarter	$13.50	$0.84
Year Ended May 31, 2022		
First Quarter	$15.78	$3.765
Second Quarter	$34.20	$7.62
Third Quarter	$28.08	$8.10
Fourth Quarter	$27.1195	$1.73
Year Ended May 31, 2023		
First Quarter	$5.00	$0.85
Second Quarter	$2.63	$1.45
Third Quarter	$3.735	$1.45

As of May 25, 2023, there were approximately 115 holders of record of our Common Stock.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax consequences of an investment in the Series E Preferred Stock. It does not discuss all of the potential tax considerations relevant to the Company or its operations. The following discussion is based upon the Code, U.S. Treasury Department regulations promulgated thereunder (the "Regulations") and U.S. Internal Revenue Service ("IRS") and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly with retroactive effect. Accordingly, there can be no assurance that any tax position described herein will not be successfully challenged by the IRS. This discussion does not describe all of the tax considerations that may be relevant to a particular holder's acquisition, ownership or disposition of the Series E Preferred Stock such as the potential application of the alternative minimum tax or Medicare contribution tax on net investment income. In addition, this discussion does not deal with state or local taxes, U.S. federal gift and estate tax laws, except to the limited extent provided below, or any non-U.S. tax consequences that may be relevant to holders of our Series E Preferred Shares in light of their particular circumstances. Special rules different from those described below may apply to certain holders that are subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as:

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

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

PROSPECTIVE INVESTORS CONSIDERING THE PURCHASE OF OUR SERIES E PREFERRED STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF OUR SERIES E PREFERRED STOCK IN

LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION, INCLUDING ANY STATE, LOCAL, OR NON-U.S. TAX CONSEQUENCES OR ANY U.S. FEDERAL NON-INCOME TAX CONSEQUENCES, AND THE POSSIBLE APPLICATION OF TAX TREATIES.

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

Definition of "U.S. Holder" and "Non-U.S. Holder"

For purposes of this section, a "U.S. Holder" means a beneficial owner of our Series E Preferred Stock (other than a beneficial owner that is an entity treated as a partnership for U.S. federal income tax purposes) that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

An individual non-U.S. citizen may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending with the current calendar year, with such 183 days counted by taking into account all the days present in the United States in the current year, one-third of the days present in the United States in the immediately preceding year, and one-sixth of the days present in the United States in the second preceding year. An individual non-U.S. citizen may also be deemed to be a resident alien for a calendar year if such individual is a lawful permanent resident of the United States (i.e., holds a "green card") at any time during such calendar year. A resident alien is considered to be a resident of the United States for purposes of identifying a U.S. Holder. Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Individuals who are uncertain of their status as resident or nonresident aliens for U.S. federal income tax purposes are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of our Series E Preferred Stock. A "Non-U.S. Holder" means a beneficial owner of our Series E Preferred Stock (other than a beneficial owner that is an entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. Taxation of an investment by Non-U.S. Holders in our Series E Preferred Stock is complex and such prospective investors should consult their own qualified tax advisors.

Series E Preferred Stock Dividends

Distributions with respect to the Series E Preferred Stock will constitute dividends for U.S. federal income tax purposes to the extent made out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a non-taxable return of capital to the extent of your tax basis in the Series E Preferred Stock (and you will reduce your tax basis accordingly) and thereafter as capital gain from the sale or exchange of such Series E Preferred Stock.

Under certain circumstances, dividends that exceed certain thresholds in relation to your tax basis in the Series E Preferred Stock could be characterized as an "extraordinary dividend" under the Code, in which case your basis in the stock could be reduced. If the amount of the reduction in basis exceeds your tax basis in such Series E Preferred Stock, the excess is treated as taxable gain. If you are a noncorporate U.S. holder and you receive an extraordinary dividend, you will be required to treat any losses on the sale of the Series E Preferred Stock as long-term capital losses to the extent of the extraordinary dividends you receive that qualify for the preferential rates referred to above. The deductibility of capital losses is subject to limitations.

