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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____ to _____

Commission file number: 001-40931

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

Delaware	**86-2759890**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
595 Madison Avenue, 28th Floor New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The registrant had outstanding 20,034,875 shares of Class A common stock, par value $0.0001 per share, and 28,209,600 shares of Class V common stock, par value $0.0001 per share, as of May 13, 2022.

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Part I - Financial Information

Item 1. Financial Statements

STRONGHOLD DIGITAL MINING, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022	December 31, 2021
	(unaudited)	
CURRENT ASSETS		
Cash	$ 25,480,693	$ 31,790,115
Digital currencies	5,104,861	7,718,221
Digital currencies restricted	8,763,725	2,699,644
Accounts receivable	1,701,331	2,111,855
Due from related party	864,625	—
Prepaid insurance	4,449,106	6,301,701
Inventory	3,552,028	3,372,254
Other current assets	698,882	661,640
Total Current Assets	50,615,251	54,655,430
EQUIPMENT DEPOSITS	98,577,594	130,999,398
PROPERTY, PLANT AND EQUIPMENT, NET	220,200,769	166,657,155
LAND	1,748,439	1,748,440
ROAD BOND	211,958	211,958
SECURITY DEPOSITS	348,888	348,888
TOTAL ASSETS	$ 371,702,899	$ 354,621,269
CURRENT LIABILITIES		
Current portion of long-term debt-net of discounts/issuance fees	$ 76,226,400	$ 45,799,651
Financed insurance premiums	2,467,573	4,299,721
Forward sale contract	8,570,236	7,116,488
Accounts payable	28,239,743	28,650,659
Due to related parties	1,499,307	1,430,660
Accrued liabilities	7,357,537	5,053,957
Total Current Liabilities	124,360,796	92,351,136
LONG-TERM LIABILITIES		
Asset retirement obligation	980,032	973,948
Contract liabilities	132,093	187,835
Paycheck Protection Program Loan	841,670	841,670
Long-term debt-net of discounts/issuance fees	32,063,889	18,378,841
Total Long-Term Liabilities	34,017,684	20,382,294
Total Liabilities	158,378,480	112,733,430
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE COMMON STOCK		
Common Stock - Class V, $0.0001 par value; 34,560,000 shares authorized, and 27,057,600 and 27,057,600 shares issued and outstanding, respectively	172,704,220	301,052,617
Total redeemable common stock	172,704,220	301,052,617
STOCKHOLDERS' EQUITY / (DEFICIT)		
General partners	—	—
Limited partners	—	—
Non-controlling Series A redeemable and convertible preferred stock, $0.0001 par value, aggregate liquidation value $5,000,000. 1,152,000 and 1,152,000 issued and outstanding, respectively	36,898,361	37,670,161
Common Stock – Class A, $0.0001 par value; 685,440,000 shares authorized, and 20,020,877 and 20,016,067 shares issued and outstanding, respectively	2,002	2,002
Accumulated deficits	(241,895,906)	(338,709,688)
Additional paid-in capital	245,615,742	241,872,747
Stockholders' equity / (deficit)	40,620,199	(59,164,778)
Total	213,324,419	241,887,839
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY / (DEFICIT)	$ 371,702,899	$ 354,621,269

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

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

	Three months ended,	
	Consolidated	*Combined*
	March 31, 2022	**March 31, 2021**
	(unaudited)	***(unaudited)***
OPERATING REVENUES		
Energy	$ 8,362,801	$ 1,915,856
Capacity	2,044,427	687,690
Cryptocurrency hosting	67,876	555,747
Cryptocurrency mining	18,204,193	516,259
Other	20,762	122,782
Total operating revenues	28,700,059	3,798,334
OPERATING EXPENSES		
Fuel	9,338,394	2,172,109
Operations and maintenance	10,520,305	1,370,688
General and administrative	11,424,231	910,876
Impairments on digital currencies	2,506,172	—
Impairments on equipment deposits	12,228,742	—
Depreciation and amortization	12,319,581	517,443
Total operating expenses	58,337,425	4,971,116
NET OPERATING LOSS	(29,637,366)	(1,172,782)
OTHER INCOME (EXPENSE)		
Interest expense	(2,911,452)	(78,640)
Gain on extinguishment of PPP loan	—	638,800
Realized gain (loss) on sale of digital currencies	751,110	143,881
Realized gain (loss) on disposal of fixed asset	(44,958)	—
Changes in fair value of forward sale derivative	(483,749)	—
Waste coal credits	—	211,890
Other	20,000	17,895
Total other income / (expense)	(2,669,049)	933,826
NET LOSS	$ (32,306,416)	$ (238,956)
NET LOSS - attributable to non-controlling interest	$ (18,897,638)	
NET LOSS - Stronghold Digital Mining, Inc	$ (13,408,778)	
NET LOSS attributable to Class A Common Shares(1)		
Basic	$ (0.66)	
Diluted	$ (0.66)	
Class A Common Shares Outstanding(1)		
Basic	20,206,103	
Diluted	20,206,103	

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

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

STRONGHOLD DIGITAL MINING, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIT AND STOCKHOLDERS' EQUITY / (DEFICIT)

March 31, 2022 and March 31, 2021

	Three Months Ended March 31, 2022								
			Redeemable Preferred		Common A				
	Limited Partners	General Partners	Series A Shares	Amount	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Stockholders' Equity / (Deficit)
Balance – January 1, 2022	$ —	$ —	1,152,000	$ 37,670,161	20,016,067	$ 2,002	$ (338,709,688)	$ 241,872,747	$ (59,164,778)
Net losses Stronghold Digital Mining Inc.	—	—	—	—	—	—	(13,408,778)	—	(13,408,778)
Net losses attributable to non-controlling interest	—	—	—	(771,800)	—	—	(18,125,837)	—	(18,897,638)
Maximum redemption right valuation [Common V Units]	—	—	—	—	—	—	128,348,397	—	128,348,397
Shares issued to Board of Directors members	—	—	—	—	4,810	—	—	—	—
Warrants Issued and Outstanding	—	—	—	—	—	—	—	1,150,000	1,150,000
Balance – Stock-based compensation - refer to Note 13	—	—	—	—	—	—	—	2,592,995	2,592,995
Balance – March 31, 2022	$ —	$ —	1,152,000	$ 36,898,361	20,020,877	$ 2,002	$ (241,895,906)	$ 245,615,742	$ 40,620,199

	Three Months Ended March 31, 2021								
			Redeemable Preferred		Common A				
	Limited Partners	General Partners	Series A Shares	Amount(1)	Common A Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Partners Deficit
Balance – January 1, 2021	$ (1,221,144)	$ (2,825,963)	—	—	—	$ —	$ —	$ —	$ (4,047,107)
Net losses	(71,687)	(167,269)	—	—	—	—	—	—	(238,956)
Balance – March 31, 2021	(1,292,831)	$ (2,993,232)	—	$ —	—	$ —	$ —	$ —	$ (4,286,063)

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

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

	Three months ended,	
	March 31, 2022	**March 31, 2021**
	(unaudited)	***(unaudited)***
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (32,306,416)	$ (238,956)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and Amortization - PP&E	12,319,581	517,443
Forgiveness of PPP loan	—	(638,800)
Realized (gain) loss on sale of digital currency	(751,110)	(143,881)
Realized (gain) loss on disposal of fixed assets	44,958	—
Amortization of debt issuance costs	881,463	—
Stock Compensation	2,592,995	—
Impairments on digital currencies	2,506,172	—
Impairments on equipment deposits	12,228,742	—
Changes in fair value of forward sale derivative	483,749	—
(Increase) decrease in assets:		
Digital currencies	(3,450,721)	(516,259)
Accounts receivable	410,525	(298,765)
Prepaid Insurance	1,852,595	—
Due from related party	(864,624)	302,973
Inventory	(179,774)	114,750
Other current assets	(37,242)	(35,782)
Increase (decrease) in liabilities:		
Accounts payable	(410,916)	3,348,824
Due to related parties	68,647	319,071
Accrued liabilities	2,164,896	227,167
Contract liabilities	(55,742)	—
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	(2,502,222)	2,957,785
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of digital currencies	12,998,410	484,387
Forward sale contract prepayment	970,000	—
Purchase of property, plant and equipment	(37,236,332)	(2,854,904)
Equipment purchase deposits- net of future commitments	(6,482,000)	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(29,749,922)	(2,370,517)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Payments on long-term debt	(9,282,227)	(109,364)
Payments on financed insurance premiums	(1,832,149)	—
Proceeds from promissory note	24,144,586	—
Proceeds from equipment financing agreement	12,912,512	—
Proceeds from PPP loan	—	841,670
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	25,942,722	732,306
NET INCREASE (DECREASE) IN CASH	(6,309,422)	1,319,574
CASH - BEGINNING OF PERIOD	31,790,115	303,187
CASH - END OF PERIOD	$ 25,480,693	$ 1,622,761

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

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

March 31, 2022 and March 31, 2021

NOTE 1 – BUSINESS COMBINATIONS

Reorganization

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

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

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

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

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

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

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

Pursuant to the terms of the Preferred Stock, on (i) the date that a registration statement registering the shares of Class A common stock issuable upon the conversion of the Preferred Stock is declared effective by the U.S. Securities and Exchange Commission (the "SEC") or (ii) the date on which a “Significant Transaction Event” occurs, as defined in the Company's amended and restated certificate of incorporation, such shares of Preferred Stock will automatically convert into shares of Class A common stock of Stronghold Inc. on a one-to-one basis, subject to certain adjustments as set forth in the Charter. Correspondingly, pursuant to the Third Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the “Stronghold LLC Agreement”), preferred units in Stronghold LLC automatically convert into Stronghold LLC Units on a one-to-one basis under like circumstances (subject to corresponding adjustments). On October 20, 2021, the registration statement registering the shares of Class A common stock issuable upon conversion of the Preferred Stock was declared effective by the SEC, and all of the outstanding shares of Preferred Stock converted into shares of Class A common stock at that time. Correspondingly, all of the preferred units in Stronghold LLC converted into Stronghold LLC Units.

On June 29, 2021, Stronghold LLC formed Stronghold Digital Mining Equipment, LLC (“Equipment LLC”).

Prior to the Reorganization

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

Scrubgrass had two subsidiaries: Clearfield Properties, Inc. (“Clearfield”), which was formed for the purpose of purchasing a 175-acre site in Clearfield County, Pennsylvania, and acquiring access to certain waste coal material; and Leechburg Properties, Inc. (“Leechburg”), which was formed for the purpose of acquiring access rights to certain waste coal sites. Leechburg was a dormant entity as of March 31, 2022 and December 31, 2021.

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

Scrubgrass and Stronghold Power were under common control prior to the Reorganization date of April 1, 2021, and consolidated results reported as of December 31, 2021, and included in the consolidated results for the three months ended March 31, 2022.

NOTE 2 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations

The Company operates as a qualifying cogeneration facility (“Facility”) under the provisions of the Public Utilities Regulatory Policies Act of 1978 and sells its electricity into the PJM Interconnection Merchant Market (“PJM”) under an Energy Management Agreement (“EMA”) with Direct Energy Business Marketing, LLC (“DEBM”) effective February 1, 2015. The Company’s primary fuel source is waste coal which is provided by various third parties. Waste coal credits are earned by the Company by generating electricity utilizing coal refuse.

Under the EMA, which was entered into as of January 23, 2015, DEBM agreed to act as the exclusive provider of services for the benefit of the Company related to interfacing with PJM, including handling daily operations of the facility,

daily marketing and managing of a certain electric generating facility located in Kennerdell, Pennsylvania, energy management, capacity management and providing market and system information. The term of the agreement was renewed through December 31, 2024, with three additional automatic renewal terms that now extends through December 31, 2027. DEBM was paid a monthly fee of $7,500 in satisfaction of its performance obligation during the term. The total revenue recognized under the EMA is 100% of the reported energy revenue and the total transaction price for the performance obligations varies depending upon market conditions and demand; such as usage and available capacities.

The Company is also a vertically integrated digital currency mining business. The Company buys and maintains a fleet of digital/cryptocurrency mining equipment and the required infrastructure, it also provides power to third party digital currency miners under favorable Power Purchase Agreement ("PPA") agreements, and it sells energy as a merchant power producer and receives capacity payments from PJM for making its energy available to the grid. The digital currency mining operations are in their early stages, and digital currencies and energy pricing mining economics are volatile and subject to uncertainty. The Company's current strategy will continue to expose it to the numerous risks and volatility associated with the digital mining and power generation sectors, including fluctuating Bitcoin-to-U.S.-Dollar prices, the costs and availability of miners, the number of market participants mining Bitcoin, the availability of other power generation facilities to expand operations and regulatory changes.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the annual financial statements. These financial statements reflect the consolidated accounts of the Company and wholly owned subsidiaries.

In addition, certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to conform to current presentation.

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

Use of Estimates

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

Cash

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

Digital Currencies

Digital currencies are included in current assets in the reported balance sheets. Digital currencies are recorded at cost less any impairment. Currently Bitcoin constitutes the only cryptocurrency the Company mines or holds in material amounts.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment quarterly as well as annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset.

Subsequent reversal of impairment losses is not permitted. The Company accounts for its gains or losses in accordance with the first-in, first-out ("FIFO") method of accounting.

The Company performed an impairment test on its digital currencies and $2,506,172 and zero are recognized as expenses for the three months ended March 31, 2022 and three months ended March 31, 2021, respectively.

The following table presents the activities of the digital currencies for the three months ended March 31, 2022 and the year ended December 31, 2021:

	March 31, 2022	December 31, 2021
	(unaudited)	
Digital currencies at beginning of period	$ 10,417,865	$ 228,087
Additions of digital currencies	18,204,193	12,494,581
Realized gain (loss) on sale of digital currencies	751,110	149,858
Impairments	(2,506,172)	(1,870,274)
Proceeds from sale of digital currencies	(12,998,410)	(584,387)
Digital currencies at month ending	$ 13,868,586	$ 10,417,865

On December 15, 2021, the Company entered into a Prepaid Variable Digital Asset Forward Transaction with NYDIG Derivatives Trading LLC (“NYDIG Trading”) providing for the sale of 250 Bitcoin (the “Sold Bitcoin”) at a floor price of $28,000 per Bitcoin (the “Forward Sale”). Pursuant to the Forward Sale, NYDIG Trading paid the Company an amount equal to the floor price per Bitcoin (the “Initial Sale Price”) on December 16, 2021. On September 24, 2022, the Sold Bitcoin will be sold to NYDIG Trading at a price equal to the market price for Bitcoin on September 23, 2022, less the Initial Sale Price, subject to a capped final sale price of $85,500 per Bitcoin. The Company was advanced $7,000,000 and, in return, is required to pledge 250 Bitcoin as collateral. As of March 31, 2022, the Company held an aggregate amount of digital currencies that comprised of restricted and unrestricted Bitcoin of $13,868,586. Of that amount, $8,763,725 and $5,104,861 was restricted and unrestricted, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. An allowance for doubtful accounts is provided when necessary and is based upon management’s evaluation of outstanding accounts receivable at year end. The potential risk is limited to the amount recorded in the financial statements. No further allowance was considered necessary as of March 31, 2022 and December 31, 2021.

Inventory

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

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

Spare parts inventory is expensed when purchased.

Derivative Contracts

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

The Company uses derivative instruments to mitigate its exposure to various energy commodity market risks. The Company does not enter into any derivative contracts or similar arrangements for speculative or trading purposes. The Company will, at times, sell its forward unhedged electricity capacity to stabilize its future operating margins. As of March 31, 2022 and December 31, 2021, there are no open energy commodity derivatives outstanding.

The Company also uses derivative instruments to mitigate the risks of Bitcoin market pricing volatility. The Company entered into a variable prepaid forward sale contract that mitigates Bitcoin market pricing volatility risks between a low and high collar of Bitcoin market prices during the contract term. This contract settles in September 2022. The contract meets the definition of a derivative transaction pursuant to guidance under ASC 815 and is considered a compound derivative instrument which is required to be presented at fair value subject to remeasurement each reporting period. The changes in fair value are recorded as changes in fair value of forward sale derivative as part of earnings. Refer to Note 26 – Variable Prepaid Forward Sales Contract Derivative. As of March 31, 2022, this is the only derivative contract open.

Fair Value Measurements

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

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. As of March 31, 2022 the Company's redeemable preferred warrants are recorded at fair value – refer to Note 14 – Stock Issued Under Master Financing Agreements and Warrants.

Property and Equipment

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

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

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

Cryptocurrency Machines

Management has assessed the basis of depreciation of the Company's cryptocurrency machines used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a two-year period. The

rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its transaction verification servers, is influenced by a number of factors including the following:

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

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

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

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

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

Asset Retirement Obligations

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

Revenue Recognition

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

1. Step 1: Identify the contract with the customer

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

3. Step 3: Determine the transaction price

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

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

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

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

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

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

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

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

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

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

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

Energy Revenue

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

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

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

Capacity Revenue

The Company provides capacity to a customer through participation in capacity auctions held by the PJM RTO. Capacity revenues are a series of distinct performance obligations that are substantially the same and that have the same pattern of transfer to the customer over time and are therefore accounted for as a distinct performance obligation. The transaction price for capacity is market-based and constitutes the stand-alone selling price. As capacity represents the Company’s stand-ready obligation, capacity revenue is recognized as the performance obligation is satisfied ratably over

time, on a monthly basis, since the Company stands ready equally throughout the period to deliver power to the PJM RTO if called upon. The Company applies the invoice practical expedient in recognizing capacity revenue. Under the invoice practical expedient, capacity revenue is recognized based on the invoiced amount which is considered equal to the value provided to the customer for the Company's performance obligation completed to date. Penalties may be assessed by the PJM RTO against generation facilities if the facility is not available during the capacity period. The penalties assessed by the PJM RTO, if any, are recorded as a reduction to capacity revenue when incurred.

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

Cryptocurrency Mining

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

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

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

Waste Coal Credits

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

Renewable Energy Credits ("RECs")

The Company uses coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, to produce energy to sell to the open market ("the grid"). A third party acts as the benefactor, on behalf of the Company, in the open market and is invoiced as RECs are realized. These credits are recognized as a contra-expense to offset the fuel costs to produce this refuse. This is per GAAP guidance that these costs held in inventory to then produce the energy to qualify for the credits are a compliance cost and should offset operating costs when expensed. Refer to Note 18 – Renewable Energy Credits.

Stock Based Compensation

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

Notes Payable

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

Warrant Liabilities

The Company records warrant liabilities at their fair value as of the balance sheet date, and recognizes changes in the balances, over the comparative periods of either the issuance date or the last reporting date, as part of changes in fair value of warrant liabilities expense.

Segments

Accounting guidance establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires enterprises to report selected information about operating segments in financial reports issued to stockholders. The Company has reorganized into two operating segments, which consist of Energy Operations and Cryptocurrency Operations. See Note 12 – Segment Reporting.

Redeemable Common Stock

Redeemable Preferred Stock

The Preferred Stock is reported as a mezzanine obligation between liabilities and stockholders’ equity due to certain redemption features being outside the control of the Company. See Note 15 – Redeemable Common Stock.

Common Stock – Class V

The Common Stock – Class V shares (as described in Note 15 – Redeemable Common Stock) is reported as a mezzanine obligation between liabilities and stockholders’ equity due to certain redemption features being outside the control of the Company.

The Company accounts for the 56.1% interest represented by the Class V common stock as mezzanine equity as a result of certain redemption rights held by the holders thereof as discussed in "Note 15 – Redeemable Common Stock." As such, the Company adjusts mezzanine equity to its maximum redemption amount at the balance sheet date, if higher than the carrying amount. The redemption amount is based on a third-party valuation methodology of the Company’s Class A common stock at the end of the reporting period. Changes in the redemption value are recognized immediately as they occur, as if the end of the reporting period was also the redemption date for the instrument, with an offsetting entry to accumulated deficits.

For each share of Class V common stock outstanding, there is a corresponding outstanding Class A common unit of Stronghold LLC. The redemption of any share of Class V common stock would be accompanied by a concurrent redemption of the corresponding Class A common unit of Stronghold LLC, such that both the share of Class V common stock and the corresponding Class A common unit of Stronghold LLC are redeemed as a combined unit in exchange for either a single share of Class A common stock or cash of equivalent value based on the fair market value of the Class A common stock at the time of the redemption. For accounting purposes, the value of the Class A common units of Stronghold LLC is attributed to the corresponding shares of Class V common stock on the March 31, 2022 balance sheet.

Loss per share

Basic net (loss) income per share (“EPS”) of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding or shares subject to exercise for a nominal value during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Since the Company has incurred a loss for the period ended March 31, 2022, basic and diluted net loss per share is the same. At December 31, 2021 there were no potential dilutive securities outstanding. See Note 17 – Earnings (Loss) Per Share.

Income Taxes

Reorganization

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

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

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in material changes to its financial position.

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

Prior to the Reorganization

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

Two of Scrubgrass' subsidiaries, Clearfield and Leechburg, are corporations for federal and state income tax purposes. Income taxes attributable to Clearfield and Leechburg are provided based on the asset and liability method of accounting pursuant to the Income Taxes Topic of FASB ASC 740. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all, of the deferred tax asset will not be realized. Clearfield and Leechburg have not recorded any temporary differences resulting in either a deferred tax asset or liability as of March 31, 2022 or December 31, 2021.

Recently Issued Accounting Standards

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

NOTE 3 - INVENTORIES

Inventories consist of the following components as of:

	March 31, 2022	December 31, 2021
	(unaudited)	
Waste coal	$ 3,441,871	$ 3,238,383
Fuel oil	81,561	94,913
Limestone	28,596	38,958
TOTALS	$ 3,552,028	$ 3,372,254

NOTE 4 – EQUIPMENT DEPOSITS

Equipment deposits are contractual agreements with five vendors to deliver and install miners at future dates. The following details the vendors, miner models, miner counts, and expected delivery months. The Company is contractually committed to take future deliveries, and portions of the equipment are collateralized against the WhiteHawk Promissory Note (as defined below) as disclosed in Note 6 – Long-Term Debt. With the exception of Cryptech Solutions ("Cryptech"), where there is an installment payments plan, all unpaid deposits will be made on the last month referenced in the timeframe below. The delivery timeframe for the 2,400 Cryptech miners will be in equal installments of 200 per month for 12 months starting in November 2021. Deliveries for the other vendors vary within the referenced timeframes.

In March 2022, the Company evaluated the MinerVa equipment deposits for impairment under the provisions of ASC 360, "Property, Plant and Equipment". As a result of the evaluation, the Company determined an indicator for impairment was present under ASC 360-10-35-21. The Company undertook a test for recoverability under ASC 360-10-35-29 and a further fair value analysis in accordance with ASC 820, Fair Value Measurement. The difference between the fair value of

the MinerVa equipment deposits and the carrying value resulted in the Company recording an impairment charge of $12,228,742, as shown in the table below.

The following table details the total equipment deposits of $98,577,594 as of March 31, 2022:

Vendor	Model	Count	Delivery Timeframe	Total Commitments	Unpaid [A]	Transferred to PP&E [B]	Impairment	Equipment Deposits
MinerVa [C]	MinerVa	15,000	Oct '21 - Sep '22	$69,387,550	—	$(15,251,383)	$(12,228,742)	$41,907,425
Cryptech	Bitmain	2,400	Nov '21 - Oct '22	12,660,000	(2,637,500)	(3,128,075)	—	6,894,425
Northern Data	MicroBT	9,900	Oct '21 - Jan '22	22,061,852	—	(21,914,773)	—	147,079
Bitmain Technologies Limited	Antminer	12,000	Apr '22 - Dec '22	75,000,000	(32,236,500)	—	—	42,763,500
Northern Data PA. LLC	WhatsMiners	4,280	Jan '22 - June '22	11,340,374	(2,835,094)	(1,640,115)	—	6,865,165
Totals		43,580		$190,449,776	$(37,709,094)	$(41,934,346)	$(12,228,742)	$98,577,594

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

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2022 and December 31, 2021:

	Useful Lives (Years)	March 31, 2022 *(unaudited)*	Dec 31, 2021
Electric Plant	10 - 60	$ 66,153,985	$ 66,153,985
Power Transformers	8 - 30	36,426,860	7,489,472
Machinery and equipment	5 - 20	12,272,899	12,015,811
Rolling Stock	5 - 7	261,000	261,000
Cryptocurrency Machines & Powering Supplies	2 - 3	130,503,054	78,505,675
Computer hardware and software	2 - 5	154,749	56,620
Vehicles & Trailers	2 - 7	45,000	155,564
Construction in progress	Not Depreciable	20,584,993	36,067,776
Asset retirement obligation	10 - 30	580,452	580,452
		266,982,993	201,286,356
Accumulated depreciation and amortization		(46,782,225)	(34,629,200)
TOTALS		$ 220,200,769	$ 166,657,155

Construction in Progress

Construction in progress consists of various projects to build out the cryptocurrency machine power infrastructure and is not depreciable until the asset is considered in service and successfully powers and runs the attached cryptocurrency machines. Completion of these projects will have various rollouts of energized transformed containers and are designed to calibrate power from the plant to the container that houses multiple cryptocurrency machines. Currently, the balance of $20,584,993, as of March 31, 2022, represents open contracts with a vendor that have future completion dates scheduled for the remainder of the year.

Depreciation and Amortization

Depreciation and amortization charged to operations was $12,319,581 and $517,443 for the three months ended March 31, 2022 and March 31, 2021 respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following as of March 31, 2022 and December 31, 2021:

	March 31, 2022		Dec 31, 2021
$66,076 loan, with interest at 5.55%, due July 2021.	$ —		$ 3,054
$75,000 loan, with interest at 12.67%, due April 2021.	—		7,312
$499,520 loan, with interest at 2.49% due December 2023.	201,688		232,337
$499,895 loan, with interest at 2.95% due July 2023.	218,240		246,720
$212,675 loan, with interest at 6.75% due October 2022.	42,594		103,857
$517,465 loan, with interest at 4.78% due October 2024.	464,008		490,600
$431,825 loan, with interest at 7.60% due April 2024.	184,578		204,833
$6,900,000 financing agreement for insurance with interest at 3.45% due July 2022	2,467,572		4,299,721
$40,000,000 loan, with interest at 10.00% due June 2023.	25,925,153	[A]	30,734,045
$25,000,000 loan, with interest at 10.00% due March 2024.	25,000,000	[B]	—
$10,641,362 loan, with interest at 10.00% due June 2023.	6,896,973	[C]	8,176,302
$14,077,800 loan, with interest at 10.00% due June 2023.	9,124,228	[D]	10,816,694
$5,808,816 loan, with interest at 10.00% due April 2023.	5,075,444	[E]	—
$6,814,000 loan, with interest at 10.00% due October 2023.	6,214,997	[F]	—
$17,984,000 maximum advance loan, with interest at 9.99% due December 2023. Balance is what has been advanced as of March 31, 2022	14,387,200	[G]	10,790,400
$17,984,000 maximum advance loan, with interest at 9.99% due December 2023. Balance is what has been advanced as of March 31, 2022	10,790,400	[H]	7,769,088
$17,984,000 maximum advance loan, with interest at 9.99% due December 2023. Balance is what has been advanced as of March 31, 2022	10,790,400	[I]	—
	117,783,475		73,874,963
Less current portions, deferred costs, & discounts			
Outstanding loan	78,693,973		50,099,372
Deferred debt issuance costs	3,757,312		2,854,787
Discounts from issuance of stock	868,680		1,042,416
Discounts from issuance of warrants	2,399,622		1,499,547
	$ 32,063,889		$ 18,378,841

[A] The WhiteHawk Promissory Note has a term of 24 months. Refer to Note 14 – Stock Issued Under Financing Agreements and Warrants for further discussions. On December 31, 2021, the Company amended the WhiteHawk Financing Agreement (as defined below) (the “WhiteHawk Amendment”) to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment paid an amendment fee in the
amount of $250,000 to WhiteHawk Finance LLC ("WhiteHawk"). These fees are included in deferred debt issuance costs.
[B] WhiteHawk Promissory Note agreement with a term of 24 months. Refer to Note 14 – Stock Issued Under Financing Agreements and Warrants for further discussions. Pursuant to the WhiteHawk Second Amendment, Equipment paid an amendment fee in the amount of $275,414 and a closing fee of $500,000 to WhiteHawk. These fees are included in deferred debt issuance costs.
[C] Arctos/NYDIG Financing Agreement (as defined below) [loan #1] with a term of 24 months. Refer to Note 14 – Stock Issued Under Financing Agreements and Warrants for further discussions.
[D] Arctos/NYDIG Financing Agreement [loan #2] with a term of 24 months. Refer to Note 14 – Stock Issued Under Financing Agreements and Warrants for further discussions.
[E] Arctos/NYDIG Financing Agreement [loan #3] with a term of 15 months. Deferred debt issuance costs of $232,353 are amortized over the term of the loan using the straight-line method.
[F] Arctos/NYDIG Financing Agreement [loan #4] with a term of 21 months. Deferred debt issuance costs of $272,560 are amortized over the term of the loan using the straight-line method.

[G] Second NYDIG Financing Agreement with a term of 24 months. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method.
[H] Second NYDIG Financing Agreement with a term of 24 months. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method.
[I] Second NYDIG Financing Agreement with a term of 24 months. Deferred debt issuance costs of $449,600 are amortized over the term of the loan using the straight-line method.

Future scheduled maturities on the outstanding borrowings for each of the next three years as of March 31, 2022 are as follows:

Years ending December 31:		
2022	$	70,224,149
2023		43,969,328
2024		3,589,999
	$	117,783,475

NOTE 7 – CONCENTRATIONS

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

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and accounts receivable. Cash and cash equivalents customarily exceed federally insured limits. The Company's significant credit risk is primarily concentrated with DEBM, which amounted to approximately 100% and 100% of the Company's energy revenues for the three months ending March 31, 2022 and 2021, respectively. DEBM accounted for 93% and 100% of the Company's accounts receivable balance as of March 31, 2022 and December 31, 2021, respectively.

For the three months ended March 31, 2022 and 2021, the Company purchased 13% and 19% of Waste Coal from two related parties, respectively. See Note 9- Related-Party Transactions for further information.

The Company has entered into various Master Equipment Financing Agreements that have future delivery and installation timeframes for approximately 19,000 miners. There can exist a risk of not achieving the expected delivery timelines as well as the timeliness of generating guaranteed targeted terahash by each miner. This risk is not quantifiable at this time. See Note 8 – Contingencies and Commitments for further information.

NOTE 8 – CONTINGENCIES AND COMMITMENTS

Commitments:

Equipment Agreements

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

MinerVa Semiconductor Corp

On April 2, 2021, the Company entered into a purchase agreement (the "MinerVa Purchase Agreement") with MinerVa Semiconductor Corp ("MinerVa") for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment (miners) with a total terahash to be delivered equal to 1.5 million terahash (total terahash). The price per miner is $4,892.50 for an aggregate purchase price of $73,387,500 to be paid in installments. The first installment equal to 60% of the purchase price, or $44,032,500, was paid on April 2, 2021, and an additional payment of 20% of the purchase price, or $14,677,500, was paid June 2, 2021. As of March 31, 2022, there are no remaining deposits owed. In December 2021, the Company extended the deadline for delivery of the MinerVa miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and had only delivered approximately 3,200 of the 15,000

miners. As a result, an impairment totaling $12,228,742, was recognized on March 31, 2022. Refer to Note 30 – Covenants, for a description of covenants referencing the anticipated final delivery timeframe of April 2022. The aggregate purchase price does not include shipping costs, which are the responsibility of the Company and shall be determined at which time the miners are ready for shipment.

Nowlit Solutions Corp

The Company entered into a hardware purchase and sales agreement with Nowlit Solutions Corp effective April 1, 2021. Hardware includes, but is not limited to ASIC Miners, power supply units, power distribution units and replacement fans for ASIC Miners. All hardware must be paid for in advance before being shipped to the Company. The Company made payments to this party totaling $5,657,432 in April 2021 and costs have been capitalized and reported as property and equipment. As of March 31, 2022, there are no outstanding commitments owed to this vendor.

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

Cryptech Solutions

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

The Company made a 30% down payment of $3,798,000 on April 1, 2021 with the remaining 70% or $8,862,000 agreed to be paid in seventeen installments. There have been twelve installments totaling $6,224,500 paid before March 31, 2022; with the outstanding amount still owed under this agreement of $2,637,500 as of March 31, 2022, representing five installments remaining through September 2022:

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

On December 7, 2021, the Company entered into a Hardware Purchase and Sales Agreement (the “Cryptech Purchase Agreement”) with Cryptech Solutions, Inc to acquire 1,000 Bitmain S19a miners with a hash rate of 96 TH/s for a total purchase price of $8,592,000. As of March 31, 2022, all 1,000 Bitmain S19a miners had been paid for and received.

Bitmain Technologies Limited

On October 28, 2021, the Company entered into the first of two Non-Fixed Price Sales and Purchase Agreements with Bitmain Technologies Limited ("Bitmain"). The first agreement covers six batches of 2,000 miners, or 12,000 in total, arriving on a monthly basis from April through September 2022. Each batch has an assigned purchase price that totals to $75,000,000, to be paid in three installments of 25%, 35% and 40% over the six-month delivery period. On October 29, 2021, the Company made a $23,300,000 payment comprised of the 25% installment payment plus 35% of the April 2022 batch of 2,000 miners that have an assigned purchase price of $13,000,000. On November 18, 2021, the Company made an additional payment of 35% or $4,550,000 towards the April 2022 batch of miners. During the three month period ending March 31, 2022, the Company paid installments totaling $17.4 million.

On November 16, 2021, the Company entered into the second Non-Fixed Price Sales and Purchase Agreement with Bitmain. This second agreement covers six batches of 300 miners, or 1,800 in total, arriving on a monthly basis from July 2022 through December 2022. Each batch has an assigned purchase price that totals $19,350,000, to be paid in three installments of 35%, 35%, and 30% of the total purchase price over the six-month delivery period. Per the second Non-Fixed Price Sales and Purchase Agreement, on November 18, 2021, the Company paid the first installment payment of 35% or $6,835,000. During the three-month period ending March 31, 2022, the Company paid three installments totaling $3,528,000.

Luxor Technology Corporation

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

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

Northern Data

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

On December 16, 2021, the Company entered into a Second Hardware Purchase and Sale Agreement (the “Second Supplier Purchase Agreement") to acquire a cumulative amount of approximately 4,280 MicroBT WhatsMiner M30S and M30S+ miners with a hash rate per unit of 100 TH/s (the “M30S+ Miners”). Pursuant to the Second Supplier Purchase Agreement, the unit price per M30S Miner is $2,714 and the unit price per M30S+ Miner is $3,520 for a cumulative purchase price of $11,340,373. The outstanding amount still owed under this agreement was $2,835,094 as of March 31, 2022.

NYDIG ABL LLC

On December 15, 2021, the Company entered into a Master Equipment Finance Agreement (the “Second NYDIG Financing Agreement”) with NYDIG ABL LLC (“NYDIG”) whereby NYDIG agreed to lend the Company up to $53,952,000 to finance the purchase of certain Bitcoin miners and related equipment (the “Second NYDIG-Financed Equipment”). Outstanding borrowings under the Second NYDIG Financing Agreement are secured by the Second NYDIG-Financed Equipment, contracts to acquire Second NYDIG-Financed Equipment, and the Bitcoin mined by the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement includes customary restrictions on additional

liens on the NYDIG-Financed Equipment. The Second NYDIG Financing Agreement may not be terminated by the Company or prepaid in whole or in part. Refer to Note 6 - Long Term Debt for further details.

Arctos Credit LLC (NYDIG)

On January 31, 2022, Stronghold and NYDIG ABL LLC (f/k/a Arctos Credit, LLC), amended the NYDIG Financing Agreement (the "NYDIG Amendment") to include (i) 2,140 MicroBT WhatsMiner M30S+ miners and (ii) 2,140 MicroBT WhatsMiner M30S miners purchased by Stronghold Inc. pursuant to a purchase agreement dated December 16, 2021, totaling $12,622,816 of additional borrowing capacity. Stronghold will pay an aggregate closing fee of $504,912 to NYDIG. The NYDIG Amendment requires that the Company maintain a blocked wallet or other account for deposits of all mined currency. In February 2022, the Company received the additional borrowing of $12,622,816 less the $504,912 in closing fees. Refer to Note 6 – Long Term Debt for further details

WhiteHawk Finance LLC

On June 30, 2021, Equipment LLC entered into an equipment financing agreement (the "WhiteHawk Equipment Financing Agreement") with WhiteHawk whereby WhiteHawk originally agreed to lend to Equipment LLC an aggregate amount not to exceed $40.0 million to finance the purchase of certain Bitcoin miners and related equipment (the "Total Advance"). The WhiteHawk Financing Agreement originally contained terms requiring that the 15,000 miners being purchased pursuant to the MinerVa Purchase Agreement be delivered on or before December 31, 2021. MinerVa did not deliver all of the miners under the MinerVa Purchase Agreement by the December 31, 2021 deadline. On December 31, 2021, Equipment LLC and WhiteHawk entered into the WhiteHawk Amendment to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. The Company has received around 3,200 of the miners to date. On March 28, 2022, Equipment LLC and WhiteHawk again amended the WhiteHawk Financing Agreement (the "Second WhiteHawk Amendment") to exchange the collateral under the WhiteHawk Financing Agreement.

Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement were exchanged as collateral for additional miners received by the Company from various suppliers and (ii) WhiteHawk agreed to lend to the Company an additional amount not to exceed $25.0 million to finance certain previously purchased Bitcoin miners and related equipment (the "Second Total Advance"). Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek Power Operating LLC ("Panther Creek") and Scrubgrass Reclamation Company, L.P. ("Scrubgrass") each agreed to a negative pledge of the coal refuse reclamation facility with 80 MW of net electricity generation capacity of net electricity generation capacity located near Nesquehoning, Pennsylvania (the "Panther Creek Plant") and a low-cost, environmentally-beneficial coal refuse power generation facility that the Company has upgraded in Scrubgrass Township, Pennsylvania (the "Scrubgrass Plant"), respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, the Company issued a warrant to WhiteHawk, to purchase 125,000 shares of Class A common stock, subject to certain anti-dilution and other adjustment provisions as described in the warrant agreement, at an exercise price of $0.01 per share (the "Second WhiteHawk Warrant"). The Second WhiteHawk Warrant expires on March 28, 2032. While the Company continues to engage in discussions with MinerVa on the delivery of the remaining miners, it does not know when the remaining miners will be delivered, if at all.

Contingencies:

Legal Proceedings

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

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

In November 2019, Allegheny Mineral filed suit against the Company seeking payment of approximately $1,200,000 in outstanding invoices. In response, the Company filed counterclaims against Allegheny Mineral asserting breach of contract, breach of express and implied warranties, and fraud in the amount of $1,300,000. The case was unsuccessfully

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

PJM Notice of Breach

On November 19, 2021, Scrubgrass received a notice of breach from PJM Interconnection, LLC alleging that Scrubgrass breached Interconnection Service Agreement – No. 1795 (the "ISA") by failing to provide advance notice to PJM Interconnection, LLC and Mid-Atlantic Interstate Transmission, LLC ("MAIT") pursuant to ISA, Appendix 2, section 3, of modifications made to the Scrubgrass Plant. On December 16, 2021, Scrubgrass responded to the notice of breach and respectfully disagreed that the ISA had been breached. On January 7, 2022, Scrubgrass participated in an information gathering meeting with representatives from PJM regarding the notice of breach and Scrubgrass continues to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, the Company sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, the Company executed a necessary study agreement with respect to the Panther Creek Plant. On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement ("OE") informed the Company that the Office of Enforcement is conducting a non-public preliminary investigation concerning Scrubgrass' compliance with various aspects of the PJM tariff. The OE requested that the Company provide certain information and documents concerning Scrubgrass' operations by June 10, 2022. The OE has not alleged any specific instances of non-compliance by Scrubgrass. The Company does not believe the PJM notice of breach, the Panther Creek necessary study agreement, or the preliminary investigation by the OE will have a material adverse effect on the Company's reported financial position or results of operations.

Winter v. Stronghold Digital Mining Inc., et al., U.S District Court for the Southern District of New York

Stronghold Digital Mining, Inc. ("Stronghold") together with certain of its key personnel and the underwriters for the Company's initial public offering, has been named in a lawsuit filed in the U.S District Court for the Southern District of New York captioned Winter v. Stronghold Digital Mining Inc., et al., alleging that the Company's registration statement filed in connection with its initial public offering contained false or misleading statements in violation of the federal securities laws. Management believes this litigation is unlikely to have a material adverse effect on the Company's financial position.

NOTE 9 – RELATED-PARTY TRANSACTIONS

Waste Coal Agreement

The Company is obligated under a Waste Coal Agreement (the "WCA") to take minimum annual delivery of 200,000 tons of waste coal as long as there is a sufficient quantity of waste coal that meets the Average Quality Characteristics (as defined in the WCA). Under the terms of the WCA, the Company is not charged for the waste coal itself but is charged a $6.07 per ton base handling fee as it is obligated to mine, process, load and otherwise handle the waste coal for itself and also for other customers of Coal Valley Sales, LLC ("CVS") from the Russellton site specifically. The Company is also obligated to unload and properly dispose of ash at the Russellton site.

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

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

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

The Company purchased coal from Coal Valley Properties, LLC, a single-member LLC which is entirely owned by one individual that has ownership in Q Power, and from CVS. CVS is a single-member LLC which is owned by a coal reclamation partnership of which an owner of Q Power has a direct and an indirect interest in the partnership of 16.26%.

For the three months ended March 31, 2022, the Company expensed approximately $303,500, which is included in fuel expense in the accompanying statement of operations. The Company owed CVS approximately $134,452 as of March 31, 2022, which is included in Due to Related Parties.

Fuel Service and Beneficial Use Agreement

The Company has a Fuel Service and Beneficial Use Agreement ("FBUA") with Northampton Fuel Supply Company, Inc. ("NFS"), a wholly-owned subsidiary of Olympus Power. The Company buys fuel from and sends ash to NFS, for the mutual benefit of both facilities, under the terms and rates established in the FBUA. The FBUA expires December 31, 2023. For the three months ended March 31, 2022, the Company expensed $379,646, which is included in fuel expense in the accompanying statement of operations. The Company owed NFS approximately $136,108 as of March 31, 2022, which is included in Due to Related Parties.

Fuel purchases under these agreements for the three months ended March 31, 2022 and March 31, 2021 are as follows:

	March 31, 2022	March 31, 2021
Coal Purchases:		
Northampton Fuel Supply Company, Inc.	$ 953,419	$ 138,790
Coal Valley Sales, LLC	303,500	75,000
TOTALS	$ 1,256,919	$ 213,790

The Company had various related party agreements and transactions for the periods prior to the date of reorganization on April 1, 2021.

Fuel Management Agreement

Panther Creek Fuel Services. LLC

Effective August 1, 2012, the Company entered into the Fuel Management Agreement (the "Fuel Agreement") with Panther Creek Fuel Services LLC, a wholly-owned subsidiary of Olympus Services LLC, which in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the Fuel Agreement, Panther Creek Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The amount expensed for the three months ended March 31, 2022, was $398,769, of which $76,582 was included in Due to Related Parties.

Scrubgrass Fuel Services, LLC

Effective February 1, 2022, the Company entered into the Fuel Management Agreement (the "Scrubgrass Fuel Agreement") with Scrubgrass Fuel Services LLC, a wholly-owned subsidiary of Olympus Services LLC, which in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the Scrubgrass Fuel Agreement, Scrubgrass Fuel Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The amount expensed for the three months ended March 31, 2022, was $96,624, of which $20,276 was included in Due to Related Parties.

O&M Agreements

Olympus Power LLC

On November 2, 2021, Stronghold LLC entered into an Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services will provide certain operations and maintenance services to Stronghold LLC, as well as employ certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. Stronghold LLC will reimburse Olympus Stronghold Services for those costs incurred by Olympus Stronghold Services and approved by Stronghold LLC in the course of providing services under the Omnibus Services Agreement, including payroll and benefits costs and insurance costs. The material costs incurred by Olympus Stronghold Services shall be approved by Stronghold LLC. Stronghold LLC will also pay Olympus Stronghold Services a management fee at the rate of $1,000,000 per year, payable monthly, and an additional one-time mobilization fee of $150,000 upon the effective date of the Omnibus Services

Agreement. The amount expensed for the three months ended March 31, 2022 was $228,598 (excluding the one-time mobilization fee of $150,000 that has been deferred until 2022 for payment).

Panther Creek Energy Services LLC

Effective August 2, 2021, the Company entered into the Operations and Maintenance Agreement (the “O&M Agreement”) with Panther Creek Energy Services LLC, a wholly-owned subsidiary of Olympus Services LLC, which in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the O&M Agreement, Panther Creek Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Panther Creek Energy Services LLC for actual wages and salaries. The Company also pays a management fee of $175,000 per operating year, which is payable monthly and is adjusted by the consumer price index on each anniversary date of the effective date. The amount expensed for the three months ended March 31, 2022 was $887,824 of which $192,840 was included in Due to Related Parties. In connection with the equity contribution agreement entered into on July 9, 2021 (the "Equity Contribution Agreement"), the Company entered into the Amended and Restated Operations and Maintenance Agreement (the “Amended O&M Agreement”) with Panther Creek Energy Services LLC. Under the Amended O&M Agreement, the management fee is $250,000 for the twelve-month period following the effective date and $325,000 per year thereafter. The effective date of the Amended O&M Agreement is the closing date of the Equity Contribution Agreement.