Taxation of U.S. Holders on the Disposition of Series E Preferred Stock

In general, a U.S. holder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our Series E Preferred Stock as long term capital gain or loss if the U.S. holder has held such capital stock for more than one year and otherwise as short term capital gain or loss. In general, a U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. holder's adjusted tax basis. A holder's adjusted tax basis generally will equal the U.S. holder's acquisition cost. However, a U.S. holder must generally treat any loss upon a sale or exchange of capital stock held by such holder for six months or less as a long term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us that such U.S. holder treats as long term capital gain. (The 2017 Tax Cuts and Jobs Act literally eliminated this rule, but it is possible that the elimination was a mere failure to correct a cross-reference and therefore did not change the law.) All or a portion of any loss that a U.S. holder realizes upon a taxable disposition of the capital stock may be disallowed if the U.S. holder purchases other capital stock within 30 days before or after the disposition.

Redemption of Series E Preferred Stock

In general, a redemption of any Series E Preferred Stock will be treated under Section 302 of the Internal Revenue Code as a distribution that is taxable at ordinary income tax rates as a dividend (to the extent of our current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Internal Revenue Code enabling the redemption to be treated as a sale of the Series E Preferred Stock (in which case the redemption will be treated in the same manner as a sale described in "—Taxation of U.S. Holders on the Disposition of Series E Preferred Stock" above). The redemption will satisfy such tests and be treated as a sale of the Series E Preferred Stock if the redemption: (i) is "substantially disproportionate" with respect to the U.S. holder's interest in our stock; (ii) results in a "complete termination" of the U.S. holder's interest in all classes of our stock; or (iii) is "not essentially equivalent to a dividend" with respect to the U.S. holder, in each case within the meaning of Section 302(b) of the Internal Revenue Code.

In determining whether any of these tests have been met, stock considered to be owned by the U.S. holder by reason of certain constructive ownership rules set forth in the Internal Revenue Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Internal Revenue Code described above will be satisfied with respect to any particular U.S. holder of the Series E Preferred Stock depends upon the facts and circumstances at the time that the determination must be made, prospective investors are advised to consult their own tax advisors to determine such tax treatment.
If a redemption of Series E Preferred Stock does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution. In that case, a U.S. holder's adjusted tax basis in the redeemed Series E Preferred Stock will be transferred to such U.S. holder's remaining stock holdings in our company. If the U.S. holder does not retain any of our stock, such basis could be transferred to a related person that holds our stock or it may be lost.

Series E Preferred Stock redeemed for shares of Common Stock

If a U.S. holder's Series E Preferred Stock is redeemed for shares of Common Stock, the U.S. holder would not recognize gain or loss (except in respect of any Common Stock received that is attributable to accrued but unpaid dividends, which would be taxed as a dividend as described under "Distributions") and the U.S. holder's basis in the Common Stock received would be the same as the U.S. holder's basis in the Series E Preferred Stock for which it is considered to be exchanged. A U.S. holder's holding period in the Common Stock received would include its holding period in the redeemed Series E Preferred Stock.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. In general, a U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. holder's adjusted tax basis. A U.S. holder's adjusted tax basis generally will equal the U.S. holder's acquisition cost. In general, the maximum federal income tax rate on long-term capital gain applicable to non-corporate taxpayers is 20% for sales and exchanges of assets held for more than one year. The maximum federal income tax rate on all or a portion of unrecaptured section 1250 gain is 25%.

Medicare Tax

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold. Net investment income generally includes dividend income and net gains from the disposition of stock, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

A U.S. holder that is an individual, estate or trust, should consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our Series E Preferred Stock.

Information Reporting Requirements and Backup Withholding

We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year and the amount of tax we withhold, if any. Under the backup withholding rules, a U.S. holder may be subject to backup withholding at the rate of 24% with respect to distributions unless such holder: comes within certain exempt categories and, when required, demonstrates this fact; or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. holder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the U.S. holder's income tax liability.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and IRAs, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income. We

are taxed as a corporation and generally an investment in our capital stock, including our Series E Preferred Stock, will not constitute unrelated business taxable income. However, if a tax-exempt stockholder were to finance its acquisition of our stock with debt, a portion of the income that it receives from us would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. We urge U.S. holders to consult their tax advisors to determine the impact of federal, state, and local income tax laws on ownership of our capital stock, including any reporting requirements.