Scrubgrass Energy Services, LLC

Effective February 1, 2022, the Company entered into the Operations and Maintenance Agreement (the “Scrubgrass O&M Agreement”) with Scrubgrass Energy Services, LLC, a wholly-owned subsidiary of Olympus Services LLC, which in turn, is a wholly-owned subsidiary of Olympus Power LLC. Under the Scrubgrass O&M Agreement, Scrubgrass Energy Services LLC provides the Company with operations and maintenance services with respect to the Facility. The Company reimburses Scrubgrass Energy Services LLC for actual wages and salaries. The Company also pays a management fee of $175,000 per operating year, which is payable monthly and is adjusted by the consumer price index on each anniversary date of the effective date. The amount expensed for the three months ended March 31, 2022 was $857,913 of which $236,715 was included in Due to Related Parties. In connection with the Equity Contribution Agreement entered into on July 9, 2021, the Company entered into the Amended and Restated Operations and Maintenance Agreement (the “Scrubgrass Amended O&M Agreement”) with Scrubgrass Energy Services LLC. Under the Scrubgrass Amended O&M Agreement, the management fee is $250,000 for the twelve-month period following the effective date and $325,000 per year thereafter. The effective date of the Scrubgrass Amended O&M Agreement is the closing date of the Equity Contribution Agreement.

Management Services Agreement

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

The Company has made total payments of $150,000 for the three months ended March 31, 2022.

Amounts due to related parties as of:

	March 31, 2022	December 31, 2021
Payables:		
Coal Valley Properties, LLC	$ 134,452	$ 134,452
Q Power LLC	500,000	500,000
Coal Valley Sales, LLC	202,333	202,333
Panther Creek Energy Services	192,840	94,434
Panther Creek Fuel Services	76,582	47,967
Northampton Generating Co LP	136,108	321,738
Olympus Services LLC	—	129,735
Scrubgrass Energy Services	236,715	—
Scrubgrass Fuel Services	20,276	—
TOTALS	$ 1,499,306	$ 1,430,659

The company paid $69,000 to Beard Aviation LLC for various company-related business trips for the year ended December 31, 2021. No amounts were paid for the three months ending March 31, 2022. Beard Aviation LLC is owned by Greg Beard, the Chief Executive Officer (“CEO”) of Stronghold Inc.

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

On March 16, 2021, the Company received a round 2 Paycheck Protection Program ("PPP") loan in the amount of $841,670 that accrues an interest of 1% per year; and matures on the fifth anniversary of the date of the note. In January 2021, the Company was granted relief as forgiveness for the round 1 PPP loan in the amount of $638,800.

On June 8, 2021, the Company repaid the Economic Injury Disaster Loan (“EIDL”), received on March 31, 2020, in the amount of $150,000.

NOTE 11 – COVID-19

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

NOTE 12 – SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly in deciding how to allocate resources and in assessing performance. Our CEO is the primary decision-maker. The Company functions in two operating segments about which separate financial information is available as follows:

Reportable segment results for the three months ending March 31, 2022 and March 31, 2021 are as follows:

	Three Months Ended,	
	March 31, 2022	**March 31, 2021**
	(unaudited)	***(unaudited)***
Operating Revenues		
Energy Operations	$ 10,427,989	$ 2,726,328
Cryptocurrency Operations	18,272,070	1,072,006
Total Operating Revenues	$ 28,700,059	$ 3,798,334
Net Operating Income/(Loss)		
Energy Operations	$ (11,505,165)	$ (1,419,137)
Cryptocurrency Operations	(18,132,201)	246,355
Net Operating Income/(Loss)	$ (29,637,366)	$ (1,172,782)
Other Income, net (a)	$ (2,669,049)	$ 933,826
Net Income/(Loss)	$ (32,306,416)	$ (238,956)
Depreciation and Amortization		
Energy Operations	$ (1,256,101)	$ (143,634)
Cryptocurrency Operations	(11,063,480)	(373,809)
Total Depreciation & Amortization	$ (12,319,581)	$ (517,443)
Interest Expense		
Energy Operations	$ (31,522)	$ (38,266)
Cryptocurrency Operations	(2,879,930)	(40,374)
Total Interest Expense	$ (2,911,452)	$ (78,640)

(a) The Company does not allocate other income, net for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to consolidated statement of operations for the three months ended March 31, 2022 and 2021 for further details.

Assets, at March 31, 2022, by energy operations and cryptocurrency operations totaled $57,557,040 and $314,145,859, respectively. Assets at March 31, 2021, by energy operations and cryptocurrency operations totaled $8,678,236 and $4,439,449, respectively.

	March 31, 2022			March 31, 2021		
	Energy Operations	Cryptocurrency Operations	Total	Energy Operations	Cryptocurrency Operations	Total
	(unaudited)	*(unaudited)*		*(unaudited)*	*(unaudited)*	
Cash	$ 745,066	$ 24,735,627	$ 25,480,693	$ 1,008,881	$ 613,881	$ 1,622,762
Cryptocurrencies	—	5,104,861	5,104,861	—	403,840	403,840
Cryptocurrencies - Restricted	—	8,763,725	8,763,725	—	—	—
Accounts receivable	1,695,647	5,684	1,701,331	144,519	220,146	364,665
Due from related party	864,625	—	864,625	—	—	—
Prepaid Insurance	—	4,449,106	4,449,106	—	—	—
Inventory	3,552,028	—	3,552,028	282,142	—	282,142
Other current assets	633,428	65,454	698,882	65,621	35,001	100,622
Security Deposits	227,368	121,520	348,888	—	—	—
Equipment Deposits	—	98,577,594	98,577,594	—	—	—
Property, plant and equipment, net	47,899,920	172,300,849	220,200,769	7,177,074	2,981,337	10,158,411
Land	1,727,000	21,439	1,748,439	—	—	—
Bonds	211,958	—	211,958	—	185,245	185,245
	$ 57,557,040	$ 314,145,859	$ 371,702,899	$ 8,678,236	$ 4,439,449	$ 13,117,685

NOTE 13 – STOCK-BASED COMPENSATION

On October 19, 2021, the board of directors of the Company (the "Board") and the stockholders of the Company approved a new long-term incentive plan (the “New LTIP”) for employees, consultants and directors. The New LTIP provides for the grant of stock options (including incentive stock options and non-qualified stock options), stock appreciation rights, RSUs, dividend equivalents, other stock-based awards, and substitute awards intended to align the interests of service providers, including the Company's named executive officers, with those of its stockholders. The New LTIP reserved 4,752,000 shares of Class A common stock that may be issued or used for reference purposes or with respect to which awards may be granted. In addition, pursuant to the New LTIP, the 313,517 remaining shares of Class A common stock under the prior long-term incentive plan that was effective April 28, 2021, that were reserved and available for delivery, were assumed and reserved for issuance under the New LTIP. As of the effective date of the New LTIP, the Company now grants all equity-based awards under the New LTIP.

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

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

The RSUs are subject to restrictions on transferability, risk of forfeiture and other restrictions imposed by the Compensation Committee of the Board (the "Compensation Committee"). Settlement of vested RSUs will occur upon vesting or upon expiration of the deferral period specified for such RSUs by the Compensation Committee (or, if permitted by the Compensation Committee, as elected by the Participant). RSUs may be settled in cash or a number of shares of stock (or a combination of the two), as determined by the Compensation Committee at the date of grant or thereafter. As of

March 31, 2022, 80,662 RSUs were awarded to eleven employees with a weighted average grant date fair market value of $21.37 that vest over ten years.

Stock-Based Compensation

Stock compensation expense was $2,592,995 and $0 for the three months ended March 31, 2022 and 2021; respectively. There is no tax benefit related to stock compensation expense due to a full valuation allowance on net deferred tax assets at March 31, 2022. The Company recognized total stock-based compensation expense during the three months ended March 31, 2022 and 2021, from the following categories:

	March 31, 2022	March 31, 2021
Restricted stock awards under the Plan	$ 338,682	$ —
Stock option awards under the Plan	2,254,313	—
Total stock-based compensation	$ 2,592,995	$ —

Incentive Plan Stock Options

The following are the weighted average assumptions used in calculating the fair value of the total stock options granted in 2022 using the Black-Scholes method.

	March 31, 2022
Weighted-average fair value of options granted	$ 11.40
Expected volatility	126.40 %
Expected life (in years)	5.81
Risk-free interest rate	1.59 %
Expected dividend yield	0.00 %

Expected Volatility – The Company estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies.

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

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

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

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

As of March 31, 2022, the total future compensation expense related to non-vested options not yet recognized in the consolidated statement of operations was approximately $20,677,113 and the weighted-average period over which these awards are expected to be recognized is 2.27 years.

There were 3,462,116 outstanding shares as of March 31, 2022. The following table summarizes the stock option activity (as adjusted) under the plans for the three months ended March 31, 2022:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Price	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	3,379,083	$ 8.91	9.61	$ 30,906
Granted	83,032	$ 11.77	$ —	$ —
Exercised	—	$ —	—	$ —
Cancelled/forfeited	—	$ —	—	$ —
Outstanding at March 31, 2022	3,462,116	$ 8.98	9.37	$ 31,428
Shares vested and expected to vest	3,462,116	$ 8.98	9.37	$ 31,428
Exercisable as of March 31, 2022	682,588	$ 8.66	9.34	$ 6,416
Exercisable as of March 31, 2021	—	$ —	—	$ —

RSU Awards

A summary of the Company's RSU activity in the three months ended March 31, 2022 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2021	60,737	$ 24.33
Vested	(4,810)	$ 11.18
Granted	24,735	$ 12.13
Forfeited	—	$ —
Unvested at March 31, 2022	80,662	$ 21.37

The value of RSU grants are measured based on their fair market value on the date of grant and amortized over their respective vesting periods. As of March 31, 2022, there was approximately $1,266,374 of unrecognized compensation cost related to unvested RSU rights, which is expected to be recognized over a remaining weighted-average vesting period of approximately 1.89 years.

NOTE 14 – STOCK ISSUED UNDER MASTER FINANCING AGREEMENTS AND WARRANTS

Stock Issued as part of an Equipment Financing Agreement

Arctos Credit LLC (NYDIG)

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

As of March 31, 2022, the fair value at the date of issuance (i.e.- June 25, 2021) of the 126,274 common shares or $1,389,888 is presented on the balance sheet as debt discounts that offset the net proceeds of the loans; and is being amortized using the straight-line method over the terms of the loans (refer to Note 6 – Long-Term Debt for further details). For the three months ended March 31, 2022, the Company recorded amortized costs in the amount of $173,736 related to the stock issued debt discounts. That amount is included in interest expense.

In addition, the agreement stipulates a "Standby Fee" if, prior to August 15, 2021, the Company has failed to take advances from NYDIG equal to the total agreement amount of $34,481,700. The Standby Fee is calculated as 1.75% times the remaining principal that has not been borrowed; or $10,256,922 as of March 31, 2022. As a result, the Company has

paid a total Standby Fee of $208,816 during the three months ended March 31, 2022. That amount is included in interest expense.

MinerVa Semiconductor Corp

As discussed in Note 8 – Contingencies and Commitments, the Company on April 2, 2021, entered into a purchase agreement with MinerVa for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment with a total terahash to be delivered equal to 1.5 million terahash (total terahash). In the exchange for the delivery of the total terahash, MinerVa will be granted 443,848 shares of Stronghold Inc. As discussed in Note 8, not all miners have been delivered but the Company is committed to take all future deliveries. The final delivery is after March 31, 2022; thus, the shares are deemed as not yet issued as of March 31, 2022.

Warrants

WhiteHawk Finance LLC

On June 30, 2021, Equipment LLC entered into a $40,000,000 promissory note (the "WhiteHawk Promissory Note") with White-Hawk Finance LLC (the "Lender" or "WhiteHawk"). The note has a maturity date of June 23, 2023, where the full outstanding principal amount of the note is due and payable. Interest for the note is set at 10% per annum. On March 31, 2022, Equipment LLC also entered into a Stock Purchase Warrant agreement with the Lender, where Equipment LLC issued 181,705 warrants to purchase shares of Class A common stock of Equipment LLC to the Lender.

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

The fair value for the warrants, as of the issuance date, is $1,999,396 and is recorded as equity with the offset recorded as a debt discount against the net proceeds. The proceeds of $40,000,000 are allocated to the WhiteHawk Promissory Note and the warrants are being amortized based on the straight-line method over the twenty-four month term of the note. For the three months ended March 31, 2022, the Company has recorded amortized debt discount, related to the warrants, in the amount of $249,925, which is included in interest expenses.

On March 28, 2022, Equipment LLC entered into a $25,000,000 promissory note (the "Second WhiteHawk Promissory Note") with White-Hawk Finance LLC (the "Lender" or "WhiteHawk"). The note has a maturity date of March 31, 2024, where the full outstanding principal amount of the note is due and payable. Interest for the note is set at 10% per annum. On March 28, 2022, Equipment LLC also entered into a Stock Purchase Warrant agreement with the Lender, where Equipment LLC issued 125,000 warrants to purchase shares of Class A common stock of Equipment LLC to the Lender.

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

The fair value for the warrants, as of the issuance date, is $1,150,000 and is recorded as equity with the offset recorded as a debt discount against the net proceeds. The proceeds of $25,000,000 are allocated to the Second WhiteHawk Promissory Note and the warrants are being amortized based on the straight-line method over the twenty-four month term of the note. For the three months ended March 31, 2022, the Company had not recorded any amortized debt discount, related to the warrants.

B. Riley Securities, Inc.

On each of April 1, 2021 and May 14, 2021, Stronghold Inc. entered into a warrant agreement with American Stock Transfer & Trust Company (the "Warrant Agent"). B. Riley Securities, Inc. acted as the Company's placement agent in connection with the Private Placements. In connection therewith, the Company issued B. Riley Securities, Inc. (i) a five-year warrant to purchase up to 97,920 shares of Series A Preferred Stock at a per share exercise price of $8.68 and (ii) a five-year warrant to purchase up to 18,170 shares of Series B Preferred Stock at a per share exercise price of $11.01. In each case the exercise price was equal to the respective private placement per share price. B. Riley Securities, Inc. and its affiliates purchased 439,200 and 91,619 shares of Series A Preferred Stock and Series B Preferred Stock, respectively, at the same private placement per share price.

The warrants contain standard limitations and representations and are exercisable for a period of five years from the date of the Private Placements. The warrants are legally detachable and separately exercisable. The accounting for warrants

on redeemable shares follows the guidance in ASC 480-10-25-8 through 25-13. Those paragraphs address the classification of instruments, other than an outstanding share, that have both of the following characteristics:

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

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

Series A

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

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

On April 1, 2021, the Company recorded a liability of $631,897, and as a debt issuance cost against the Preferred Shares. As of March 31, 2022, the fair value of this liability is $0.

Series B

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

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

On May 14, 2021, the Company recorded a liability of $148,575, and as a debt issuance cost against the Mezzanine Equity (see Note 15 – Redeemable Common Stock). As of March 31, 2022, the fair value of this liability is zero.

NOTE 15 – REDEEMABLE COMMON STOCK

Private Placements- Mezzanine Equity Series A & B

On April 1, 2021 the Company entered into a Series A Preferred Stock Purchase Agreement pursuant to which the Company issued and sold 9,792,000 shares of Series A Preferred Stock in the Series A Private Placement at a price of $8.68 per share to various accredited individuals in reliance upon exemptions from registration pursuant to Section 4(a)(2)

of the Securities Act, and Regulation D thereunder for aggregate consideration of approximately $85.0 million. In connection with the Series A Private Placement, the Company incurred approximately $6.3 million in fees and $631,897 as debt issuance costs for warrants issued as part of the Series A Private Placement.

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

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

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

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

On October 22, 2021 (the closing date of the IPO), the net proceeds from the 9,792,000 shares of the Series A Preferred Stock and the 1,816,994 shares of the Series B Preferred Stock were converted to shares of Class A common stock on a one-for-one share basis at a par value of $0.0001 per share. As of March 31, 2022, these shares are no longer reported as redeemable common stock.

The following is a summary of the Series A and Series B valuations:

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

Common Stock – Class V

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

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

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

Common Stock – Class V is classified as redeemable common stock in the unaudited condensed consolidated balance sheet as, pursuant to the Stronghold LLC Agreement, the Redemption Rights of each unit held by Q Power for either shares of Class A common stock or an equivalent amount of cash is not solely within the Company's control. This is due to the holders of the Class V common stock collectively owning a majority of the voting stock of the Company, which allows the holders of Class V common stock to elect the members of the Board, including those directors that determine whether to make a cash payment upon a Stronghold LLC Unit Holder's exercise of its Redemption Right. Redeemable common stock is recorded at the greater of the book value or redemption amount from the date of the issuance, April 1, 2021, and the reporting date as of March 31, 2022.

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

	Non-controlling Interest(1)	Series A		Series B		Common - Class V		
		Preferred Shares	Amount	Preferred Shares	Amount	Shares	Amount	Total
Balance - December 31, 2021	$ —			—	$ —	27,057,600	$ 301,052,617	$ 301,052,617
Net loss - January 1 to March 31, 2022							(18,125,837)	(18,125,837)
Maximum redemption right valuation							(110,222,560)	(110,222,560)
Balance- March 31, 2022	$ —	—	$ —	—	$ —	27,057,600	$ 172,704,220	$ 172,704,220

1 Refer to Note 16 – Non-controlling Interest for further discussions

NOTE 16 – NON-CONTROLLING INTEREST

The Company is the sole managing member of Stronghold LLC and as a result consolidates the financial results of Stronghold LLC and reports a non-controlling interest representing the Common Units of Stronghold LLC held by Q Power. Changes in the Company's ownership interest in Stronghold LLC while the Company retains its controlling interest in Stronghold LLC will be accounted for as mezzanine equity transactions. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the continuing equity owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest. Refer to Note 15 – Redeemable Common Stock that describes the Redemption Rights of the non-controlling interest.

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

The following summarizes the mezzanine equity adjustments pertaining to the non-controlling interest from April 1, 2021 through March 31, 2022:

	Temporary Equity Adjustments
Balance- April 1, 2021 (1)	**$ (2,877,584)**

Net losses for the three months ended June 30, 2021		(2,235,219)
Maximum redemption right valuation [2]		172,774,052
Balance- June 30, 2021	**$**	**167,661,249**
Net losses for the three months ended September 30, 2021		(4,328,460)
Adjustment of mezzanine equity to redemption amount [3]		79,669,600
Balance- September 30, 2021	**$**	**243,002,389**
Net losses for the three months ended December 31, 2021		(8,594,196)
Adjustment of temporary equity to redemption amount [4]		66,644,424
Balance- December 31, 2021	**$**	**301,052,617**
Net losses for the three months ended March 31, 2022		(18,125,837)
Adjustment of temporary equity to redemption amount [5]		(110,222,560)
Balance- March 31, 2022	**$**	**172,704,220**

[1] As of the date of reorganization- refer to Note 1

[2] Based on 27,057,600 Common Class V shares outstanding at $6.39 issuance price as of April 1, 2021

[3] Based on 27,057,600 Common Class V shares outstanding at $9.33 fair valuation price as of September 30, 2021

[4] Based on 27,057,600 Common Class V shares outstanding at $11.99 fair valuation price as of December 31, 2021, using a 10-day variable weighted average price ("VWAP") of trading dates; including the closing date

5 Based on 27,057,600 Common Class V shares outstanding at $7.72 fair valuation price as of March 31, 2022, using a 10-day variable weighted average price ("VWAP") of trading dates; including the closing date

Common Units

The Company is the sole managing member of Stronghold LLC and as a result consolidates the financial results of Stronghold LLC and reports a non-controlling interest representing the Common Units of Stronghold LLC held by Olympus Power, LLC plus a corresponding number of Class V vote-only shares of common stock in the Company. Olympus Power, LLC can exchange these Common Units along with corresponding shares of Class V common stock, on a one-for-one basis, for shares of Class A common stock. Because of the Class V voting rights, the Company has assessed the exchange right as a “Redemption Right” to cause Stronghold LLC to acquire all or a portion of its Stronghold LLC Units for, at Stronghold LLC’s election, one share of Stronghold Inc.’s Class A common stock at a redemption ratio of one share of Class A common stock for each Stronghold LLC Unit.

Common Units represent 2.4% ownership of Stronghold LLC, where the original owners of Olympus Power LLC have economic rights and, as a holder, one vote on all matters to be voted on by the Company's stockholders generally, and a redemption right into Class A shares.

Changes in the Company's ownership interest in Stronghold LLC while the Company retains its controlling interest in Stronghold LLC will be accounted for as permanent equity. As such, future redemptions or direct exchanges of common units of Stronghold LLC by the continuing equity owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest.

The following summarizes the permanent equity adjustments pertaining to the non-controlling interest from November 2, 2021 (date of issuance) through March 31, 2022:

	Permanent Equity Adjustments
Balance- November 2, 2021 (1)	**$ 38,315,520**
Net losses	(645,359)
Balance- December 31, 2021	**$ 37,670,161**
Net losses	(771,800)
Balance- March 31, 2022	**$ 36,898,361**

1 As of November 2, 2021, the date of issuance. 1,152,000 Series A Preferred units outstanding at $33.26 per public trading share price (Nasdaq closing price)

NOTE 17 – EARNINGS (LOSS) PER SHARE

Basic EPS of common stock is computed by dividing the Company's net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The Company excludes the unvested RSUs awarded to its employees, officers, directors, and contractors under the LTIP from this net loss per share calculation because including them would be antidilutive.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock for the three months ended March 31, 2022.

	Three Months Ended March 31, 2022
Numerator	
Net Loss [(1)]	$ (32,306,416)
Less: net losses attributable to non-controlling interests	$ (18,897,638)
Net loss attributable to Class A common shareholders	$ (13,408,778)
Denominator	
Weighted average shares of Class A common shares outstanding	20,206,103
Basic net loss per share	$ (0.66)

(1) Basic and diluted earnings per share of Class A common stock is presented for the period from January 1, 2022 to March 31, 2022.

Securities that could potentially dilute losses per share in the future that were not included in the computation of diluted loss per share at March 31, 2022 because their inclusion would be anti-dilutive are as follows:

	March 31, 2022
Series A preferred units not yet exchanged for Common A shares	1,152,000
Class V common shares not yet exchanged for Class A common shares	27,057,600
Total	28,209,600

NOTE 18 – RENEWABLE ENERGY CREDITS

Starting late in 2021 and for the three months ended March 31, 2022, the Company has significantly increased the use of coal refuse as the plant increased megawatt capacity. The plant was relatively dormant during the comparative periods ended March 31, 2021. As a result, the Company's usage of coal refuse, which is classified as a Tier II Alternative Energy Source under Pennsylvania law, significantly increased. DEBM acts as the benefactor, on behalf of the Company, in the open market and is invoiced as RECs are realized based on this open market measured by consumer demands. The Company records an offset to fuel costs when RECs are sold to third parties.

RECs offset against the costs of fuel operating costs were $532,270 and $203,500 for the three months ended March 31, 2022 and March 31, 2021 respectively.

NOTE 19 – ASPEN INTEREST ("OLYMPUS") BUYOUT

On April 1, 2021, Stronghold Inc., using in part 576,000 shares of newly issued Series A Preferred Stock and in part proceeds from the Series A Private Placement, acquired the Aspen Interest.

The total consideration was a combination of the newly issued Series A Preferred Stock valued at the issuance price of $8.68 per share or $5,000,000; plus an additional $2,000,000 in cash. A total of $7,000,000 is treated as a buyout of the Partners' Deficits of the Limited Partner (i.e., Aspen Interest) as of April 1, 2021.