Backup withholding and information reporting

Generally, we (or other intermediaries) must report information to the IRS with respect to any dividend we pay on our Series E Preferred Stock, including the amount of any such distributions, the name and address of the recipient, and the amount, if any, of tax withheld, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence. Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding tax (currently, at a rate of 24%). U.S. backup withholding tax generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know the holder is a U.S. person. Under current U.S. federal income tax law, U.S. information reporting and backup withholding requirements generally will apply to the proceeds of a disposition of our Series E Preferred Stock effected by or through a U.S. office of any broker, U.S. or non-U.S., unless the Non-U.S. Holder provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, or otherwise meets documentary evidence requirements for establishing non-U.S. person status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. Information reporting and backup withholding requirements may, however, apply to a payment of disposition proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. person. For information reporting purposes only, certain U.S. related brokers may be treated in a manner similar to U.S. brokers. Backup withholding is not an additional tax. Rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

Foreign accounts

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

30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Under the applicable Treasury Regulations and administrative guidance, unless an exemption applies, withholding under FATCA potentially applies to payments of dividends on our Series E Preferred Stock. However, under proposed U.S. Treasury Regulations, withholding under FATCA will not apply to the gross proceeds from any sale or disposition of our Series E Preferred Stock. Withholding agents may, but are not required to, rely on the proposed Treasury Regulations until final Treasury Regulations are issued. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our Series E Preferred Stock.

Considerations for Tax-Exempt Investors and ERISA Matters

The following is a summary of certain additional considerations associated with an investment in our Series E Preferred Stock by (i) employee benefit plans (described in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that are subject to Title I of ERISA, (ii) plans, individual retirement accounts ("IRAs") and other arrangements that are subject to Section 4975 of the Code or provisions of any other U.S. or non-U.S. federal, state, local, foreign or other laws that are similar to such provisions of ERISA or the Code and (iii) entities whose underlying assets are considered to include "plan assets" of any of the foregoing described in clauses (i) and (ii). Each of the foregoing arrangements described in clauses (i), (ii) and (iii) are referred to herein as a "Plan."

This summary is based on provisions of ERISA and the Code, including amendments thereto through the date of this PPM, and relevant regulations and opinions issued by the Department of Labor and the IRS through the date of this PPM. We cannot assure you that adverse decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein will not occur. Any such changes may apply to transactions entered into prior to the date of their enactment. In considering an investment in the Series E Preferred Stock, those involved with making such an investment decision should consider applicable provisions of the Code and ERISA.

Although each of the ERISA and Code issues discussed below may not apply to all Plans, individuals involved with making investment decisions with respect to Plans should carefully review the rules and exceptions described below, and determine their applicability to their situation. This discussion should not be considered legal or tax advice and prospective investors are encouraged to consult their own legal and tax advisors on these matters.

ERISA and the Code (i) impose certain duties on persons who are fiduciaries of a Plan and (ii) prohibit certain transactions involving the assets of a Plan and fiduciaries or interested parties. Fiduciaries of IRAs are subject to similar rules to under the Code but not ERISA. ERISA and the Code define a fiduciary as any person who exercises discretionary authority or control over the administration of a Plan or who renders investment advice for a fee or other compensation.

In general, individuals making investment decisions with respect to Plans should, at a minimum, consider:

- whether the investment is in accordance with the documents and instruments governing such Plan;
- whether the investment satisfies the prudence and diversification and other fiduciary requirements of ERISA, if applicable;
- whether the investment will result in unrelated business taxable income to the Plan (see the section entitled "Taxation of Tax-Exempt Stockholders");

- whether there is sufficient liquidity for the Plan, considering the minimum and other distribution requirements under the Code and the liquidity needs of such Plans, after taking this investment into account;
- the need to value the assets of the Plan annually or more frequently; and
- whether the investment would constitute or give rise to a non-exempt prohibited transaction under ERISA or the Code, if applicable.

Additionally, individuals making investment decisions with respect to Plans must remember that ERISA requires that the assets of an employee benefit plan must generally be held in trust.

Minimum and Other Distribution Requirements—Plan Liquidity

Potential Plan investors who intend to purchase shares of the Series E Preferred Stock should consider the limited liquidity of such an investment as it relates to the minimum distribution requirements under the Code, if applicable, and as it relates to other distributions (such as, for example, cash out distributions) that may be required under the terms of the Plan from time to time. If the shares are held in a Plan and mandatory or other distributions are required to be made to the participant or beneficiary of such Plan pursuant to the Code, then this could require that a distribution of the shares be made in kind to such participant or beneficiary or that a rollover of such shares be made to an IRA or other plan, which may not be permissible under the terms and provisions of the Plan. Even if permissible, a distribution of shares in kind to a participant or beneficiary of a Plan must be included in the taxable income of the recipient for the year in which the shares are received at the then current fair market value of the shares, even though there would be no corresponding cash distribution with which to pay the income tax liability arising because of the distribution of shares. The fair market value of any such distribution-in-kind can be only an estimated value per share if no public market for the shares then exists. Further, there can be no assurance that such estimated value could actually be realized by a stockholder because estimates do not necessarily indicate the price at which the shares could be sold. Also, for distributions subject to mandatory income tax withholding under Section 3405 or other tax-withholding provisions of the Code, the trustee of a Plan may have an obligation, even in situations involving in-kind distributions of shares, to liquidate a portion of the in-kind shares distributed in order to satisfy such withholding obligations, although there might be no market for such shares. There also may be similar state or local tax withholding or other tax obligations that should be considered.

Annual or More Frequent Valuation Requirement

Fiduciaries of Plans are generally required to determine the fair market value of the assets of such Plans on at least an annual basis and, sometimes, as frequently as quarterly. If the fair market value of any particular asset is not readily ascertainable, the fiduciary is required to make a good faith determination of that asset's value. A trustee or custodian of an IRA must provide an IRA participant and the IRS with a statement of the value of the IRA each year. However, currently, neither the IRS nor the Department of Labor has promulgated regulations definitively specifying how "fair market value" should be determined in all circumstances.

It is not expected that a public market for the Preferred Stock will develop. To assist fiduciaries of Plans subject to the annual reporting requirements of ERISA and the Code for trustees or custodians to prepare reports relating to an investment in the Series E Preferred Stock, if deemed to be necessary, we anticipate that we will provide reports of our annual determinations of the current estimated share value of our Series E Preferred Stock to those fiduciaries (including IRA trustees and custodians) who identify themselves to us and request the reports after the end of each calendar year.

There can be no assurance, however, with respect to any estimate of value that we prepare, that:

- our investors would be able to realize estimated net asset values if they were to attempt to sell their shares, because no public market for the Series E Preferred Stock exists or is likely to develop; or
- that the value, or method used to establish value, would comply with ERISA, the Code or applicable state tax law requirements described above

Fiduciary Obligations—Prohibited Transactions

Any person identified as a "fiduciary" with respect to a Plan has duties and obligations under ERISA as discussed herein. For purposes of ERISA, any person who exercises any authority or control with respect to the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan. Further, many transactions between a Plan and a "party-in-interest" or a "disqualified person" with respect to such Plan are prohibited by ERISA and/or the Code. ERISA also requires generally that the assets of Plans be held in trust. If our assets were deemed to be assets of a Plan, referred to herein as "plan assets," our directors would, and employees of our affiliates might be deemed to be, fiduciaries of any Plans investing as stockholders. If this were to occur, certain contemplated transactions between us and our directors and employees of our affiliates could be deemed to be "prohibited transactions." Additionally, ERISA's fiduciary standards applicable to investments by Plans would extend to our directors and possibly employees of our affiliates as Plan fiduciaries with respect to investments made by us.

Plan Assets—Definition

ERISA and the regulations promulgated thereunder (as modified by Section 3(42) of ERISA (“Plan Asset Regulations”)), provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute “plan assets.” Under the Plan Asset Regulations, when a Plan acquires an interest in an entity that is neither a “publicly offered security” (within the meaning of the Plan Asset Regulations) nor a security issued by an investment company registered under the Investment Company Act of 1940, the Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established that the assets of an entity in which the Plan makes an equity investment generally will be deemed to be assets of such Plan unless the entity satisfies one of the exceptions to this general rule. We believe that the exception that requires that the investment be in an entity in which equity participation by "benefit plan investors" is not “significant” will apply.

Plan Assets—Not Significant Investment Exception

The Plan Asset Regulations provide that equity participation in an entity by benefit plan investors is "significant" if at any time 25% or more of the value of any class of equity interests is held by benefit plan investors. A "benefit plan investor" is defined to mean an employee benefit plan subject to Part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies and any entity whose underlying assets include plan assets by reason of a plan's investment in such entity. We intend to restrict ownership of such class of our Series E Preferred Stock held by benefit plan investors to an aggregate value of less than 25% and thus qualify for the exception for investments in which equity participation by benefit plan investors is not significant.