The Partners' Deficit of the Aspen Interest as of April 1, 2021:

	Limited Partners
Balance - December 31, 2020	$ (1,336,784)
Net losses - three months ended March 31, 2021	(71,687)
Balance - April 1, 2021	(1,408,471)

NOTE 20 – SUPPLEMENTAL CASH AND NON-CASH INFORMATION

Supplementary cash flows disclosures as of March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Equipment financed with debt	$ 30,750,688	$ 822,526
Interest Paid	$ 837,174	$ 78,640

Supplementary non-cash financing activities as of March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Issued as part of equipment debt financing:		
Warrants- WhiteHawk	$ 1,150,000	$ —
Total	$ 1,150,000	$ —

NOTE 21 – TAX RECEIVABLE AGREEMENT

The Company entered into a Tax Receivable Agreement ("TRA") with Q Power and an agent named by Q Power on April 1, 2021, pursuant to which the Company will pay the TRA participants 85% of the realized (or, in certain circumstances, deemed realized) cash tax savings attributable to the tax basis step-ups arising from taxable exchanges of units and certain other items.

No deferred tax asset or liability has been recorded with respect to the TRA because an exchange that triggers the amounts owed by the Company under the TRA (i.e., the redemption of Stronghold LLC Units for shares of Class A common stock or cash) has not occurred. Estimating the amount and timing of Stronghold Inc.'s realization of tax benefits subject to the TRA is imprecise and unknown at this time and will vary based on a number of factors, including when redemptions actually occur. Accordingly, the Company has not recorded any deferred tax asset or any liability with respect to the TRA.

NOTE 22 – PROVISIONS FOR INCOME TAXES

The provision for income taxes for the three months ended March 31, 2022 was zero, resulting in an effective income tax rate of zero. The provisions for income taxes for the twelve months ended December 31, 2021 and three months ended March 31, 2021 were also zero, resulting in effective income tax rates of zero. The difference between the statutory income tax rate of 21% and the Company's effective tax rate for the three months ended March 31, 2022 is primarily due to pre-tax loss attributable to the non-controlling interest and due to maintaining a valuation allowance against the Company's deferred tax assets. The difference between the statutory income tax rate of 21% and the Company's effective tax rate for the twelve months ended December 31, 2021 was primarily due to pre-tax losses attributable to the non-controlling interest and to the period prior to the Reorganization (i.e., prior to the incorporation of Stronghold Inc.), and due to maintaining a valuation allowance against the Company's deferred tax assets. Prior to the Reorganization, Scrubgrass and Stronghold

Power were pass-through or disregarded entities for income tax purposes such that any taxable income or loss was included in the income tax returns of their owners. Accordingly, no income tax provision was recorded in the Company's financial statements for the three months ended March 31, 2021.

The determination to record a valuation allowance was based on management's assessment of all available evidence, both positive and negative, supporting realizability of the Company's net operating losses and other deferred tax assets, as required by applicable accounting standards (ASC Topic 740, Income Taxes ("ASC 740")). In light of the criteria under ASC 740 for recognizing the tax benefit of deferred tax assets, the Company maintained a valuation allowance against its federal and state deferred tax assets as of December 31, 2021 and through March 31, 2022.

NOTE 23 - PREPAID INSURANCE

As of March 31, 2022 and 2021, the Company had an unamortized prepaid insurance balance of $4,449,106 and zero, respectively. The March 31, 2022 unamortized balance consists of $3,797,189 to cover directors and officers including corporate reimbursement (the "D&O Policy"); and various commercial property and risk coverages totaling $651,917.

The D&O Policy was a financed premium (refer to Note 29 – Premium Financing Agreement) in the amount of $6,890,509 less a $1,378,102 down payment. The term of the policy is 12 months and expires October 19, 2022. The monthly amortization to insurance expense is $574,209 per month. The commercial property and risk coverages vary in policy term expirations and are renewable on an annual basis.

NOTE 24 - ACCRUED LIABILITIES

Other accrued liabilities consisted of the following:

	March 31, 2022	December 31, 2021
Legal & Professional Fees	534,583	1,457,727
Payroll & Taxes	—	73,819
Shipping & Handling	82,449	230,779
Interest expense	800,413	79,267
Sales & Use Taxes	4,529,524	2,609,664
Upcharge penalties reserve	420,126	420,126
Prepaid Insurance	8,075	—
Rent & Taxes	29,340	—
Accrued miscellaneous expenses	94,990	182,575
Fuel	101,167	—
Lease expense[1]	756,870	—
Total	$ 7,357,537	$ 5,053,957

1 Lease expense includes the profit shared in accordance with our Hosting Services Agreement discussed in "Note 28 - Hosting Services Agreement". Lease expense is recorded in Operations and maintenance expense on the consolidated statements of operations.

NOTE 25 - ACQUISITION

On July 9, 2021, the Company entered into a purchase agreement, as contemplated by the letter of intent with Olympus, with Panther Creek Reclamation Holdings, LLC ("Panther Creek Reclamation"), a subsidiary of Olympus (the "Panther Creek Acquisition"). Pursuant to the Panther Creek Acquisition, the Company acquired all of the assets of Panther Creek, comprised primarily of the Panther Creek Plant. Stronghold Inc. completed the Panther Creek Acquisition on November 2, 2021. The consideration for the Panther Creek Plant was approximately $3.0 million in cash ($2.192 million after deducting 50% of land closing costs agreed to be split with the seller) subject to certain closing adjustments, and 1,152,000 Stronghold LLC Units, together with a corresponding number of shares of Class V common stock. Pursuant to the

Redemption Right (as defined herein), each Stronghold LLC Unit, combined with a corresponding share of Class V common stock, may be redeemed for one share of Class A common stock (or cash, in certain instances).

Furthermore, on November 5, 2021, the Company entered into a Registration Rights Agreement with Panther Creek Reclamation, whereby the Company agreed to register the 1,152,000 shares of Class A common stock that may be received upon a redemption by Panther Creek. Refer to Note 16 – Non-controlling Interests for further details.

The transaction was analyzed in accordance with ASC 805 - Business Combinations to first determine whether the acquired assets constitute a business. This requires a screen test that makes a determination that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If the assets acquired are not a business, then the reporting entity should record the transaction as an asset acquisition in accordance with ASC 805-50 (using the cost accumulation model, rather than the fair value model that applies to business combinations).

The following steps were performed to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Step 1. Combine the identifiable assets into a single identifiable asset: The Company has concluded that none of the assets qualify for combination into a single identifiable asset per ASC 805-10-55-5B.

Step 2. Combine the assets into similar assets: The Company has concluded that none of the assets qualify for combination as similar assets under ASC 805-10-55-5C.

Step 3. Measure the fair value of the gross assets acquired: The Company has concluded that the gross assets acquired include any consideration transferred in excess of the fair value of the net identifiable assets acquired (i.e., goodwill in a business combination), but it does not include goodwill that results from the effects of deferred tax liabilities, cash and cash equivalents, deferred taxes, or liabilities.

Step 4. Determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets: The Company compared the fair value of the single identifiable asset (or group of similar assets) to the fair value of the gross assets acquired.

Based on the above analysis, substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. As a result, the transaction does meet the screen as outlined in paragraphs 805-10-55-5A through 55-5C and treated as asset acquisition.

As discussed above in the screen test section of this overall analysis, the Panther Creek Acquisition by the Company does not meet the definition of a business combination.

The following represents the fair value of the identifiable assets and liabilities as of the acquisition date of November 2, 2021:

The purchase price allocation is as follows (in thousands):		
Cash and cash equivalents	$	491
Accounts receivable - trade		831
Prepaids and other current assets		429
Materials and supplies		1,559
Land and Rights of Way		1,727
Property, plant and equipment		43,782
Accounts payable		(2,943)
Accrued expenses		(298)
Due to related parties		(73)
Total identifiable assets and liabilities		45,505
Total purchase consideration [1]	$	45,505

[1] The $45.5 million purchase price consideration consisted of $38.316 million fair value of 1,152,000 Series A Redeemable Preferred Units (registered for public sale), $2.192 million in cash (net of a purchase of plant site 50% share or $808 thousand), $501 thousand in asset retirement obligations, $218 thousand in assumed notes payable, $613 thousand in purchase related legal and professional fees, and $3.665 million related to the settlement of various existing relationship payables (partially offset by receivables).

NOTE 26 – VARIABLE PREPAID FORWARD SALES CONTRACT DERIVATIVE

On December 15, 2021, the Company entered into a Forward Sale with NYDIG Trading providing for the sale of the Sold Bitcoin at a floor price of $28,000 per Bitcoin. Pursuant to the Forward Sale, NYDIG Trading paid the Company the Initial Sale Price on December 16, 2021, times the 250 Bitcoin provided for sale.

On September 24, 2022, the Forward Sale will be settled and sold Bitcoin will be sold to NYDIG Trading at a price equal to the market price for Bitcoin on September 23, 2022, less the Initial Sale Price of $7.0 million, subject to a capped final sale price of $85,500 per Bitcoin.

On March 16, 2022, the Company executed additional option transactions. The net effect of those transactions was to adjust the capped final sale price to $50,000 from $85,500 per Bitcoin, resulting in approximately $1.0 million of proceeds to the Company.

As a result of the embedded price floor and cap mechanisms, this transaction is considered as a compound derivative instrument which is required to be presented at fair value and is subject to remeasurement each reporting period. The Company has not formally designated this instrument as a hedge and such the changes in fair value is recorded in earnings as "changes in fair value of forward sale derivative".

To determine the fair value of the compound derivative instrument, the Company uses a Black-Scholes option pricing model to assess the combined net value of the embedded call feature and the embedded put feature. The Company will continue to update the fair value of the derivative instrument until the contract is settled.

As of March 31, 2022, the Company recognized a current liability of $8.57 million, which includes the prepaid portion of $7.97 million received at the transaction date; and $600.2 thousand of changes in fair value of derivatives.

NOTE 27 – INITIAL PUBLIC OFFERING

On October 19, 2021, by unanimous written consent, the Board and a newly formed Pricing Committee approved the issuance and sale by the Company of its Class A common stock, par value $.0001 per share, in an initial public offering (the "IPO") to be underwritten by a group of underwriters to be named in the underwriting agreement dated October 19, 2021, by and among the Company and B. Riley Securities, Inc. and Cowen and Company, LLC, as representatives of the other underwriters named therein (the "Underwriting Agreement"). The Board unanimously approved the issuance and sale by the Company in the IPO of up to 7,690,400 shares of Class A common stock (which includes 6,687,305 firm shares and up to 1,003,095 shares of Class A common Stock that may be issued and sold to cover over allotments, if any) through the underwriters, for a price to the public per share of $19.00, less underwriting discounts and commissions of $1.33 per share, as more fully set forth in the Underwriting Agreement. Total net proceeds raised, after deducting underwriting discounts and commissions and estimated offering expenses, were $131.5 million.

NOTE 28 – HOSTING SERVICES AGREEMENT

On August 17, 2021, Stronghold LLC entered into a Hosting Services Agreement with Northern Data PA, LLC ("Northern Data") whereby Northern Data will construct and operate a colocation data center facility located on the Scrubgrass Plant (as defined below) (the "Hosting Agreement"), the primary business purpose of which will be to provide hosting services and support cryptocurrency miners. In October 2021, the final deposit owed to Northern Data was paid, and Northern Data has started delivering the 9,900 miners committed in the Hardware and Purchase Agreement dated April 14, 2021. On March 28, 2022, we restructured the Hosting Agreement to obtain an additional 2,675 miners at cost of $37.5 per terahash (to be paid five months after delivery) and temporarily reduced the profit share for Northern Data while incorporating performance thresholds until the data center build-out is complete. In addition, the Company has executed

additional hardware agreements with Northern Data as described in Note 8 - Commitments and Contingencies - "Supplier Purchase Agreements".

We undertook an analysis of the accounting impacts under the FASB ASC 2016-02, Leases or ASC 842. We determined the arrangement with Northern Data meets the definition of a lease under ASC 842 and also determined the proper accounting for this lease. Based on our analysis and the quoted guidance, we will record lease expense related to the variable payments for Northern Data's profit share as Bitcoins are mined each period.

Once operational, after deducting an amount equal to $0.027 per kilowatt-hour for the actual power used, 65% of all cryptocurrency revenue generated by the miners in Northern Data's pods shall be payable to the Company and 35% of all cryptocurrency revenue generated by the miners shall be payable to Northern Data or its designee and recorded as lease expense.

NOTE 29 – PREMIUM FINANCING AGREEMENT

Effective October 21, 2021, the Company entered into a director and officer insurance policy with annual premiums totaling $6.9 million. The Company has executed a Commercial Premium Finance Agreement with AFCO Premium Credit LLC over a term of nine months, with an annual interest rate of 3.454%, that finances the payment of the total premiums owed. The agreement requires a $1.4 million down payment, with the remaining $5.5 million plus interest paid over nine months. Monthly payments of $0.6 million started November 21, 2021 and end July 21, 2022. As of March 31, 2022, the unpaid balance is $2,467,572.

NOTE 30 – COVENANTS

On December 31, 2021, Equipment LLC and WhiteHawk entered into the WhiteHawk Amendment to extend the Final MinerVa Delivery Date (as defined therein) from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment LLC paid an amendment fee in the amount of $250,000 to WhiteHawk. Pursuant to the WhiteHawk Amendment's covenants, WhiteHawk can accelerate payment of the loan if the revised final MinerVa delivery date is not achieved.

On March 28, 2022, Equipment LLC and WhiteHawk entered into the WhiteHawk Second Amendment to remove all MinerVa miners from the collateral package in exchange for other miners and to increase the total advance by an additional $25 million.

NOTE 31 – NON-EMPLOYEE DIRECTORS COMPENSATION POLICY

On October 19, 2021, non-employee members of the Board are eligible to receive cash and equity compensation as set forth in the Non-Employee Director Compensation Policy (the “Policy”). The cash and equity compensation described in the Policy shall be paid or be made, as applicable, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a “Non-Employee Director”) and who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. The Policy became effective as of the date set forth above (the “Effective Date”) and shall remain in effect until it is revised or rescinded by further action of the Board.

The Company paid compensation to the non-employee directors totaling $211,473 during the three months ended March 31, 2022, but this amount was reduced to a net $136,473 after reversing the December 31, 2021 accrual.

This plan requires payment of compensation in arrears, so the Company accrued $75,000 in compensation costs as of December 31, 2021 for the periods after October 19, 2021 (the eligibility date of this plan) through December 31, 2021. In the quarter ended March 31, 2022, the Company paid the $75,000 accrued as of December 31, 2021.

NOTE 32 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of this report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except as disclosed in the following sections, management has not identified any items requiring recognition or disclosure

McClymonds Supply & Transit Company, Inc. and DTA, L.P. vs Scrubgrass generating Company, L.P.

On May 9, 2022, an award in the amount of $5.0 million plus interest computed as of May 15, 2022 in the amount of $0.8 million was issued in favor of the McClymonds Supply & Transit Company, Inc. in the previously disclosed dispute over a trucking contract between the claimant and our subsidiary. The two managing members of Q Power, LLC, our primary Class V shareholder, have agreed to pay the full amount of the award such that there will be no effect on the financial condition of the Company.

Switchgear Outage

On April 20, 2022, a switchgear failed at the Panther Creek data center resulting in 10 days without any mining at that location. The Scrubgrass data center was unaffected by the switchgear failure. The Panther Creek data center was operating at approximately 1.2 exahash (1.2 million terahash) prior to the outage. Panther Creek Energy Operations sold energy to the grid, in lieu of mining, until a replacement part was received, and normal mining operations resumed early on April 30, 2022. Management estimates the lost mining associated with the outage to be approximately 55 Bitcoin, or approximately $2.2 million of cryptocurrency mining revenue, which was partially mitigated by energy revenue of $0.8 million from selling to the grid, a net impact of $1.4 million. Management has assessed critical spare parts and long lead time parts. Procured parts will be held in inventory to mitigate the length of forced outages associated with the facilities power distribution system.

Equity Award

On April 28 and April 29, 2022, the Company granted approximately 1,182,867 restricted stock units subject to various vesting provisions to employees of the Company.

2022 Private Placement

On May 15, 2022, we entered into a note and warrant purchase agreement (the “Purchase Agreement”), by and among the Company and the purchasers thereto (collectively, the “Purchasers”), whereby we agreed to issue and sell to Purchasers, and Purchasers agreed to purchase from the Company, (i) $33,750,000 aggregate principal amount of 10.00% unsecured convertible promissory notes (the “May 2022 Notes”) and (ii) warrants (the “May 2022 Warrants”) representing the right to purchase up to 6,318,000 shares of Class A Common Stock, of the Company with an exercise price per share equal to $2.50, on the terms and subject to the conditions set forth in the Purchase Agreement (collectively, the “2022 Private Placement”). The Purchase Agreement contained representations and warranties by the Company and the Purchasers that are customary for transactions of this type. The May 2022 Notes and the May 2022 Warrants were offered and sold in reliance on the exemption afforded by Section 4(a)(2) of the Securities Act, and Rule 506(b) of Regulation D promulgated thereunder for aggregate consideration of $27.0 million.

In connection with the 2022 Private Placement, the Company undertook to negotiate with the Purchasers, and to file a certificate of designation (“Series C Preferred Certificate of Designation”) with the State of Delaware, following the closing of the 2022 Private Placement, the terms of a new series of preferred stock (the “Series C Preferred Stock”).

In connection with the 2022 Private Placement, the May 2022 Warrants were issued pursuant to a Warrant Agreement, dated as of May 15, 2022 (the “Warrant Agreement”). The May 2022 Warrants are subject to mandatory cashless exercise provisions and have certain anti-dilution provisions. The May 2022 Warrants will be exercisable for a five-year period from the closing.

Miner Sales Agreement

On May 13, 2022 and May 15, 2022, the Company entered into multiple Miner Sales Agreements with multiple buyers. The Company has previously disclosed its effort to optimize its bitcoin miner fleet and recently sold 2,600 miners (approximately 332 petahash) for $16.9 million. While the Company expects to recognize a loss of approximately $7.0 million on these miners during the second quarter of 2022, these sales are justified by the Company's priorities of liquidity and improved returns over growth. The buyers will pay the Company $9.9 million up front and take over the remaining installment payments upon transfer of the contract, relieving the Company of the outstanding purchase obligation.

Cautionary Statement Regarding Forward-Looking Statements

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

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

Forward-looking statements may include statements about:

- *the hybrid nature of our business model, which is highly dependent on the price of Bitcoin;*
- *our dependence on the level of demand and financial performance of the crypto asset industry;*
- *our ability to manage our growth, business, financial results and results of operations;*
- *uncertainty regarding our evolving business model;*
- *our ability to raise capital to fund our business growth;*
- *our ability to maintain sufficient liquidity to fund operations, growth and acquisitions;*
- *our substantial indebtedness and its effect on our results of operations and our financial condition;*
- *uncertainty regarding the outcomes of any investigations or proceedings;*
- *our ability to retain management and key personnel and the integration of new management;*
- *our ability to enter into purchase agreements, acquisitions and financing transactions;*
- *our ability to maintain our relationships with our third party brokers and our dependence on their performance;*
- *public health crises, epidemics, and pandemics such as the coronavirus ("COVID-19") pandemic;*
- *our ability to procure crypto asset mining equipment from foreign-based suppliers;*
- *developments and changes in laws and regulations, including increased regulation of the crypto asset industry through legislative action and revised rules and standards applied by The Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act and the Investment Company Act;*
- *the future acceptance and/or widespread use of, and demand for, Bitcoin and other crypto assets;*
- *our ability to respond to price fluctuations and rapidly changing technology;*
- *our ability to operate our coal refuse power generation facilities as planned;*
- *our ability to avail ourselves of tax credits for the clean-up of coal refuse piles; and*
- *legislative or regulatory changes, and liability under, or any future inability to comply with, existing or future energy regulations or requirements.*

We caution you that the forward-looking statements contained in this Form 10-Q are subject to a variety of risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, decline in demand for our products and services, the seasonality and volatility of the crypto asset industry, our acquisition strategies, the inability to comply with developments and changes in regulation, cash flow and access to capital, maintenance of third party relationships, the COVID-19 pandemic and the other risks described under the heading "Item 1A.Risk Factors" as filed in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 29, 2022, and in this Form 10-Q. Should one or more of the risks or uncertainties described in the Annual Report on Form 10-K or in this Form 10-Q occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

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

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

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in this Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans, expectations and strategy for our business, and operations, includes forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see section above entitled "Cautionary Statement Regarding Forward-Looking Statements." Certain risks may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion and analysis. Factors that may cause actual results to differ materially from current expectations include, among other things, those described under the heading "Item 1A.Risk Factors" as filed in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 29, 2022 (the "2021 Form 10-K") and this Form 10-Q. Except as set forth in Item 1A. "Risk Factors" below, there have been no material changes to the risk factors previously disclosed in the 2021 Form 10-K.

Overview

We are a vertically integrated crypto asset mining company currently focused on mining Bitcoin. We wholly own and operate two low-cost, environmentally-beneficial coal refuse power generation facilities that we have upgraded: (i) our first reclamation facility located on a 650-acre site in Scrubgrass Township, Venango County, Pennsylvania, which we acquired the remaining interest of in April 2021 and currently has the capacity to generate approximately 83.5 megawatts ("MW") of electricity (the "Scrubgrass Plant") and (ii) a facility located near Nesquehoning, Pennsylvania, which we acquired in November of 2021 and which has the capacity to generate approximately 80 megawatts ("MW") of electricity (the "Panther Creek Plant"), each of which is as an Alternative Energy System because coal refuse is classified under Pennsylvania law as a Tier II Alternative Energy Source (large-scale hydropower is also classified in this tier). We are committed to generating our energy and managing our assets sustainably, and we believe that we are one of the first vertically integrated crypto asset mining companies with a focus on environmentally beneficial operations. Owning our own source of power helps us to produce Bitcoin at one of the lowest prices among our publicly traded peers. We also believe that owning our own power source makes us a more attractive partner to crypto asset mining equipment purveyors. We intend to leverage these competitive advantages to continue to grow our business through the opportunistic acquisition of additional power generating assets and miners.

Bitcoin Mining Growth

During 2018 and 2019, we began providing Bitcoin mining services to third parties and also began operating our own Bitcoin mining equipment to generate Bitcoin, which we then exchange for U.S. Dollars. We have been expanding our mining operations since such date. As of March 31, 2022, we received approximately 26 thousand cryptocurrency mining computers (known as "miners") with hash rate capacity of approximately 2.4 exahash. As of March 31, 2022, we had entered into definitive agreements with multiple suppliers to deliver approximately 19 thousand additional miners with capacity of approximately 1.8 exahash through the end of 2022. We intend to house our miners at the Scrubgrass Plant and the Panther Creek Plant.

Acquisitions

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

On July 9, 2021, Stronghold Digital Mining Holdings LLC ("Stronghold LLC") entered into a purchase agreement for the Panther Creek Plant (the "Panther Creek Acquisition"), as contemplated by the Olympus LOI, from Olympus. The Panther Creek Acquisition includes all of the assets of Panther Creek Power Operating LLC, comprised primarily of the Panther Creek Plant. The Panther Creek Plant is a coal refuse reclamation facility with 80 MW of net electricity generation capacity located near Nesquehoning, Pennsylvania. We completed the Panther Creek Acquisition on November 2, 2021.