Consequences of Holding Plan Assets

If our underlying assets were treated by the Department of Labor as "plan assets," our management would be treated as fiduciaries with respect to each Plan stockholder, and an investment in the Series E Preferred Stock might expose the fiduciaries of the Plan to co-fiduciary liability under ERISA for any breach by our management of the fiduciary

duties mandated under ERISA. Further, if our assets are deemed to be "plan assets," an investment by a Plan in the Series E Preferred Stock might be deemed to result in an impermissible commingling of "plan assets" with other property. If our management or affiliates were treated as fiduciaries with respect to Plan stockholders, the prohibited transaction restrictions of ERISA and/or the Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with our affiliates or us or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Plan stockholders with the opportunity to sell their shares of the Series E Preferred Stock to us.

Prohibited Transactions

Generally, both ERISA and the Code prohibit Plans from engaging in certain transactions involving "plan assets" with specified parties, such as sales or exchanges or leasing of property, loans or other extensions of credit, furnishing goods or services, or transfers to, or use of, "plan assets." The specified parties are referred to as "parties-in-interest" under ERISA and as "disqualified persons" under the Code. These definitions generally include "persons providing services" to the Plan, as well as employer sponsors of the Plan, fiduciaries and certain other individuals or entities affiliated with the foregoing. A person generally is a fiduciary with respect to a Plan for these purposes if, among other things, the person has discretionary authority or control with respect to "plan assets" or provides investment advice for a fee with respect to "plan assets." Under Department of Labor regulations, a person will be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares, and that person regularly provides investment advice to the Plan pursuant to a mutual agreement or understanding that such advice will serve as the primary basis for investment decisions, and that the advice will be individualized for the Plan based on its particular needs. Thus, if we are deemed to hold "plan assets," our management could be characterized as fiduciaries with respect to such assets, and each would be deemed to be a party-in-interest under ERISA and a disqualified person under the Code with respect to investing Plans. Whether or not we are deemed to hold "plan assets," if we or our affiliates are affiliated with a Plan investor, we might be a disqualified person or party-in-interest with respect to such Plan investor, potentially resulting in a prohibited transaction merely upon investment by such Plan in the Series E Preferred Stock.

Prohibited Transactions—Consequences

ERISA forbids Plans from engaging in non-exempt prohibited transactions. Fiduciaries of a Plan that allow a non-exempt prohibited transaction to occur will breach their fiduciary responsibilities under ERISA, and may be liable for any damage sustained by the Plan, as well as civil (and criminal, if the violation was willful) penalties. If it is determined by the Department of Labor or the IRS that a non-exempt prohibited transaction has occurred, any disqualified person or party-in-interest involved with the prohibited transaction would be required to reverse or unwind the transaction and, for a Plan, compensate the Plan for any loss resulting therefrom. Additionally, the Code requires that a disqualified person involved with a non-exempt prohibited transaction involving a Plan must pay an excise tax equal to a percentage of the "amount involved" in the transaction for each year in which the transaction remains uncorrected. The percentage is generally 15%, but is increased to 100% if the non-exempt prohibited transaction is not corrected promptly. In addition, if an IRA engages in a non-exempt prohibited transaction in which the IRA owner is a party, the tax-exempt status of the IRA may be lost.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We will file our public reports and other information, as applicable, with the SEC. You may read and copy any document filed with the SEC at the SEC's public company reference room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a web site that contains reports, and informational statements, and other information regarding issuers that file electronically with the SEC (http://www.sec.gov).

This PPM is intended as a summary only of certain salient features of the Company and its primary contractual arrangements. It is, in all respects, subject to the full text of the relevant documents and disclosures made by the Company with the SEC. Copies of any relevant documents may be obtained through our filings with the SEC.

The Company will answer all inquiries from prospective Investors and their representatives concerning any matters relating to the Offering and sale of the Series E Preferred Stock, and will afford prospective Investors and their representatives the opportunity to review any documents referred to in this PPM or any other documents relating to an investment in the Company that are not already publicly available in our public filings with the SEC and to obtain any additional information (to the extent that the Company possesses such information, or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information set forth in this PPM.

INCORPORATION BY REFERENCE

We incorporate by reference in this PPM the information in other documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this PPM and any supplement hereto. Information disclosed in documents that we file later with the SEC will automatically add to, update and change information previously disclosed. If there is additional information in a later filed document or a conflict or inconsistency between information in this PPM or a supplement hereto and information incorporated by reference from a later filed document, you should rely on the information in the later dated document.