The consideration for the Panther Creek Plant was approximately $2.2 million ($3 million less $800 thousand in shared land closing costs) in cash and 1,152,000 Class A common units of Stronghold LLC (“Stronghold LLC Units”), together with a corresponding number of shares of Class V common stock. Effective November 2, 2021, we closed on this acquisition.

We continue to evaluate the acquisition of the Third Plant as contemplated by the Olympus LOI, although we do not consider this acquisition to be probable at this time. The acquisition of the Third Plant is subject to further due diligence and the negotiation of a definitive agreement, and there is no assurance that the acquisition will be completed. The consideration for the Third Plant is expected to be approximately $3.0 million in cash and 6,250,000 of Stronghold LLC Units, together with a corresponding number of shares of Class V common stock. If acquired, we plan to store newly acquired miners at or near the Third Plant and use power generated by the Third Plant to power crypto asset mining operations in an environmentally conscious manner. We are also strategically pursuing acquisitions of additional assets.

Initial Public Offering

We completed the issuance and sale of our Class A common stock, par value $.0001 per share, in an initial public offering (the "IPO") on October 22, 2021, and our Class A common stock is listed on Nasdaq under the symbol “SDIG.”

Stock Split

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

Bitmain

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

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

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

On May 13, 2022, we entered into a purchase order to transfer the Second Bitmain Purchase Agreement for 1,800 Bitmain Antminer S19 XP miners (the "Bitmain Sale") to Cryptech Solutions, Inc. ("Cryptech") for a total value of $12,600,000, including a $5,638,500 payment to the Company.

Nowlit Solutions Corp.

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

Luxor Technology Corporation

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

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

Cryptech Purchase Agreement

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

Supplier Purchase Agreements

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

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

NYDIG ABL LLC

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

O&M Agreement

On November 2, 2021, we entered into the Operations, Maintenance and Ancillary Services Agreement (the "Omnibus Services Agreement") with Olympus Stronghold Services, LLC ("Olympus Stronghold Services"), whereby Olympus Stronghold Services will provide certain operations and maintenance services to Stronghold LLC, as well as employ certain personnel to operate the Panther Creek Plant and the Scrubgrass Plant. Stronghold LLC will reimburse Olympus Stronghold Services for those costs incurred by Olympus Stronghold Services and approved by Stronghold LLC in the course of providing services under the Omnibus Services Agreement, including payroll and benefits costs and insurance costs. The material costs incurred by Olympus Stronghold Services shall be approved by Stronghold LLC. Stronghold LLC will also pay Olympus Stronghold Services a management fee at the rate of $1,000,000 per year, payable monthly, and an additional one-time mobilization fee of $150,000 upon the effective date of the Omnibus Services Agreement.

Reorganization

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

Trends and Other Factors Impacting Our Performance

COVID-19 and Supply Chain Constraints

The coronavirus ("COVID-19") global pandemic has resulted and is likely to continue to result in significant national and global economic disruption, which may adversely affect our business. Among other things, the COVID-19 pandemic has caused supply chain disruptions that may have lasting impacts. Additionally, the global supply chain for Bitcoin miners is presently further constrained due to unprecedented demand coupled with a global shortage of mining equipment and mining equipment parts. Based on our current assessments, however, we do not expect any material impact on long-term development, operations, or liquidity due to the spread of COVID-19. However, we are actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, and industry.

China's Crackdown on Bitcoin Mining

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

Scrubgrass Plant

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

During the first quarter of 2022 and the beginning of the second quarter, higher than anticipated requirements from PJM Interconnection LLC ("PJM") resulted in unplanned and extended outages of our mining operations at the Scrubgrass Plant, diverting capacity away from our mining operations at a time that was not economical for our business strategy. These diversions of power away from our mining operations had a material adverse effect on our business, financial condition and results of operations.

Panther Creek Data Center

During the second quarter of 2022 to date, the Panther Creek Plant's mining operations were offline for ten days due to the failure of a switchgear and the need to source, deliver and install a new piece of equipment, causing ten days of no mining revenue generation at the facility and resulting in an estimated loss of approximately $1.4 million. The operation of our power generation facilities, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply, failure to receive spare parts in a timely manner, and performance below expected levels.

Bitcoin Price Volatility

The market price of Bitcoin has historically and recently been volatile. For example, the price of Bitcoin ranged from a low of approximately $30,000 to a high of approximately $68,000 during 2021, and has ranged from approximately $26,400 to approximately $48,000 year-to-date as of May 13, 2022. Since the IPO, the price of Bitcoin has dropped over 50%, resulting in an adverse effect on our results of operations, liquidity and strategy, and resulting in increased credit pressures on the cryptocurrency industry. Our operating results depend on the value of Bitcoin because it is the only crypto asset we currently mine.

We cannot accurately predict the future market price of Bitcoin and, as such, we cannot accurately predict potential adverse effects, including whether we will record impairment of the value of our Bitcoin assets. The future value of Bitcoin will affect the revenue from our operations, and any future impairment of the value of the Bitcoin we mine and hold for our

account would be reported in our financial statements and results of operations as charges against net income, which could have a material adverse effect on the market price for our securities.

Recent Developments

Northern Data

On August 17, 2021, Stronghold LLC entered into an agreement with Northern Data PA, LLC (“Northern Data”) whereby Northern Data will construct and operate a colocation data center facility located on the Scrubgrass Plant (the “Hosting Agreement”), the primary business purpose of which will be to provide hosting services and support the cryptocurrency miners that we have purchased but not yet received entirely from Northern Data. On March 28, 2022, we restructured the Hosting Agreement to obtain an additional 2,675 miners at cost of $37.5 per terahash (to be paid five months after delivery) and temporarily reduced the profit share for Northern Data while incorporating performance thresholds until the data center build-out is complete.

MinerVa

On April 2, 2021, we entered into a purchase agreement with MinerVa (the “MinerVa Purchase Agreement”) for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment (miners) with a total terahash to be delivered equal to 1.5 million terahash. In December 2021, we extended the deadline for delivery of the MinerVa miners to April 2022. As of May 2022, MinerVa has delivered approximately 3,350 of the 15,000 miners (based on hash rate equivalence). We do not know when the remaining MinerVa miners will be received, if at all. As a result, an impairment totaling $12,228,742 was recognized on March 31, 2022.

Second WhiteHawk Amendment

On March 28, 2022, Equipment LLC and WhiteHawk Finance LLC (“WhiteHawk”) amended the WhiteHawk Financing Agreement (as defined below) for a second time (the "Second WhiteHawk Amendment") to exchange the collateral under the WhiteHawk Financing Agreement. Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement were exchanged as collateral for additional miners received by us from other suppliers and (ii) WhiteHawk agreed to lend to us an additional amount not to exceed $25.0 million to finance certain previously purchased Bitcoin miners and related equipment (the "Second Total Advance"). Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek and Scrubgrass each agreed to a negative pledge of the Panther Creek Plant and Scrubgrass Plant, respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, we issued a warrant to WhiteHawk to purchase 125,000 shares of Class A common stock, subject to certain antidilution and other adjustment provisions as described in the warrant agreement, at an exercise price of $0.01 per share (the “Second WhiteHawk Warrant”). The Second WhiteHawk Warrant expires on March 28, 2032.

2022 Private Placement

On May 15, 2022, we entered into a note and warrant purchase agreement (the “Purchase Agreement”), by and among the Company and the purchasers thereto (collectively, the “Purchasers”), whereby we agreed to issue and sell to Purchasers, and Purchasers agreed to purchase from the Company, (i) $33,750,000 aggregate principal amount of 10.00% unsecured convertible promissory notes (the “May 2022 Notes”) and (ii) warrants (the “May 2022 Warrants”) representing the right to purchase up to 6,318,000 shares of Class A Common Stock, of the Company with an exercise price per share equal to $2.50, on the terms and subject to the conditions set forth in the Purchase Agreement (collectively, the “2022 Private Placement”). The Purchase Agreement contained representations and warranties by the Company and the Purchasers that are customary for transactions of this type. The May 2022 Notes and the May 2022 Warrants were offered and sold in reliance on the exemption afforded by Section 4(a)(2) of the Securities Act, and Rule 506(b) of Regulation D promulgated thereunder for aggregate consideration of $27.0 million.

In connection with the 2022 Private Placement, the Company undertook to negotiate with the Purchasers, and to file a certificate of designation (“Series C Preferred Certificate of Designation”) with the State of Delaware, following the closing of the 2022 Private Placement, the terms of a new series of preferred stock (the “Series C Preferred Stock”).

In connection with the 2022 Private Placement, the May 2022 Warrants were issued pursuant to a Warrant Agreement, dated as of May 15, 2022 (the "Warrant Agreement"). The May 2022 Warrants are subject to mandatory cashless exercise provisions and have certain anti-dilution provisions. The May 2022 Warrants will be exercisable for a five-year period from the closing.

Critical Accounting Policies and Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be
determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with revenue recognition, investments, intangible assets, stock-based compensation and business combinations. Our financial position, results of operations and cash flows are impacted by the accounting policies we have adopted. In order to get a full understanding of our financial statements, one must have a clear understanding of the accounting policies employed.

A summary of our critical accounting policies follows:

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition

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

1. Step 1: Identify the contract with the customer
2. Step 2: Identify the performance obligations in the contract
3. Step 3: Determine the transaction price
4. Step 4: Allocate the transaction price to the performance obligations in the contract
5. Step 5: Recognize revenue when we satisfy a performance obligation

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

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

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

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

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

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable

consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate. There were no revenue streams with variable consideration during the three months ended March 31, 2022, and 2021.

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

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

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

Energy Revenue

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

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

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

Capacity Revenue

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

Cryptocurrency Hosting

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

Cryptocurrency Mining

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

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

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

Asset Retirement Obligations

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

Impairment of long-lived assets

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

We are not required to perform an impairment analysis (i.e., test the asset (group) for recoverability and potentially measure an impairment loss) if indicators of impairment are not present. We have assessed the need for an impairment write-down only if an indicator of impairment (e.g., a significant decrease in the market value of a long-lived asset (group)) is present. Based on our analysis, no impairment indicators existed as of March 31, 2022 and 2021, respectively, that would require impairment testing of our long-lived assets.

Derivative Contracts

In accordance with guidance on accounting for derivative instruments and hedging activities all derivatives should be recognized at fair value. Derivatives or any portion thereof, that are not designated as, and effective as, hedges must be

adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the accompanying combined balance sheets. Certain contracts that require physical delivery may qualify for and be designated as normal purchases/normal sales. Such contracts are accounted for on an accrual basis.

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

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

Stock Based Compensation

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

Notes Payable

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

Warrant Liabilities

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

Loss per share

Basic net (loss) income per share (“EPS”) of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding or shares subject to exercise for a nominal value during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Income Taxes

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

As of March 31, 2022 and December 31, 2021, we maintained a valuation allowance on our deferred tax assets. The valuation allowance remains in place based on the uncertainty of future events, including the Company’s ability to generate future taxable income in light of its recent losses, and management considered this and other factors in evaluating the realizability of our deferred tax assets. Any changes in the positive or negative evidence evaluated when determining if our deferred tax assets will be realized could result in a material change to our consolidated financial statements.

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

Post IPO Taxation and Public Company Costs

Stronghold LLC is and has been organized as a pass-through entity for U.S. federal income tax purposes and is therefore not subject to entity-level U.S. federal income taxes. Stronghold Inc. was incorporated as a Delaware corporation on March 19, 2021 and therefore is subject to U.S. federal income taxes and state and local taxes at the prevailing corporate income tax rates, including with respect to its allocable share of any taxable income of Stronghold LLC. In addition to tax expenses, Stronghold Inc. also incurs expenses related to its operations, plus payment obligations under the Tax Receivable Agreement entered into between the Company, Q Power LLC (“Q Power”) and an agent named by Q Power, dated April 1, 2021 (the “TRA”), which are expected to be significant. To the extent Stronghold LLC has available cash and subject to the terms of any current or future debt instruments, the Fourth Amended and Restated Limited Liability Company Agreement of Stronghold LLC, as amended from time to time (the “Stronghold LLC Agreement”) requires Stronghold LLC to make pro rata cash distributions to holders of Stronghold LLC Units (“Stronghold Unit Holders”), including Stronghold Inc., in an amount sufficient to allow Stronghold Inc. to pay its taxes and to make payments under the TRA. In addition, the Stronghold LLC Agreement requires Stronghold LLC to make non-pro rata payments to Stronghold Inc. to reimburse it for its corporate and other overhead expenses, which payments are not treated as distributions under the Stronghold LLC Agreement. See “Tax Receivable Agreement” herein for additional information.

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

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

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

Stronghold Inc. is subject to U.S. federal, state and local income taxes as a corporation. Our accounting predecessor was treated as a partnership for U.S. federal income tax purposes, and as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income was passed through to its members. Accordingly, the financial data attributable to our predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality. Due to cumulative and current losses as well as an evaluation of other sources of income as outlined in ASC 740, management has determined that the utilization of our deferred tax assets is not more likely than not, and therefore we have recorded a valuation allowance against our net deferred tax assets. Management continues to evaluate the likelihood of the Company utilizing its deferred taxes, and while the valuation allowance remains in place, we expect to record no deferred income tax expense or benefit. Should the valuation allowance no longer be required, the 21% statutory federal income tax rate as well as state and local income taxes at their respective rates will apply to income allocated to Stronghold Inc., resulting in an estimated blended statutory rate of 28.89% of pre-tax earnings or losses attributable to the Company.

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

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

As previously discussed in the Critical Accounting Policies section, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to

make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with revenue recognition, investments, intangible assets, stock-based compensation and business combinations. The Company's financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed.

Results of Operations

Consolidated Results for the three months ended March 31, 2022 and March 31, 2021

	2022	% of Total	2021	% of Total	$ Change	% Change vs. 2021
	(unaudited)		*(unaudited)*			
OPERATING REVENUES						
Energy	$ 8,362,801	29.1 %	$ 1,915,856	50.4 %	$ 6,446,945	336.5 %
Capacity	2,044,427	7.1 %	687,690	18.1 %	1,356,737	197.3 %
Cryptocurrency hosting	67,876	0.2 %	555,747	14.6 %	(487,871)	(87.8)%
Cryptocurrency mining	18,204,193	63.4 %	516,259	13.6 %	17,687,934	3426.2 %
Other	20,762	0.1 %	122,782	3.2 %	(102,020)	(83.1)%
Total operating revenues	28,700,059	100.0 %	3,798,334	100.0 %	24,901,725	655.6 %
OPERATING EXPENSES						
Fuel	9,338,394	16.0 %	2,172,109	43.7 %	7,166,285	329.9 %
Operations and maintenance	10,520,305	18.0 %	1,370,688	27.6 %	9,149,617	667.5 %
General and administrative	11,424,231	19.6 %	910,876	18.3 %	10,513,355	1154.2 %
Impairments on digital currencies	2,506,172	4.3 %	—	—	2,506,172	—
Impairments on equipment deposits	12,228,742	21.0 %	—	—	12,228,742	—
Depreciation and amortization	12,319,581	21.1 %	517,443	10.4 %	11,802,138	2280.9 %
Total operating expenses	58,337,426	100.0 %	4,971,116	100.0 %	53,366,310	1073.5 %
NET OPERATING LOSS	(29,637,367)		(1,172,782)		(28,464,585)	2427.1 %
OTHER INCOME (EXPENSE)						
Interest Expense	(2,911,452)	109.1 %	(78,640)	(8.4)%	(2,832,812)	3602.3 %
Gain on extinguishment of PPP loan	—	—	638,800	68.4 %	(638,800)	(100.0)%
Realized gain (loss) on sale of digital currencies	751,110	(28.1)%	143,881	15.4 %	607,229	422.0 %
Realized gain (loss) on disposal of fixed assets	(44,958)	1.7 %	—	—	(44,958)	—
Changes in fair value of forward sale derivative	(483,749)	18.1 %	—	—	(483,749)	—
Waste coal credit	—	—	211,890	22.7 %	(211,890)	(100.0)%
Other	20,000	(0.7)%	17,895	1.9 %	2,105	11.8 %
Total other income (expense)	(2,669,050)	100.0 %	933,826	100.0 %	(3,602,876)	(385.8)%
NET LOSS	$ (32,306,416)		$ (238,956)		$ (32,067,460)	13,419.8 %

Highlights of our consolidated results of operations for three months ended March 31, 2022 compared to the three months ended March 31, 2021 include:

Operating Revenue

Revenue increased $24.9 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily due to a $17.7 million increase in cryptocurrency mining revenue from deploying additional miners, and a $6.4 million increase in energy revenue driven by higher MW generation as a result of the July 2021 Panther Creek Acquisition. Capacity revenue also increased $1.4 million due to the Panther Creek Acquisition.

Operating Expenses

Total operating expenses increased $53.4 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, driven by (1) a $12.2 million impairment on equipment deposits for MinerVa miners discussed in "Note 4 - Equipment Deposits" and "Note 8 - Contingencies and Commitments", (2) an $11.8 million increase in depreciation and amortization primarily from deploying additional miners and transformers, (3) a $10.5 million increase in general and administrative expenses due to legal and professional fees, insurance costs, and compensation as we continue to organize and scale operations, (4) a $9.1 million increase in operations and maintenance expense primarily driven by the additional Panther Creek plant and one-time plant upgrades at Scrubgrass, and (5) a $7.2 million increase in fuel expenses driven by higher MW generation. Impairment costs of $2.5 million were attributed to the January and February declines in the price of Bitcoin. In March 2022, the Company evaluated the Minerva equipment deposits for impairment and determined an impairment charge of $12.2 million based on lack of miner delivery per agreement.

Other Income (Expense)

Total other income (expense) decreased $3.6 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily driven by (1) a $2.8 million increase in interest expense on additional financing agreements used to fund the growth of cryptocurrency operations, (2) a $0.6 million decrease from the one-time gain on extinguishment of PPP loan, and (3) a $0.5 million decrease from a change in value of the forward sale derivative. See "Note 6 – Long-Term Debt" and "Note 14 – Stock Issued Under Master Financing Agreements and Warrants" in the notes to our financial statements for further information on financing agreements.

Segment Results

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

	Three Months Ended			
	March 31, 2022	March 31, 2021	$ Change	% Change vs. 2021
Operating Revenues				
Energy Operations	$ 10,427,989	$ 2,726,328	$ 7,701,661	282.5 %
Cryptocurrency Operations	18,272,070	1,072,006	17,200,064	1,604.5 %
Total Operating Revenues	$ 28,700,059	$ 3,798,334	$ 24,901,725	655.6 %
Net Operating Loss				
Energy Operations	$ (11,505,165)	$ (1,419,137)	$ (10,086,028)	710.7 %
Cryptocurrency Operations	$ (18,132,202)	246,354	(18,378,556)	(7460.2)%
Net Operating Loss	$ (29,637,367)	$ (1,172,783)	$ (28,464,584)	2427.1 %
Other Income, net (a)	(2,669,049)	933,827	$ (3,602,876)	(385.8)%
Net Loss	$ (32,306,416)	$ (238,956)	$ (32,067,460)	13,419.8 %
Depreciation and Amortization				
Energy Operations	$ (1,256,101)	$ (143,634)	$ (1,112,467)	774.5 %
Cryptocurrency Operations	(11,063,480)	(373,809)	(10,689,671)	2859.7 %
Total Depreciation & Amortization	$ (12,319,581)	$ (517,443)	$ (11,802,138)	2280.9 %
Interest Expense				
Energy Operations	$ (31,522)	$ (38,266)	$ 6,744	(17.6)%
Cryptocurrency Operations	(2,879,930)	(40,374)	(2,839,556)	7033.1 %
Total Interest Expense	$ (2,911,452)	$ (78,640)	$ (2,832,812)	3602.3 %

(a) We do not allocate other income, net for segment reporting purposes. Amount is shown as a reconciling item between net operating income/(losses) and consolidated income before taxes. Refer to our consolidated statement of operations for the three months ended March 31, 2022 and 2021 for further details.

Energy Operations Segment

	Three months ended March 31,					
	2022	% of Total	2021	% of Total	$ Change	% Change vs. 2021
	(unaudited)		*(unaudited)*			
OPERATING REVENUES						
Energy	$ 8,362,801	80.2 %	$ 1,915,856	70.3 %	$ 6,446,945	336.5 %
Capacity	2,044,427	19.6 %	687,690	25.2 %	1,356,737	197.3 %
Other	20,762	0.2 %	122,782	4.5 %	(102,020)	(83.1)%
Total operating revenues	10,427,989	100.0 %	2,726,328	100.0 %	7,701,661	282.5 %
OPERATING EXPENSES						
Fuel - net of crypto segment subsidy[1]	6,807,579	31.0 %	2,075,854	50.1 %	4,731,725	227.9 %
Operations and maintenance	9,739,164	44.4 %	1,297,578	31.3 %	8,441,586	650.6 %
General and administrative	4,130,310	18.8 %	628,399	15.2 %	3,501,911	557.3 %
Depreciation and amortization	1,256,101	5.7 %	143,634	3.5 %	1,112,467	774.5 %
Total operating expenses	$ 21,933,154	100.0 %	$ 4,145,465	100.0 %	$ 17,787,689	429.1 %
NET OPERATING LOSS	$ (11,505,165)	100.0 %	$ (1,419,137)	100.0 %	$ (10,086,028)	710.7 %
INTEREST EXPENSE	$ (31,522)	100.0 %	$ (38,266)	100.0 %	$ 6,744	(17.6)%

1 Cryptocurrency operations consumed $2.5 million of electricity generated by the Energy operations segment. For segment reporting, this intercompany electric charge is recorded as a contra-expense to offset fuel costs within the Energy Operations segment.

Operating Revenues

Total operating revenue increased $7.7 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily due to a $6.4 million increase in energy revenue and a $1.4 million increase in capacity revenue resulting from the November 2021 Panther Creek Acquisition. Full plant power utilization is optimal for our revenue growth as it also drives a higher volume of Tier II Renewable Energy Credits ("RECs"), waste coal tax credits, and beneficial use ash sales, as well as the increased power bandwidths for the crypto asset operations.

Operating Expenses

Total operating expenses increased $17.8 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily due to the incremental Operations and maintenance and Fuel expenses associated with operating the Panther Creek Plant after its November 2021 acquisition. Operations and maintenance increased $8.4 million primarily driven by major maintenance, upgrade expenditures, and payroll. Fuel expenses increased $4.7 million primarily due to higher energy generation resulting from the Panther Creek Acquisition. REC sales of $0.5 million and $0.2 million were recognized as contra-expense to offset fuel expenses for the three months ended March 31, 2022, and 2021, respectively. General and administrative expenses increased $3.5 million primarily due to higher directors’ and officers’ liability insurance, legal and professional fees, and payroll expenses, which have been allocated to the two segments using a “fair-share” of revenues approach, where the revenue for the segment is divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments. Depreciation and amortization expense increased $1.1 million primarily due to the Panther Creek Acquisition.

Cryptocurrency Operations Segment

	Three Months Ended March 31,					
	2022	% of Total	2021	% of Total	$ Change	% Change vs. 2021
	(unaudited)		*(unaudited)*			
OPERATING REVENUES						
Cryptocurrency hosting	$ 67,876	0.4 %	$ 555,747	51.8	$ (487,871)	(87.8)%
Cryptocurrency mining	18,204,193	99.6 %	516,259	48.2 %	17,687,934	3,426.2 %
Total operating revenues	18,272,070	100.0 %	1,072,006	100.0 %	17,200,064	1,604.5 %
OPERATING EXPENSES						
Electricity - purchased from energy segment	2,530,815	7.0 %	96,255	11.7	2,434,560	2,529.3 %
Operations and maintenance	781,142	2.1 %	73,110	8.9 %	708,032	968.4 %
General and administrative	7,293,921	20.0 %	282,477	34.2 %	7,011,444	2,482.1 %
Impairments on digital currencies	2,506,172	6.9 %	—	—	2,506,172	—
Impairments on equipment deposits	12,228,742	33.6 %	—	—	12,228,742	—
Depreciation and amortization	11,063,480	30.4 %	373,809	45.3	10,689,671	2,859.7 %
Total operating expenses	$ 36,404,271	100.0 %	$ 825,651	100.0 %	$ 35,578,620	4,309.2 %
NET OPERATING INCOME (LOSS)	$ (18,132,201)	100.0 %	$ 246,355	100.0 %	$ (18,378,556)	(7460.2)%
INTEREST EXPENSE	$ (2,879,930)	100.0 %	$ —	0.0 %	$ (2,879,930)	—

Operating Revenues

Total operating revenues increased by $17.2 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily due to increased Cryptocurrency mining revenue as a result of purchasing and deploying additional miners throughout 2021 and the three-month period ended March 31, 2022. The increased quantity of miners increased total hash rates and Bitcoin awards. Cryptocurrency hosting revenue decreased by $0.5 million due to the termination of several agreements of generated power sales to crypto asset mining customers for which we were providing hosting services.

Operating Expenses

Total operating expenses increased by $35.6 million for the three-month period ended March 31, 2022, as compared to the same period in 2021, primarily due to a $12.2 million impairment on equipment deposits for MinerVa miners, a
$10.7 million increase in Depreciation and amortization resulting from the deployment of miners and infrastructure assets, a $7.0 million increase in General and Administrative expenses primarily due to higher directors' and officers' liability insurance, legal and professional fees, and payroll expenses, a $2.4 million increase of intercompany electric charges related to the ramp up of cryptocurrency mining operations, and a $0.7 million increase in Operations and maintenance driven by lease expenses from the Northern Data Hosting Agreement.

General and administrative expenses include legal and professional fees, executive and support payroll, property taxes, insurance premiums related to coverages and rates, and management fees. The majority of general and administrative costs are allocated between the two segments using a "fair-share" of revenues approach, where the revenue for the segment is

divided by the total combined revenues of the segments and is then multiplied by the shared general and administrative costs for the combined segments.

Impairment on Digital Currencies

A $2.5 million impairment on digital currencies was recognized for the three-month period ended March 31, 2022, as a result of the negative impacts from the crypto coin spot market declines. As of March 31, 2022, the Company held approximately 369 Bitcoin on its balance sheet at carrying value, of which 250 are restricted. The spot market price of Bitcoin was $44,947.73 as of March 31, 2022, per Coinbase Global Inc.

Interest Expense

Interest expense of $2.9 million for the three months ended March 31, 2022 from $40.4 thousand for the three months ended March 31, 2021 and was attributed to the borrowings from our WhiteHawk promissory notes and draws against the Arctos/NYDIG Financing Agreement discussed in "Note 14 - Stocks Issued Under Master Financing Agreements and Warrants" in the notes to our financial statements.

Liquidity and Capital Resources

Overview

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

Our cash needs are primarily for growth through acquisitions and working capital to support equipment financing and the purchase of additional miners. We have incurred and may continue to incur significant expenses in servicing and maintaining our power generation facilities. If we were to acquire additional facilities in the future, capital expenditures may include improvements, maintenance, and buildout costs associated with enabling such facilities to house miners to mine Bitcoin.

We have historically relied on funds from equity issuances, equipment financings, and revenue from sales of Bitcoin and power generated at our power plants to provide for our liquidity needs. During 2021, we received $63.2 million (net of loan fees and debt issuance costs) in proceeds from the financing agreements with WhiteHawk and NYDIG, net proceeds of $131.5 million from the IPO and net proceeds of $96.8 million from two private placements of convertible preferred securities. Additionally, on March 28, 2022, we received an additional $25.0 million from WhiteHawk as a result of the Second WhiteHawk Amendment. Please see “—Debt Agreements - Equipment Financing Transactions” for more information regarding our financing arrangements. These cash sources provided additional short and long-term liquidity to support our operations in fiscal year 2021 and through the first quarter of 2022.

As of March 31, 2022, we held 369 Bitcoin on hand, of which 250 are pledged as collateral. As of March 31, 2022 and May 12, 2022, we had approximately $30.6 million and $10.1 million of cash and cash equivalents on our balance sheet, which included 119 and 35 unrestricted Bitcoin, respectively. As of March 31, 2022 and May 12, 2022, we had outstanding indebtedness of $110.8 million and $108.0 million, respectively, and availability under our financing agreements of $18.0 million and $14.4 million, respectively. Subsequent to May 12, 2022, the Company closed multiple agreements to provide additional liquidity of $36.9 million resulting in pro forma cash and cash equivalents of $47.0 million, including $27.0 million from the 2022 Private Placement, and $9.9 million from the Miner Sales Agreements of some of our unproductive, excess or not-in-use assets. Refer to "Note 32 - Subsequent Events" for further discussions of our recent measures to increase liquidity.

If our cash flows from operations continue to fall short of uses of capital, we may need to seek additional sources of capital to fund our long-term capital needs. We may further sell assets or seek potential additional debt or equity financing to fund our short-term and long-term needs. If we are unable to raise additional capital, there is a risk that we could default on our obligations and could be required to discontinue or significantly reduce the scope of our operations, including through the sale of our assets, if no other means of financing options are available.

Operations have not yet established a consistent record of covering our operating expenses and we incurred a net loss of $32.3 million for the three months ended March 31, 2022 and an accumulated deficit of $241.9 million as of March 31,

2022. We experienced a number of previously disclosed setbacks and unexpected challenges, including a longer-than-expected and continuing delay of the MinerVa miners and longer than expected downtime at our Scrubgrass Plant for maintenance, and further exacerbated by the Panther Creek Plant's mining operations shutdown in April 2022 and the outages of our mining operations due to higher than anticipated requirements from PJM. As a result of the delay in delivery of the MinerVa miners, we were at risk of defaulting on our obligations under the WhiteHawk debt facility because those miners were to be provided as collateral to WhiteHawk by April 30, 2022. Pursuant to the Second WhiteHawk Amendment, the MinerVa miners were exchanged for collateral for additional miners received by the Company. Due to the delay, we determined an impairment charge totaling $12.2 million that was recognized on March 31, 2022. We spent approximately $5.1 million in fiscal year 2021 on maintenance and repair costs at the Scrubgrass Plant, and we estimate that we will spend an aggregate of approximately $5 million on total repair and maintenance cost in fiscal 2022. In addition to incurred expenses, we were also unable to mine Bitcoin at the Scrubgrass Plant during such downtime, which directly and negatively affects our results of operations. Also, during the second quarter of 2022 to date, the Panther Creek Plant's mining operations were offline for ten days due to the failure of a switchgear and the need to source, deliver and install a new piece of equipment, causing ten days of no mining revenue generation at the facility and resulting in an estimated loss of approximately $1.4 million.

Taking into account the Second WhiteHawk Amendment, 2022 Private Placement and the Bitmain Sale and other miner sales, we believe our liquidity position, combined with expected improvements in operating cash flows, and the proceeds of additional asset sales, will be sufficient to meet our existing commitments and fund our operations for the next twelve months.

We have no material off balance sheet arrangements.

Cash Flows

Analysis of Cash Flow Changes Between the Three Months Ended March 31, 2022 and 2021

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

	Three Months Ended March 31,		
	2022	2021	Change
	(in thousands)		
Net cash provided by (used in) operating activities	$ (2,502.2)	$ 2,957.8	$ (5,460.0)
Net cash provided by (used in) investing activities	(29,749.9)	(2,370.5)	(27,379.4)
Net cash provided by (used in) financing activities	25,942.7	732.3	25,210.4
Net change in cash	$ (6,309.4)	$ 1,319.6	$ (7,629.0)

Operating Activities. Net cash used in operating activities was $2.5 million for the three months ended March 31, 2022 compared to $3.0 million provided by operating activities for the three months ended March 31, 2021. The $5.5 million net decrease in cash from operating activities was primarily due to increases in general and administrative expenses from higher legal and professional fees, insurance costs, and compensation as we continue to organize and scale operations Interest expense increased for the same period driven by incremental borrowings discussed in "Note 6- Long Term Debt" in the notes to our financial statements. These increases in cash paid were partially offset by an increase in cash received related to higher operating revenue net of fuel and operating and maintenance expenses.

Investing Activities. Net cash used in investing activities was $29.7 million for the three months ended March 31, 2022 compared to $2.4 million used in investing activities for the three months ended March 31, 2021. The $27.4 million net decrease in cash from investing activities was primarily attributable to the continued ramp up of cryptocurrency mining operations. These investments require significant deposits to be made with equipment vendors as commitments for future deliveries of miners and cryptocurrency mining infrastructure. These decreases were partially offset by proceeds from the sale of digital currencies.

Financing Activities. Net cash provided by financing activities was $25.9 million for the three months ended March 31, 2022 compared to $0.7 million provided by financing activities for the three months ended March 31, 2021. The $25.2 million net increase in cash provided by financing activities was due to incremental borrowings via a promissory note and equipment financing agreements discussed in "Note 6 - Long-Term Debt" and "Note 14 - Stock Issued Under Master Financing Agreements and Warrants". The increases were partially offset by payments on long-term debt and financed insurance premiums.

Debt Agreements

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

We entered into the WhiteHawk Financing Agreement (as defined below) on June 30, 2021 and amended the agreement on December 31, 2021 and March 28, 2022. As of March 31, 2022, the amount owed under the debt agreements totaled $65.0 million with repayment terms extending through March 31, 2024. As of March 31, 2022, the monthly repayment amounts, including interest, total $50.9 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Four draws against the Arctos/NYDIG Financing Agreement (as defined below) totaled $36.3 million (net of debt issuance costs) secured by our equipment contract commitments for future miner deliveries. As of March 31, 2022, the amount owed under the debt agreements totaled $26.5 million with repayment terms extending through October 25, 2023. Of the total amount outstanding of $26.5 million, $20.5 million was classified as current portion of long term debt (less discounts and debt issuance costs) and will be repaid as of March 25, 2023. The remaining portion of long-term debt is $6.0 million (less discounts and debt issuance costs). As of March 31, 2022, the monthly repayment amounts, including interest, totaled $27.3 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Three draws against the Second NYDIG Financing Agreement totaled $34.6 million (net of debt issuance costs) secured by our equipment contract commitments for future miner deliveries. As of March 31, 2022, the amount owed under the debt agreements totaled $34.8 million with repayment terms extending through January 25, 2024. Of the total amount outstanding of $34.8 million, $24.0 million was classified as current portion of long-term debt (less discounts and debt issuance costs) and will be repaid as of March 25, 2023. The remaining portion of long-term debt is $10.8 million (less discounts and debt issuance costs). As of March 31, 2022, the monthly repayment amounts, including interest, totaled $36.0 million. For additional information, see “Note 6 – Long-Term Debt” in the notes to our financial statements.

Total net obligations under all debt agreements as of March 31, 2022, including a second round PPP loan of $841.7 thousand, were $109.1 million.

Effective October 21, 2021, we entered into a director and officer insurance policy with annual premiums totaling $6.9 million. We have executed a Commercial Premium Finance Agreement with AFCO Premium Credit LLC over a term of nine months, with an annual interest rate of 3.454%, that finances the payment of the total premiums owed. The agreement requires a $1.4 million down payment, with the remaining $5.5 million plus interest paid over nine months. Monthly payments of $621.3 thousand started November 21, 2021 and end July 21, 2022. As of March 31, 2022, the unpaid balance was $2.5 million.

May 2022 Notes

On May 15, 2022, we issued $33.75 million aggregate principal amount of May 2022 Notes to the Purchasers, bearing an interest rate of 10.00% per annum (in arrears) and a maturity date of May 15, 2024. The maturity date for the May 2022 Notes may be accelerated upon certain instances, and the May 2022 Notes may be prepaid at any time in whole or in part, at our election. The holders of the May 2022 Notes (the “Holders”) have certain conversion rights. In the event that we, by September 30th, 2022, (i) have achieved a total equity market capitalization of at least $400 million, based on the 20-day VWAP of our common stock and (ii) have at least 60 million shares of common stock outstanding, the full amount outstanding and accrued but unpaid interest on the May 2022 Notes shall automatically convert into a number of shares of Series C Preferred Stock, provided that the Series C Preferred Certificate of Designation has been filed. Upon such conversion, dividends will accrue at a rate of 8.0% per annum on the Series C Preferred Stock. Beginning October 1, 2022, if the May 2022 Notes have not converted into shares of Series C Preferred Stock, we will begin paying off the May 2022 Notes in quarterly installments in amounts equal to the greater of (i) 8% of our consolidated revenue from each trailing quarter or (ii) $5.4 million, payable at our option in either cash or up to 50% of the shares of common stock at a 20% discount to the 20-day VWAP. Each of our subsidiaries, subject to the exclusions therein, executed a guaranty agreement with the Holders to guaranty our obligations under the May 2022 Notes.

Equipment Purchase and Financing Transactions

MinerVa Semiconductor Corp Purchase Agreement

On April 2, 2021, we entered into the MinerVa Purchase Agreement for the acquisition of 15,000 of their MV7 ASIC SHA256 model cryptocurrency miner equipment (miners) with a total terahash to be delivered equal to 1.5 million

terahash. The price per miner is $4,892.50 for an aggregate purchase price of $73,387,500 to be paid in installments. The first installment of 60% of the purchase price, or $44,032,500, was paid on April 2, 2021, and an additional payment of 20% of the purchase price, or $14,677,500, was paid on June 2, 2021. As of December 31, 2021, there are no remaining deposits owed. In December 2021, we extended the deadline for delivery of the MinerVa miners to April 2022. In March 2022, MinerVa was again unable to meet its delivery date and has only delivered approximately 3,350 of the 15,000 miners. We do not know when the remaining MinerVa miners will be received, if at all. As a result, we may write off some or all of the approximately 11,650 undelivered MinerVa miners. Refer to "Note 30 - Covenants" that describes covenants referencing the anticipated final delivery timeframe of April 2022. In exchange for the delivery of the miners that are operating under the specifications set forth in the purchase agreement, we will grant the seller 443,848 shares of our Class A common stock at a price per share of $8.68 (adjusted for the Stock Split). The aggregate purchase price does not include shipping costs, which are our responsibility and shall be determined at which time the miners are ready for shipment.

Nowlit Solutions Corp Purchase Agreement

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

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

Cryptech Solutions Purchase Agreement

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

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

Supplier Purchase Agreements

On April 14, 2021, we entered into an agreement with a supplier to provide approximately 9,900 miners for $21,011,287. We were required to make an initial payment on the miners that are currently being delivered starting in October 2021 (refer to "Note 32 - Subsequent Events" in the notes to our financial statements for further discussions). We made a 75% deposit of $15,758,432 in April 2021, and the remaining 25%, or $5,252,755 plus sales taxes has been invoiced in October 2021. Once operational, after deducting an amount equal to $0.027 per kWh for the actual power used, 65% of all cryptocurrency revenue generated by the miners in the supplier's pods shall be payable to us and 35% of all cryptocurrency revenue generated by the miners shall be payable to this party or its designee. As of March 31, 2022, there are no miners operating that will contractually obligate the Company to pay the 35% revenue share (refer to "Note 32 - Subsequent Events" in the notes to our financial statements for further discussions).

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

On December 16, 2021, we entered into a Second Hardware Purchase and Sale Agreement (the “Second Supplier Purchase Agreement") to acquire a cumulative amount of approximately 4,280 M30S Miners and MicroBT WhatsMiner M30S+ miners with a hash rate per unit of 100 TH/s (the “M30S+ Miners”). Pursuant to the Second Supplier Purchase

Agreement, the unit price per M30S Miner is $2,714 and the unit price per M30S+ Miner is $3,520 for a cumulative purchase price of $11,340,373.

Bitmain Technologies Limited Purchase Agreement

On October 28, 2021, we entered into the first of two Non-Fixed Price Sales and Purchase Agreements with Bitmain. This first agreement covers six batches of 2,000 miners, or 12,000 in total, arriving on a monthly basis from April through September 2022. Each batch has an assigned purchase price that totals to $75,000,000, to be paid in three installments of 25%, 35% and 40% over the six-month delivery period. Per the agreement, on October 29, 2021, the Company made a $23,300,000 payment comprised of the 25% installment payment plus 35% of the April 2022 batch of 2,000 miners that have an assigned purchase price of $13,000,000. On November 18, 2021, the Company made an additional payment of 35% or $4,550,000 towards the April 2022 batch of miners. During the three-month period ending March 31, 2022, the Company paid installments totaling $17.4 million.

On November 16, 2021, we entered into the second Non-Fixed Price Sales and Purchase Agreement with Bitmain. This second agreement covers six batches of 300 miners, or 1,800 in total, arriving on a monthly basis from July 2022 through December 2022. Each batch has an assigned purchase price that totals $19,350,000, to be paid in three installments of 35%, 35%, and 30% of the total purchase price over the six-month delivery period. Per the second Non-Fixed Price Sales and Purchase Agreement, on November 18, 2021, the Company paid the first installment payment of 35% or $6,835,000. During the three-month period ending March 31, 2022, the Company paid three installments totaling $3,528,000.

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

Luxor Technology Corporation Purchase Agreement

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

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

Arctos/NYDIG Financing Agreement

On June 25, 2021, we entered into a $34,481,700 ("Maximum Advance Amount") master equipment financing agreement with an affiliate of Arctos Credit, LLC (“Arctos,” now known as “NYDIG”) (the “Arctos/NYDIG Financing Agreement. The aggregate principal outstanding bears interest of 10% and will be repaid in 24 monthly payments, with a 1.25% fee due if the Maximum Advance Amount is not requested prior to August 15, 2021. Outstanding borrowings under the Arctos/NYDIG Financing Agreement are secured by certain miners and the contracts to acquire such miners. The Arctos/NYDIG Financing Agreement includes customary restrictions on additional liens on the Arctos/NYDIG Financed Equipment. As of March 31, 2022, $35.7 million (net of debt issuance costs) has been borrowed, leaving zero funds available to be drawn under the Arctos/NYDIG Financing Agreement. The Arctos/NYDIG Financing Agreement may not be terminated by us or prepaid in whole or in part. In conjunction with the Arctos/NYDIG Financing Agreement, we issued 126,273 shares of Class A common stock to Arctos (adjusted for the Stock Split) and may issue additional shares of Class A common stock to Arctos in consideration of future financings.

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

NYDIG ABL LLC Financing Agreement

On December 15, 2021, we entered into the Second NYDIG Financing Agreement with NYDIG whereby NYDIG agreed to lend us up to $53,952,000 to finance the purchase of the Second NYDIG-Financed Equipment. Outstanding borrowings under the Second NYDIG Financing Agreement are secured by the Second NYDIG-Financed Equipment,

contracts to acquire Second NYDIG-Financed Equipment, and the Bitcoin mined by the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement includes customary restrictions on additional liens on the Second NYDIG-Financed Equipment. The Second NYDIG Financing Agreement may not be terminated by us or prepaid in whole or in part.

WhiteHawk Financing Agreement

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

On December 31, 2021, we amended the WhiteHawk Financing Agreement (the "WhiteHawk Amendment") to extend the final MinerVa delivery date from December 31, 2021 to April 30, 2022. Pursuant to the WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $250,000 to WhiteHawk. On March 28, 2022, Equipment LLC and WhiteHawk again amended the WhiteHawk Financing Agreement to exchange the collateral under the WhiteHawk Financing Agreement. Pursuant to the Second WhiteHawk Amendment, (i) the approximately 11,700 remaining miners under the MinerVa Purchase Agreement were exchanged as collateral for additional miners received by us from other suppliers and (ii) WhiteHawk agreed to lend to us the Second Total Advance. Pursuant to the Second WhiteHawk Amendment, Equipment, LLC paid an amendment fee in the amount of $275,414.40 and a closing fee with respect to the Second Total Advance of $500,000. In addition to the purchased Bitcoin miners and related equipment, Panther Creek and Scrubgrass each agreed to a negative pledge of the Panther Creek Plant and Scrubgrass Plant, respectively, and guaranteed the WhiteHawk Finance Agreement. Each of the negative pledge and the guaranty by Panther Creek and Scrubgrass will be released upon payment in full of the Second Total Advance, regardless of whether the Total Advance remains outstanding. In conjunction with the Second WhiteHawk Amendment, we issued a warrant to WhiteHawk to purchase 125,000 shares of Class A common stock, subject to certain antidilution and other adjustment provisions as described in the Second WhiteHawk Warrant, at an exercise price of $0.01 per share. The Second WhiteHawk Warrant expires on March 28, 2032. While we continue to engage in discussions with MinerVa on the delivery of the remaining miners, we do not know when the remaining miners will be delivered, if at all.

Tax Receivable Agreement

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

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

Recent Accounting Pronouncements

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this

evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of such date for the reasons stated below.

During the course of preparing for the IPO, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting. We concluded that our internal control over financial reporting did not result in the proper classification of our outstanding shares of Class V common stock as mezzanine equity which, due to its impact on our consolidated financial statements, we determined to be a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis. We identified a material weakness in our controls over the accounting for mezzanine and permanent equity and complex financial instruments. The controls to evaluate the accounting for complex financial instruments, such as mezzanine and permanent equity, did not operate effectively to appropriately apply the provisions of ASC 480-10-10- S99-3A. This material weakness resulted in the failure to prevent a material error in the accounting for mezzanine and permanent equity and the resulting restatement of our previously issued financial statements. The previous restatement to our June 30, 2021 interim balance sheet resulted in a balance sheet adjustment that reclassified the shares of Class V common stock as mezzanine equity at the maximum redemption value under the Redemption Right, net of the non-controlling equity interest. As a result, $167.7 million of permanent equity was reclassified to mezzanine equity. The reason for the reclassification from permanent equity to mezzanine equity related to the fact that the Class V common stock, together with the corresponding Class A common units of Stronghold LLC, held by Q Power can be redeemed by Q Power and, in response to a redemption request from Q Power, can be repurchased by the Company in exchange for either shares of the Company's Class A common stock or, at the Company's election, cash of equivalent value. In addition, during our year-end audit, we and our independent registered public accounting firm identified deficiencies that constitute an additional material weakness in internal control over financial reporting as of and for the year ended December 31, 2021. There was a lack of cohesion between departments within the organization, reduced discipline in the accuracy of recording transactions, and a lack of review and reconciliation in areas of the accounting function. We have concluded that the Company's internal controls over financial reporting did not timely detect material misstatements.