We incorporate by reference the documents listed below (and documents incorporated by reference therein) that we have previously filed with the SEC, excluding any portions of any that are deemed "furnished" and not "filed":

- Our Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2023 filed on April 6, 2023.
- Our Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2022 filed on March 7, 2023.
- Our Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2022 filed on October 12, 2022.
- Our Annual Report on Form 10-K for the fiscal year ended May 31, 2022, filed on August 29, 2022, as amended on Form 10-K/A filed on September 27, 2022.
- Our Definitive Proxy Statement on Schedule 14A filed on September 27, 2022.
- Our Current Reports on Form 8-K filed on June 14, 2022, July 29, 2022, August 5, 2022, November 11, 2022, February 21, 2023, March 7, 2023, May 15, 2023, May 16, 2023 and May 24, 2023 and on Form 8-K/A file on January 6, 2023.

SCHEDULE A – ADDITIONAL OFFERING LEGENDS

The distribution of this PPM and the offer and sale of the Series E Preferred Stock in certain jurisdictions may be restricted by law. This PPM does not constitute an offer to sell or the solicitation of an offer to buy in any state or other U.S. or non-U.S. jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction. Prospective Investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of the Series E Preferred Stock, and any foreign exchange restrictions that may be relevant thereto.

NOTICE TO INVESTORS IN ALL U.S. STATES

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES E PREFERRED STOCK HAVE NOT BEEN RECOMMENDED BY ANY U.S. FEDERAL, STATE, LOCAL OR OTHER SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PPM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SERIES E PREFERRED STOCK ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE OR OTHER SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO FLORIDA RESIDENTS: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. UNDER FLORIDA LAW, IF SECURITIES ARE SOLD TO FIVE OR MORE FLORIDA RESIDENTS, SUCH INVESTORS WILL HAVE A THREE DAY RIGHT OF RESCISSION. INVESTORS WHO HAVE EXECUTED A SUBSCRIPTION AGREEMENT MAY ELECT, WITHIN THREE BUSINESS DAYS AFTER THE FIRST TENDER OF CONSIDERATION THEREFORE, TO WITHDRAW THEIR SUBSCRIPTION AND RECEIVE A FULL REFUND OF ANY MONEY PAID BY THEM. SUCH WITHDRAWAL WILL BE WITHOUT ANY LIABILITY TO ANY PERSON. TO ACCOMPLISH SUCH WITHDRAWAL, THE WITHDRAWING INVESTOR MUST (I) PROVIDE WRITTEN NOTICE TO THE COMPANY INDICATING THE INVESTOR'S DESIRE TO WITHDRAW AND (II) NOT BE A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER. THE WRITTEN NOTICE MUST BE SENT AND POSTMARKED PRIOR TO THE END OF THE THIRD BUSINESS DAY AFTER THE FIRST TENDER OF CONSIDERATION FOR THE SECURITIES PURCHASED. NOTICE LETTERS SHOULD BE SENT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND TO EVIDENCE THE TIME WHEN IT IS MAILED. ANY ORAL REQUESTS FOR RESCISSION SHOULD BE ACCOMPANIED BY A REQUEST FOR WRITTEN CONFIRMATION FROM THE COMPANY THAT THE ORAL REQUEST WAS RECEIVED ON A TIMELY BASIS.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW

HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF NEW YORK: THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO PENNSYLVANIA RESIDENTS: EACH SUBSCRIBER WHO IS A PENNSYLVANIA RESIDENT HAS THE RIGHT TO CANCEL AND WITHDRAW HIS OR HER SUBSCRIPTION AND HIS OR HER PURCHASE OF SECURITIES THEREUNDER, UPON WRITTEN NOTICE TO THE COMPANY GIVEN WITHIN TWO BUSINESS DAYS FOLLOWING THE RECEIPT BY THE COMPANY OF HIS OR HER EXECUTED SUBSCRIPTION AGREEMENT. ANY LETTER OR TELEGRAM NOTICE SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME WHEN IT WAS MAILED. IF YOU MAKE THE REQUEST ORALLY, YOU SHOULD ASK FOR WRITTEN CONFIRMATION FROM THE COMPANY THAT YOUR REQUEST HAS BEEN RECEIVED. UPON SUCH CANCELLATION OR WITHDRAWAL, THE SUBSCRIBER WILL HAVE NO OBLIGATION OR DUTY UNDER THE SUBSCRIPTION AGREEMENT TO THE COMPANY OR ANY OTHER PERSON AND WILL BE ENTITLED TO THE FULL RETURN OF ANY AMOUNT PAID BY HIM OR HER, WITHOUT INTEREST. NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON.

APPENDIX I - SUBSCRIPTION AGREEMENT