Remediation Plan for Material Weaknesses

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

Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings
Due to the nature of our business, we are, from time to time, involved in other litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations. For more information, please reference "Note 8 – Commitments and Contingencies" in the notes to our financial statements.

Except as set forth below, there have been no material changes in our legal proceedings from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

This matter has been finally determined. See "Note 32 - Subsequent Events".

PJM Notice of Breach

On November 19, 2021, Scrubgrass received a notice of breach from PJM Interconnection, LLC alleging that Scrubgrass breached Interconnection Service Agreement – No. 1795 (the "ISA") by failing to provide advance notice to PJM Interconnection, LLC and Mid-Atlantic Interstate Transmission, LLC ("MAIT") pursuant to ISA, Appendix 2, section 3, of modifications made to the Scrubgrass Plant. On December 16, 2021, Scrubgrass responded to the notice of breach and respectfully disagreed that the ISA had been breached. On January 7, 2022, Scrubgrass participated in a information gathering meeting with representatives from PJM regarding the notice of breach and Scrubgrass continues to work with PJM regarding the dispute, including conducting a necessary study agreement with respect to the Scrubgrass Plant. On January 20, 2022, the Company sent PJM a letter regarding the installation of a resistive computational load bank at the Panther Creek Plant. On March 1, 2022, the Company executed a necessary study agreement with respect to the Panther Creek Plant. On May 11, 2022, the Division of Investigations of the FERC Office of Enforcement ("OE") informed the Company that the Office of Enforcement is conducting a non-public preliminary investigation concerning Scrubgrass' compliance with various aspects of the PJM tariff. The OE requested that the Company provide certain information and documents concerning Scrubgrass' operations by June 10, 2022. The OE has not alleged any specific instances of non-compliance by Scrubgrass. The Company does not believe the PJM notice of breach, the Panther Creek necessary study agreement, or the preliminary investigation by the OE will have a material adverse effect on the Company's reported financial position or results of operations.

Winter v. Stronghold Digital Mining Inc., et al., U.S District Court for the Southern District of New York

Additionally, on April 14, 2022, the Company, and certain of our current and former directors, officers and underwriters were named in a putative class action complaint filed in the United States District Court for the Southern District of New York. In the complaint, the plaintiffs allege that the Company made misleading statements and/or failed to disclose material facts in violation of Section 11 of the Securities Act, 15 U.S.C. §77k and Section 15 of the Securities Act, about the Company's business, operations, and prospects in the Company's registration statement on Form S-1 related to its initial public offering, and when subsequent disclosures were made regarding these operational issues when the Company announced its fourth quarter and full year 2021 financial results, the Company's stock price fell, causing significant losses and damages. As relief, the plaintiffs are seeking, among other things, compensatory damages. The defendants believe the allegations are without merit and intend to defend the suit vigorously.

Item 1A. Risk Factors

Investing in our Class A common stock involves risks. You should carefully consider the information in this Quarterly Report on Form 10-Q, including the matters addressed under "Cautionary Note Regarding Forward-Looking Statements" and the following risks before making an investment decision. Our business, financial condition and results of operations could be materially adversely affected by any of these risks or uncertainties. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment.

Except as set forth below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

We have operated and expect to continue to operate at a loss as we continue to establish our business model and if Bitcoin prices continue to be low or decline further. In addition, we expect to need to raise additional capital to expand our operations, pursue our growth strategies and to respond to competitive pressures or 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 Class A common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of our Class A common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, take other actions including accepting terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

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

As of March 31, 2022 and May 12, 2022, we had outstanding indebtedness of $110.8 million and $108.0 million, respectively. Our outstanding indebtedness could have important consequences such as:

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

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

We are dependent on third-party brokers and direct suppliers to source some of our miners and we have experienced delays in the delivery of some of the miners we have purchased from certain brokers and suppliers, which delays have had, and additional delays could continue to have, a material adverse effect on our business, prospects or operations.

We rely on third-party brokers and direct suppliers to source some of our miners. We have experienced significant delays in the delivery of certain of the miners we have purchased, which delays have materially adversely affected us. For example, due to a delay in miner deliveries from MinerVa, we recorded an impairment charge totaling $12,228,742 on March 31, 2022. There is no assurance that we will not experience additional delays in the future. Many of the competitors in our industry have also been purchasing mining equipment at scale, which has caused a world-wide shortage of mining

equipment and extended the corresponding delivery schedules for new miner purchases. We cannot ensure that our brokers or suppliers will perform services to our satisfaction or on commercially reasonable terms. The recent increased demand for miners has also limited the supply of miners that brokers may source for us. Our brokers or suppliers may also decline our orders to fulfill those of our competitors, putting us at competitive harm. There are no assurances that any miner manufacturers will be able to keep pace with the surge in demand for mining equipment. Further, resource constraints or regulatory actions could also impact our ability to obtain and receive miners. For example, China has been experiencing power shortages, and certain of our miner suppliers have been impacted by related intermittent power outages. Additionally, certain companies, including Bitmain, may move their production of miners out of China and into other countries following the September 2021 blanket ban on crypto mining and transactions by Chinese regulators. Such power outages and production relocations could result in cancellations or delays and may negatively impact our ability to receive mining equipment on a timely basis or at all. If our brokers or suppliers are not able to provide the agreed services at the level of quality and quantity we require or become unable to handle the volume of miners we seek, we may not be able to replace such brokers or suppliers in a timely manner. Any delays, interruption or increased costs could have a material adverse effect on our business, prospects or operations.

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

We are involved in legal proceedings, claims and litigation arising out of our business operations, including disputes with suppliers of raw materials to our power generation facility, with truckers on whom we rely for the delivery of coal refuse and other raw materials, labor and employment disputes, and other commercial disputes. For example, on May 9, 2022, a an arbitration award in the amount of $5,042,350.46 plus interest computed as of May 15, 2022 in the amount of $793,193.99 was issued in favor of the claimant, a trucking company, against one of our subsidiaries in a commercial dispute over a trucking contract between the claimant and our subsidiary. In addition, we were recently served with a putative class-action lawsuit by a stockholder relating to a drop in our stock price following our disclosure about the delays we have experienced in the delivery of certain miners we have purchased from MinerVa and other recent operational issues that have adversely affected our results of operations. We cannot predict the ultimate outcome of these types of matters before they are resolved, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

We have experienced unexpected operational downtime or outages at our power generation facilities and may experience such downtime or outages again in the future, resulting in increased expenses and reduced revenues.

The operation of our power generation facilities, information technology systems and other assets and conduct of other activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply, failure to receive spare parts in a timely manner, and performance below expected levels. During the second quarter of 2022 to date, the Panther Creek Plant's mining operations were offline for ten days due to the failure of a switchgear and the need to source, deliver and install a new piece of equipment, causing ten days of no mining revenue generation at the facility and resulting in an estimated loss of approximately $1.4 million. These events have impacted, and may in the future impact, our ability to conduct our businesses efficiently, leading to increased costs, expenses or losses. Planned and unplanned outages at our power generation facilities may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them. Having to purchase power at then-market rates could also have a negative impact on the cost structure of our crypto asset mining operations.

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

Our coal refuse power generation facilities are members of PJM, a regional transmission organization, which can require that we supply power to the grid at times that are not optimal to our operations.

As a member of PJM, we are subject to the operations of PJM, and our coal refuse power generation facilities are under dispatch control of PJM. PJM balances its participants' power requirements with the power resources available to supply those requirements. Based on this evaluation of supply and demand, PJM schedules and dispatches available generating facilities throughout its region in a manner intended to meet the demand for energy in the most reliable and cost-effective manner. During the first quarter of 2022 and the beginning of the second quarter of 2022, higher than anticipated requirements from PJM resulted in unplanned and extended outages of our mining operations, diverting capacity away from our mining operations at a time that was not economical for our business strategy. These diversions of power away from our mining operations had a material adverse effect on our business, financial condition and results of operations. To

the extent we are required to supply power to PJM for a sustained period of time in the future, we could experience additional unplanned and extended outages of our mining operations, which could have a material adverse effect on our business, financial condition and results of operations.

The trading price of shares of our common stock has been volatile.

The trading price of our common stock has been, and is likely to continue to be, volatile, and may be influenced by various factors beyond our control as well as those discussed in our "Risk Factors" set forth in our Annual Report on Form 10-K and herein, including, but not limited to:

- the underlying volatility in pricing of, and demand for, energy and/or Bitcoin.
- price and volume fluctuations in the stock markets generally which create highly variable and unpredictable pricing of equity securities;
- actual or anticipated variations in our annual or quarterly results of operations, including our earnings estimates and whether we meet market expectations with regard to our earnings;
- significant volatility in the market price and trading volume of securities of companies in the sectors in which our business operates, which may not be related to the operating performance of these companies and which may not reflect the performance of our businesses;
- loss of a major funding source;
- operating performance of companies comparable to us;
- changes in regulations or tax law, including those affecting the holding, transferring or mining of cryptocurrency;
- share transactions by principal stockholders;
- recruitment or departure of key personnel;
- general economic trends and other external factors including inflation and interest rates;
- increased scrutiny by governmental authorities or individual actors or community groups regarding our business, our competitors or the industry in which we operate;
- publication of research reports by analysts and others about us or the cryptocurrency mining industry, which may be unfavorable, inaccurate, inconsistent or not disseminated on a regular basis;
- sentiment of retail investors about our Class A common stock and business generally (including as may be expressed on financial trading and other social media sites and online forums); and speculation in the media or investment community about us or the cryptocurrency industry more broadly.

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

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

The market price of Bitcoin has historically and recently been volatile. For example, since the IPO, the price of Bitcoin has dropped over 50%, resulting in an adverse effect on our results of operations, liquidity and strategy. The market price of Bitcoin is impacted by a variety of factors (including those discussed herein), and is determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of Bitcoin, or our share price, inflating and making their market prices more volatile or creating "bubble" type risks for both Bitcoin and shares of our securities.

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

and the cryptocurrency industry as a whole, including our company. These credit pressures could materially and adversely impact our liquidity.

Our business is heavily dependent on the spot price of Bitcoin. The prices of cryptocurrencies, including Bitcoin, have experienced substantial volatility, meaning that high or low prices may be based on speculation and incomplete information, may be subject to rapidly changing investor sentiment, and may be influenced by factors such as technology, regulatory void or changes, fraudulent actors, manipulation, and media reporting. For example, the price of Bitcoin ranged from a low of approximately $30,000 to a high of approximately $68,000 during 2021, and has ranged from approximately $26,400 to approximately $48,000 year-to-date as of May 13, 2022.

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
3.2	Amended and Restated Bylaws of Stronghold Digital Mining, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on October 25, 2021).
10.1#	First Amendment to Master Equipment Finance Agreement, dated as of January 31, 2022, by and between Stronghold Digital Mining, LLC and NYDIG ABL LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-40931) filed on February 4, 2022).
10.2*	Second Amendment to Financing Agreement, dated as of March 28, 2022, by and among Stronghold Digital Mining Equipment, LLC, WhiteHawk Finance LLC, and as consented to by each Guarantor named therein.
10.3¥*	Fourth Amended and Restated Limited Liability Company Agreement of Stronghold Digital Mining Holdings LLC, dated as of March 14, 2022.
10.4*†	Transition and Separation Agreement and General Release of Claims, dated April 14, 2022, by and between Stronghold Digital Mining, Inc. and Ricardo R.A. Larroudé.
10.5*†¥	Offer Letter, dated April 14, 2022, by and between Stronghold Digital Mining, Inc. and Matthew J. Smith.
10.6*†	Indemnification Agreement (Indira Agarwal).
10.7*†	Confidentiality, Intellectual Property, Arbitration, Non-Competition and Non-Solicitation Agreement, dated April 13, 2022, by and between Stronghold Digital Mining, Inc. and Matthew J. Smith.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1**	Section 1350 Certification of Chief Executive Officer.
32.2**	Section 1350 Certification of Chief Financial Officer.
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Label Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.
** Furnished herewith.
† Indicates a management contract or compensatory plan or arrangement.
¥ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC on request.
Information in this exhibit identified by brackets is confidential and has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is not material and is the type of information that the Company customarily treats as private or confidential. An unredacted copy of this exhibit will be furnished to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 16, 2022 STRONGHOLD DIGITAL MINING, INC.
(registrant)

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

Exhibit 10.2

Execution Version

SECOND AMENDMENT TO FINANCING AGREEMENT

This SECOND AMENDMENT TO FINANCING AGREEMENT dated as of March 28, 2022 (this "Second Amendment"), is made by and among STRONGHOLD DIGITAL MINING EQUIPMENT LLC, a Delaware limited liability company ("Borrower"), WHITEHAWK FINANCE LLC, a Delaware limited liability company ("Lender"), and is consented to by each Guarantor.

WHEREAS, Borrower and Lender are parties to that certain (a) Financing Agreement dated as of June 30, 2021 (as amended by that certain First Amendment to Financing Agreement dated as of December 31, 2021 and as further amended, amended and restated, supplemented or otherwise modified from time to time, the "Financing Agreement"; capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Financing Agreement) and (b) Schedule No. 1 dated June 30, 2021 to Financing Agreement (as amended by that certain First Amendment to Financing Agreement dated as of December 31, 2021, "Schedule No. 1");

WHEREAS, Borrower and Lender have agreed to amend the Financing Agreement and Schedule No. 1 in the following respects and no others; and

WHEREAS, Borrower and Lender have agreed to enter into a new Schedule No. 2 to the Financing Agreement.

NOW, **THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

SECTION 1. AMENDMENTS

(a) Section 1 of the Financing Agreement is amended as follows:

The following is added after the "**.**" at the end thereof: As used herein, the following shall be defined as follows: "**Second Amendment**" means that certain Second Amendment to Financing Agreement dated as of March 28, 2022; "**Negative Pledgor(s)**" has the meaning assigned to it in the Second Amendment; "**Negative Pledge Agreement**" has the meaning assigned to it in the Second Amendment.

(b) The first sentence of Section 3(d) of the Financing Agreement is amended as follows:

i. clause (i) thereof is amended and restated to read as follows: "any and all Equipment listed on any Schedule B of each Schedule hereto (including Schedule B to Schedule No. 1 and Schedule B to Schedule No. 2, in each case, whether or not such Equipment is owned by the Borrower on the date hereof or acquired subsequent to the date hereof) and proceeds (including any insurance proceeds) thereof and any accessions, additions and accessories thereto and all Equipment financed pursuant to each Schedule and proceeds (including any insurance proceeds) thereof and any accessions, additions and accessories thereto"; and

ii. clause (ii) thereof is amended and restated to read as follows: "[reserved.]"

iii. clause (iii) thereof is amended and restated to read as follows: "Borrower's rights under that certain Hardware Purchase & Sale Agreement by and between Borrower (as the assignee of "Stronghold Digital Mining") and Crypt Solutions Inc., dated as of April 2, 2021 (the "**Cryptech Purchase Agreement**" and together with and other Equipment purchase agreement, each a "**Purchase Agreement**")

(c) The last sentence of Section 3(e) of the Financing Agreement which reads as follows is hereby deleted in its entirety: "Lender agrees that, pursuant to this Section 3(e), the Anticipated Acceptance Date with respect to the Equipment subject to the Minerva Purchase Agreement shall be the Final Minerva Delivery Date."

(d) Section 11(k) of the Financing Agreement is amended and restated in its entirety to read as follows: "(i) Items and/or Equipment that are listed on Exhibit B of any Schedule (including Schedule No. 1

and Schedule No. 2) is not owned by Borrower free and clear of any and all liens, claims, interest and/or security interests (other than perfected first priority liens in favor of the Lender) and/or if a Person other than the Borrower is deemed to have any ownership interest in such Items and/or Equipment that are listed on Exhibit B of any Schedule (including Schedule No. 1 and Schedule No. 2), (ii) items and/or Equipment that are listed on Exhibit B of any Schedule that is required to be delivered from and after the date of such Schedule is not delivered in to Borrower in accordance with the delivery schedule set forth on such Schedule to this Agreement, (iii) any Items and/or Equipment that are listed on Exhibit B of any Schedule (including Schedule No. 1 and Schedule No. 2) is commingled with any other property or asset which is not Collateral or becomes a fixture unless the Lender has received a fixture filing in expect thereof, (iv) any of the Borrower, any Guarantor or any Negative Pledgor fails to comply with the requirements of Section 5 of the Second Amendment and/or (v) any breach or default under the Negative Pledge Agreement".

(e) The Index of Definitions in the Financing Agreement is amended to delete the following: "Minerva Purchase Agreement" Section 3(d)"

(f) Section 4(c)(ii) is amended and restated in its entirety to read as follows: "the Equipment to be not used or located outside of the facilities located at 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240 in the United States of America".

(g) Section 8 of Schedule No. 1 is amended and restated in its entirety to read as follows:

"Exhibit B lists out Equipment currently in place and operational and, in addition, the Equipment that is subject to the Cryptech Purchase Agreement and that is to be delivered on or before October 31, 2022 (subject to any extensions as provided for in the Cryptech Purchase Agreement) (the "**Final Crytech Delivery Date**"), and, in no event at Lender's expense) at the location specified in this Agreement. The Equipment subject to the Cryptech Purchase Agreement is 2,400 units of Antminer S19j (90 TH) ASIC Bitcoin Miners. Borrower represents and warrants that, as of March 28, 2022, Borrower has paid 73.3% of the purchase price of the Equipment subject to the Cryptech Purchase Agreement to the Supplier thereunder, and Borrower agrees that Borrower shall (i) pay the balance of such purchase price to the applicable Supplier when due in accordance with the Cryptech Purchase Agreement and take no action to cancel, terminate or default under, or enter into any amendment or modification to the Cryptech Purchase Agreement which could reasonably be expected to adversely affect Lender, (ii) promptly notify Lender by email or otherwise in writing of such payment, furnishing evidence satisfactory to Lender on Lender's request, and (iii) promptly notify Lender when Borrower is given a date for delivery of each item of Equipment. Borrower's obligation to make Payments under this Agreement shall commence upon execution of this Agreement, whether or not any of the Equipment has been delivered and accepted. Borrower assumes the risk of delivery of Equipment and the acceptability of the Equipment. Borrower is not entitled to any refund or rebate of Payments made to Lender for any reason, including failure of any Supplier to deliver Equipment by the Final Cryptech Delivery Date. Borrower's failure to comply with the foregoing shall be an Event of Default under this Agreement."

(h) Schedule B to the Schedule No. 1 is amended and restated in its entirety and replaced by **Exhibit A** hereto.

SECTION 2. SCHEDULE NO. 2

A new Schedule No. 2 is added to the Financing Agreement, which Schedule No. 2 is set forth on **Exhibit B** hereto.

SECTION 3. AMENDMENT FEE

In addition to any fees or other amounts payable to Lender under the terms of the Financing Agreement, Schedule No. 1 and Schedule No. 2, as consideration for the agreement of the Lender to enter into this Second Amendment, the Borrower agrees to pay to the Lender a non-refundable amendment fee (the "Amendment Fee") equal to $275,414.40 (the "Amendment Fee"). The Amendment Fee (a) shall be fully earned as of the date hereof, (b) will not be refundable under any circumstances once paid, (c) will be paid in US dollars and in immediately available funds and (d) shall not be subject to reduction by way of setoff or counterclaim.

SECTION 4. CONDITIONS PRECEDENT

The effectiveness of this Second Amendment and Schedule No. 2 are subject to the satisfaction (or waiver by the Agent) of the following conditions precedent (the date of satisfaction or waiver of such conditions being referred to as the "Second Amendment Effective Date"):

(a) the Lender shall have received a counterpart signature page of this Second Amendment duly executed by the Borrower, each Guarantor and Negative Pledgor;

(b) the Lender shall have received the duly executed Schedule No. 2 to Financing Agreement;

(c) the Lender shall have received an amendment to the "note" issues with respect to Schedule No. 1 and a "note" with respect to Schedule No. 2, in each case duly executed by the Borrower;

(d) as of the Second Amendment Effective Date, (a) the representation and warranties of the Borrower set forth in the Financing Agreement and each Schedule shall be true and correct in all material respects (except in the case of any representation or warranty which expressly relates to a given date or period, such representation and warranty shall be true and correct in all material respects as of the respective date or for the respective period, as the case may be), (b) the representation and warranties of each Guarantor set forth in each Guaranty shall be true and correct in all material respects (except in the case of any representation or warranty which expressly relates to a given date or period, such representation and warranty shall be true and correct in all material respects as of the respective date or for the respective period, as the case may be) and (c) after giving effect to (i) the Second Amendment Effective Date, (ii) the disbursement of the proceeds of Schedule No. 2 and Schedule No. 2 to the Financing Agreement, (iii) the consummation of the transaction contemplated by this Second Amendment and Schedule No. 2 to the Financing Agreement and (iv) the payment and accrual of all transaction costs in connection with the foregoing, the Borrower as of the Second Amendment Effective Date, is Solvent and has the ability to pay the Borrower's debts when they come due and the Borrower is not contemplating and has not contemplated relief under any bankruptcy laws or other similar laws for the relief of debtors, except as disclosed to the Lender in writing;

(e) the Lender shall have received the "Warrants" as specified and defined in Schedule No. 2;

(f) each of Scrubgrass Reclamation Company, L.P. and Panther Creek Power Operating, LLC (each a "Negative Pledgor" and collectively, the "Negative Pledgors") shall execute and deliver a "negative" pledge agreement (the "Negative Pledge Agreement"), in which each Negative Pledgor shall represent, warrant and covenant that (i) none of them has any indebtedness (other than Reclamation Permitted Indebtedness (as defined in the Negative Pledge Agreement) and Panther Creek Permitted Indebtedness (as defined in the Negative Pledge Agreement), as applicable) and none of their assets and properties are or shall be subject to any lien for borrowed money and (ii) until the indefeasible payment in full of all amounts owed under Schedule No. 2, all of their assets and properties shall remain free and clear of any and all liens for borrowed money and none of them shall incur any indebtedness; and

(g) all fees and expenses required to be paid on the Second Amendment Effective Date pursuant to this Second Amendment and the Schedule No. 2 and all reasonable and documented out-of-pocket expenses of the Lenders (including fees and expenses of counsel), in each case, shall, upon the initial funding of the amounts under the Schedule No. 2, have been paid (it being agreed and understood that such amounts may be set-off against the proceeds of the Schedule No. 2).

SECTION 5. CONDITIONS SUBSEQUENT

The Borrower, each Guarantor and each Negative Pledgor shall comply with each of the following requirements, in each case not later than the date set forth for such compliance therein. It is understood and agreed that the failure to comply with any of the foregoing shall be an immediate Event of Default under the Financing Agreement and each of Schedule No. 1 and Schedule No. 2:

(a) on or prior to April 11, 2022 (as such date maybe extended by the Lender in its reasonable discretion), the Lender shall have received liens and judgement searches for the Borrower, which shall reveal no liens against the Borrower or any of the Borrower's property and assets, in each case, other than those in favor of the Lender;

(b) on or prior to April 11, 2022 (as such date maybe extended by the Lender in its reasonable discretion), the Lender shall have received liens and judgement searches for each Negative Pledgor, which shall reveal no liens against any Negative Pledgor or any of any Negative Pledgor's property or assets;

(c) on or prior to April 11, 2022 (as such date maybe extended by the Lender in its reasonable discretion), the Lender shall have received landlord access agreements with respect to 4 Dennison Rd, Nesquehoning, PA 18240;

(d) upon the Lender's request, and in each case, not later than ten (10) business days of such request (as such date maybe extended by the Lender in its reasonable discretion), following any such request, each of the Borrower, each Guarantor and each Negative Pledgor shall execute and deliver such other documents and agreements that the Lender reasonably requests in connection with this Second Amendment, the Financing Agreement, Schedule No. 1, Schedule No. 2, each Guaranty and/or the Negative Pledge Agreement;

(e) upon the Lender's request, and in each case, not later than five (5) business days of such request (as such date maybe extended by the Lender in its reasonable discretion), the Borrower shall execute and deliver or cause to be executed and delivered such documents and agreement and/or make such filings, as the Lender deems reasonable and necessary to preserve and protect the Lender's interest and rights in and to the Collateral.

SECTION 6. MISCELLANEOUS

(a) Except as expressly amended pursuant to the terms of this Second Amendment, the Financing Agreement, Schedule No. 1 and Schedule No. 2, and the respective obligations of Borrower thereunder remain unmodified and in full force and effect and are hereby ratified and confirmed.

(b) All of the representations, warranties, terms (except as expressly amended pursuant to the terms of this Second Amendment), covenants (except as expressly amended pursuant to the terms of this Second Amendment) and conditions of the Financing Agreement, Schedule No. 1 and Schedule No. 2 shall remain in full force and effect in accordance with their respective terms. Lender has not and shall not be deemed hereby to have waived any of its rights and remedies against Borrower or any Guarantor for any existing or future defaults or Events of Default.

(c) Borrower hereby represents and warrants that, as of the date hereof, after giving effect to this Second Amendment: (i) the representations and warranties of the Borrower contained in the Financing Agreement, Schedule No. 1 and Schedule No. 2 are true and correct in all material respects (without duplication of any materiality qualifier set forth therein) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which they shall be true and correct in all material respects as of such earlier date; (ii) Borrower is in compliance in all material respects with all of the terms and provisions set forth in the Financing Agreement, Schedule No. 1 and Schedule No. 2; and (iii) no default or Event of Default has occurred and is continuing, or would result from, this Second Amendment.

(d) The amendments set forth herein are effective solely for the purposes set forth herein and shall be limited precisely as written, and shall not be deemed to (i) be a consent to any amendment, waiver or modification of any other term or condition of the Financing Agreement or any Schedule, (ii) operate as a waiver or otherwise prejudice any right, power or remedy that the Lender may now have or may have in the future under or in connection with the Financing Agreement or any Schedule, (iii) constitute a waiver of any

provision of the Financing Agreement or any Schedule, (iv) create a course of dealing or otherwise obligate the Lender to forbear, waive, consent or execute similar amendments under the same or similar circumstances in the future.

(e) By its execution of this Second Amendment, each of the parties hereto acknowledges and agrees that the terms of this Second Amendment do not constitute a novation, but, rather, a supplement of the terms of a pre-existing indebtedness and related agreement, as evidenced by the Financing Agreement or any Schedule.

(f) Delivery of an executed counterpart of a signature page to this Second Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Second Amendment. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Second Amendment. Each of the following provisions of the Financing Agreement is hereby incorporated herein by this reference with the same effect as though set forth in its entirety herein, *mutatis mutandis*: Section 13 (Notices), Section 20 (Counterparts; Chattel Paper); Section 21 (Governing Law; Jurisdiction; Jury Trial Waiver).

(e) All references in the Schedule No. 1, the Schedule No. 2 and any Guaranty to the "Financing Agreement" and in the Financing Agreement, as modified hereby, to "this Agreement," "hereof," "herein" or the like shall mean and refer to the Financing Agreement as modified by this Second Amendment (as well as by all subsequent amendments, restatements, supplements and other modifications thereof).

(g) The Borrower, each Guarantor and each Negative Pledgor hereby reaffirm their obligations, guarantees and covenants and reaffirm that their obligations, guarantees and covenants continuing and that the Borrower's obligations are secured by the Collateral granted by the Borrower in favor of the Lender, the Financing Agreement, each Schedule, each Guaranty and the Negative Pledge Agreement and all of the terms, conditions, provisions, agreements, requirements, promises, obligations, duties, covenants and representations of the signatories thereof under such documents and agreements entered into with respect to the obligations, guarantees and covenants thereunder are hereby ratified and affirmed in all respects by each of them.

(h) Each Guarantor hereby covenants and agrees that the term 'Guaranteed Obligations" under each Guaranty shall also include any and all amounts, debts and liabilities of the Borrower under Schedule No. 2.

(i) The Borrower, each Guarantor and each Negative Pledgor hereby represents and warrants that the Equipment: (i) listed on Schedule B of Schedule No. 1 is located exclusively at 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240 in the United States of America and (ii) listed on Schedule B of Schedule No. 2 is located exclusively at 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240 in the United States of America.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused this Second Amendment to the Financing Agreement to be duly executed as of the date first set forth above.

BORROWER: **STRONGHOLD DIGITAL MINING EQUIPMENT LLC**

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Person

GUARANTORS:

STRONGHOLD DIGITAL MINING, INC.

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Person

STRONGHOLD DIGITAL MINING HOLDINGS LLC

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Person

NEGATIVE PLEDGORS:

SCRUBGRASS RECLAMATION COMPANY, L.P.

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Person

PANTHER CREEK POWER OPERATING, LLC

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Person

LENDER:

WHITEHAWK FINANCE LLC

By: /s/ Robert A. Louzan
Name: Robert A. Louzan
Title: Authorized Signatory

EXHIBIT A

EXHIBIT B

Equipment Description

Manufacturer	Model	Description	# of Units	Expected Delivery
Bitmain	Antminer S9 (13-14 TH)	ASIC Bitcoin Miner	2,000	Currently installed and operational
Bitmain	Antminer S17+ (73 TH)	ASIC Bitcoin Miner	315	Current installed and operational
Canaan	AvalonMiner A1166Pro (75 TH)	ASIC Bitcoin Miner	152	Current installed and operational
Canaan	AvalonMiner A1166Pro (78 TH)	ASIC Bitcoin Miner	75	Current installed and operational
Canaan	AvalonMiner A1166Pro (81 TH)	ASIC Bitcoin Miner	422	Current installed and operational
Canaan	AvalonMiner A1246 (85 TH)	ASIC Bitcoin Miner	140	Current installed and operational
Canaan	AvalonMiner A1246 (87 TH)	ASIC Bitcoin Miner	11	Current installed and operational
Bitmain	Antminer S19j (90 TH)	ASIC Bitcoin Miner	2,400	Current installed and operational
MicroBTs	M30s [87.0 THs; 3,500 Watt; 40.2 J/THs]	ASIC Bitcoin Miner	3,000	Current installed and operational
Bitmain	T19s [84.0 -88.0 THs; 3,150— 3,344 Watt; 37.5 — 38.0 J/TH]s	ASIC Bitcoin Miner	2,050	Current installed and operational

		Schedule of Miner Deliveries				Schedule of Payments for Miners to Be Delivered		
			Bitmain Antminer S19j	Total			Bitmain Antminer S19j	Total
Mar-22			200	200		—	$738,500	$738,500
Apr-22			200	200		—	$738,500	$738,500
May-22		—	200	200		—	$527,500	$527,500
Jun-22		—	200	200		—	$527,500	$527,500
Jul-22		—	200	200		—	$527,500	$527,500
Aug-22		—	200	200		—	$527,500	$527,500
Sep-22		—	200	200		—	$527,500	$527,500
Oct-22		—	200	200		—	—	—
Nov-22			200	200				
Total			**2,400**	**2,400**			**$12,660,000**	**$7,068,500**
Spent to Date			**—**	**—**			**$7,068,500**	
Remaining			**2,400**				**$5,591,500**	

EXHIBIT B

SCHEDULE NO. 2 DATED MARCH 28, 2022 TO

Financing Agreement DATED AS OF JUNE 30, 2021 (and as amended on December 31, 2021 and March 28, 2022) BETWEEN

WHITEHAWK FINANCE LLC ("Lender"),

STRONGHOLD DIGITAL MINING EQUIPMENT, LLC ("Borrower"), AND

STRONGHOLD DIGITAL MINING, INC. ("Stronghold Inc.")

With an address of 2151 Lisbon Road, Kennerdell, PA 16374

This Schedule is a Schedule to the Financing Agreement identified above (the "**Financing Agreement**"). All capitalized terms not herein defined shall have the meaning set forth in said Financing Agreement and all terms and conditions of the Financing Agreement are incorporated herein and shall remain in full force and effect except to the extent modified by this Schedule. Such modifications apply only to the Agreement created hereby and the Equipment financed hereunder. This Schedule and the Financing Agreement as incorporated into this Schedule constitute a separate and distinct "Agreement" under the Financing Agreement. If any provision in this Schedule conflicts with a provision in the Financing Agreement, the provision in this Schedule shall control. Borrower hereby reaffirms on and as of the date hereof all terms, covenants representations and warranties contained in the Financing Agreement, including, without limitation, its grant of a security interest in the Equipment and other Collateral.

SUMMARY OF PAYMENT TERMS:	
Commencement Date: March 28, 2022	Total Advance (Amount Financed): **$25,000,000**
First Payment Date of principal and interest: April 30, 2022	Total Number of Monthly Payments of principal and interest: **24 months**, **final balance due on March 31, 2024**
Amount of each Payment of principal and interest: **See Exhibit A attached hereto**. If the payment date for any Payment is not a business day, then such Payment shall be made on the first preceding business day before the date of such payment.	Payment Period: **Monthly in arrears**
	Interest Rate: **10%** Default Interest Rate: **15%**
Down Payment: See Exhibit B	
Equipment Location: 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240 in the United States of America	
Additional Payments to Lender (if any): An administrative charge of $30,000/quarter payable on June 30, 2022 and the last date of each quarter thereafter	
Anticipated Acceptance Date (if applicable): See Exhibit B	

1. Grant of Security. Borrower hereby grants to Lender a first priority security interest in the Collateral and all property in Section 3 below.

2. Promise to Pay: FOR VALUE RECEIVED, Borrower promises to pay to Lender at such address as may be designated from time to time by Lender, the sum of the Total Advance set forth above, together with interest thereon at the rate set forth above. Each such Payment due hereunder, shall consist of principal and interest due hereunder, the first installment of which shall be due on the First Payment Date and each subsequent Payment shall be on the same day of each month thereafter until the Total Number of Monthly Payments have been received by Lender. Borrower's Obligations hereunder shall bear interest at the Interest Rate from the date Lender advances any portion of the Total Advance. On the First Payment Date, Borrower also agrees to pay Lender accrued interim interest for the number of days elapsed from the date Lender advances any portion of the Total Advance to the Acceptance Date. All interest payable hereunder shall assume a 360 day year / 30 day month.

3. Equipment Description: See Exhibit B attached hereto. After Borrower signs this Schedule, Borrower authorizes Lender to insert any additional or missing information or change any inaccurate information. Exhibit B lists out Equipment currently in place and operational.

4. Equipment Location: The address of the Equipment Location is 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240, which is a bona fide business address.

5. Waiver; Miscellaneous. Borrower hereby waives presentment, notice of dishonor, and protest. Borrower agrees that the Commencement Date and the first payment due date may be left blank when this Schedule is executed and hereby authorizes Lender to insert such dates based upon the date the Equipment Finance proceeds are disbursed. BY EXECUTION HEREOF, BORROWER ACKNOWLEDGES THAT BORROWER AGREES THAT THIS SCHEDULE AND ALL OTHER DOCUMENTS EXECUTED IN CONNECTION THEREWITH ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THE AGREEMENT BETWEEN BORROWER AND LENDER AND THIS AGREEMENT SUPERSEDES ALL PRIOR AGREEMENTS AND COMMUNICATIONS, WHETHER ORAL OR WRITTEN, BETWEEN BORROWER AND LENDER REGARDING THE SUBJECT MATTER HEREOF.

6. Additional Fees. (a) Closing fee payable to Lender of $500,000 and (c) all Attorneys' Fees and reimbursable costs and expenses payable to Lender on the Commencement Date and thereafter.

7. OID LEGEND: THE TOTAL ADVANCES MADE PURSUANT TO THIS AGREEMENT ARE ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY FOR SUCH ADVANCES MAY BE OBTAINED BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO BORROWER C/O RICARDO LARROUDE. Lender, Borrower and Stronghold Inc. agree that (i) the Warrant issued in connection with the Total Advance had a fair market value of $1,150,000 as of the date of this Schedule ("**Warrant Value**") and shall be treated as acquired by the Lender in exchange for cash in an amount equal to the Warrant Value and (ii) the issue price (within the meaning of Section 1273(b) of the Code) of the Total Advance is the principal amount of the Total Advance less the Warrant Value. Similar calculations will be undertaken in calculating the issue price of future advances made pursuant to the Financing Agreement if additional Warrants are issued with such advances. If the Total Advance and any future advances are treated as the same issue for U.S. federal income tax purposes, the issue price of any such advances will be aggregated to determine the issue price for such issue. Each of Borrower, Stronghold Inc. and Lender agree to file any U.S. federal income and applicable state or local income tax returns in accordance with the tax treatment and allocation described in this Section 7.

8. Delivery of Equipment: Borrower represents and warrants that all Equipment is currently installed and operational (or expected to be delivered to) at 2151 Lisbon Road, Kennerdell, PA 16374 and 4 Dennison Rd, Nesquehoning, PA 18240 in the United States of America. Borrower's failure to comply with the foregoing shall be an Event of Default under this Agreement.

9. In connection with the Lender committing to provide the entirety of the Total Advance in accordance with this Schedule, Stronghold Inc. will issue one warrant pursuant to the terms of that Stock Purchase Warrant issued by Stronghold Inc. to Lender dated as of the date hereof conveying the right to purchase from Stronghold Inc. the Warrant Share Number (as defined in the Stock Purchase Warrant) and

subject to any adjustments set forth in the Stock Purchase Warrant of common stock in Stronghold Inc. at an exercise price of $0.01 per share of common stock (the "**Warrant**") to Lender (or its designee) (or any other instrument mutually agreed among the parties) on the date of this Schedule.

10. Notwithstanding the provisions of Section 3(c) of the Financing Agreement, but solely with respect to this Schedule No. 2, the Borrower may cancel this Schedule No. 2 (in full and not in part), upon not less than five (5) business days written notice, by making the following payments in cash to the Lender but only so longs as no default or Event of Default has occurred or is continuing: the sum of (i) all then outstanding principal under this Schedule No. 2 (i.e. outstanding Total Advance) plus (ii) all of then accrued and unpaid interest through and including the date of payment plus (iii) the Prepayment Premium plus (iv) all then accrued and unpaid costs, fees and expenses under this Schedule No. 2 (including the "Additional Payments).

As used herein, the term "**Prepayment Premium**" means: (a) during the period of March 28, 2022 up to and including March 31, 2023, an amount equal to 2% of the then outstanding Total Advance and (ii) April 1, 2023 up to and including March 30, 2024, an amount equal to 1% of the then outstanding Total Advance.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

LENDER:
WHITEHAWK FINANCE LLC

Signature:
Name: Robert A. Louzan
Title: Authorized Signatory

BORROWER:
STRONGHOLD DIGITAL MINING EQUIPMENT, LLC

Signature:
Name:
Title:

FOR THE PURPOSES OF SECTIONS 6, 7 and 9 ONLY

STRONGHOLD DIGITAL MINING, INC.

Signature:
Name:
Title:

FOR THE PURPOSES OF SECTIONS 4 and 8 ONLY

SCRUBGRASS RECLAMATION COMPANY, L.P.

By:
Name:
Title:

PANTHER CREEK POWER OPERATING, LLC

By:
Name:
Title:

EXHIBIT A

[Payment Schedule]

Payment Number	Payment Date	Amount
1.	04/30/2022	$1,153,623.16
2.	05/31/2022	$1,153,623.16
3.	06/30/2022	$1,153,623.16
4.	07/31/2022	$1,153,623.16
5.	08/31/2022	$1,153,623.16
6.	09/30/2022	$1,153,623.16
7.	10/31/2022	$1,153,623.16
8.	11/30/2022	$1,153,623.16
9.	12/31/2022	$1,153,623.16
10.	01/31/2023	$1,153,623.16
11.	02/28/2023	$1,153,623.16
12.	03/31/2023	$1,153,623.16
13.	04/30/2023	$1,153,623.16
14.	05/31/2023	$1,153,623.16
15.	06/30/2023	$1,153,623.16
16.	07/31/2023	$1,153,623.16
17.	08/31/2023	$1,153,623.16
18.	09/30/2023	$1,153,623.16
19.	10/31/2023	$1,153,623.16
20.	11/30/2023	$1,153,623.16
21.	12/31/2023	$1,153,623.16
22.	01/31/2024	$1,153,623.16
23.	02/28/2024	$1,153,623.16
24.	03/31/2024	$1,153,623.16

EXHIBIT B

Equipment Description

Manufacturer	Model / Equipment	Description	# of Units	Expected Delivery
Bitmain	S19s [95- 96 THs; 3,250 — 3,310 Watt; 34.2 — 34.5 J/TH]s	ASIC Bitcoin Miner	1,485	Currently installed and operational
MicroBT	M31s [74 - 76 THs; 3,344 — 3,404 Watt; 44 — 46 J/TH]s	ASIC Bitcoin Miner	770	Current installed and operational
MicroBT	M20s [60 THs; 3,600 Watt; 60 J/TH]s	ASIC Bitcoin Miner	1,000	Current installed and operational
	Transformers 3000KVA pad mount 13.8kV to 415v 3000KVA pad mount 13.8kV to 415v 3000KVA pad mount 13.8kV to 415v 30/40/50MVA 115kV to 13.8kV		116	Current installed and operational, ordered or in storage
	Switchgear 13.8kV - (4) 500A breakers Lineup 13.8kV - (4) 500A breakers Lineup 13.8kV - (4) 500A breakers Lineup		6	Current installed and operational
	Breakers 138kV SF6 Breaker 138kV SF6 Breaker		4	Current installed and operational, ordered or in storage
	Switches 15kV class - 4 compartment switch 15kV class - 4 compartment switch		16	Current installed and operational
	Strongboxes Containers / PDUs / Electric / Fans / Racks Containers / PDUs / Electric / Fans / Racks Containers / PDUs / Electric / Fans / Racks		107	Current installed and operational, ordered or in storage

Exhibit 10.3

FOURTH AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

STRONGHOLD DIGITAL MINING HOLDINGS LLC

DATED AS OF March 14, 2022

THE LIMITED LIABILITY COMPANY INTERESTS IN STRONGHOLD DIGITAL MINING HOLDINGS LLC HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, THE SECURITIES LAWS OF ANY STATE, OR ANY OTHER APPLICABLE SECURITIES LAWS, AND HAVE BEEN OR ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE SECURITIES ACT, ANY APPLICABLE SECURITIES LAWS OF ANY STATE AND ANY OTHER APPLICABLE SECURITIES LAWS; (II) THE TERMS AND CONDITIONS OF THIS FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT; AND (III) ANY OTHER TERMS AND CONDITIONS AGREED TO IN WRITING BETWEEN THE MANAGING MEMBER AND THE APPLICABLE MEMBER. THE LIMITED LIABILITY COMPANY INTERESTS MAY NOT BE TRANSFERRED OF RECORD EXCEPT IN COMPLIANCE WITH SUCH LAWS, THIS FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT, AND ANY OTHER TERMS AND CONDITIONS AGREED TO IN WRITING BY THE MANAGING MEMBER AND THE APPLICABLE MEMBER. THEREFORE, PURCHASERS AND OTHER TRANSFEREES OF SUCH LIMITED LIABILITY COMPANY INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT OR ACQUISITION FOR AN INDEFINITE PERIOD OF TIME.

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FOURTH AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

STRONGHOLD DIGITAL MINING HOLDINGS LLC

This FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (as amended, supplemented or restated from time to time, this "**Agreement**"), is entered into as of March 14, 2022, by and among Stronghold Digital Mining Holdings LLC, a Delaware limited liability company (the "**Company**"), Stronghold Digital Mining, Inc., a Delaware corporation ("**PubCo**"), Q Power LLC, a Delaware limited liability company ("**Q Power**"), any other parties listed on Exhibit A hereto and each other Person who is or at any time becomes a Member in accordance with the terms of this Agreement and the Act. Capitalized terms used herein and not otherwise defined have the respective meanings set forth in Section 1.1.

RECITALS

WHEREAS, the Company is governed by that certain Third Amended and Restated Limited Liability Company Agreement of the Company, dated as of October 22, 2021 (the "**Existing LLC Agreement**");

WHEREAS, each Common Unit (other than any Common Unit held by the PubCo Holdings Group) may be redeemed, at the election of the holder of such Common Unit (together with the surrender and delivery by such holder of one Voting Share), for one Common Share in accordance with the terms and conditions of this Agreement;

WHEREAS, the Units owned by each of the Members as of the date hereof are set forth on Exhibit A; and

WHEREAS, the Members of the Company desire to amend and restate the Existing LLC Agreement and adopt this Agreement, which shall supersede and replace the Existing LLC Agreement in its entirety as of the date hereof.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 **Definitions**. As used in this Agreement and the Schedules and Exhibits attached to this Agreement, the following definitions shall apply:

"**Act**" means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, et seq., as amended from time to time (or any corresponding provisions of succeeding Law).

"**Action**" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Entity.

"**Adjusted Basis**" has the meaning given such term in Section 1011 of the Code.

"**Adjusted Capital Account Deficit**" means the deficit balance, if any, in such Member's Capital Account at the end of any Fiscal Year or other taxable period, with the following adjustments:

(a) credit to such Capital Account any amount that such Member is obligated to restore under Treasury Regulations Section 1.704-1(b)(2)(ii)(*c*), as well as any addition thereto pursuant to the next to last sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) after taking into account thereunder any changes during such year in Company Minimum Gain and Member Minimum Gain; and

(b) debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(*d*)(4), (5) and (6).

This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Sections 1.704-1(b)(2)(ii)(*d*) and 1.704-2 and shall be interpreted consistently therewith.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. For these purposes, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise; *provided* that, for purposes of this Agreement, (a) no Member shall be deemed an Affiliate of the Company or any of its Subsidiaries and (b) none of the Company or any of its Subsidiaries shall be deemed an Affiliate of any Member.

"**Agreement**" is defined in the preamble to this Agreement.

"**beneficially own**" and "**beneficial owner**" shall be as defined in Rule 13d-3 of the rules promulgated under the Exchange Act.

"**Board**" means the board of directors of PubCo.

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks in the city of the Company's principal place of business are generally open for business.

"**Business Opportunities Exempt Party**" is defined in Section 7.4.

"**Call Right**" is defined in Section 3.6(n).

"**Capital Account**" means, with respect to any Member, the Capital Account maintained for such Member in accordance with Section 3.4.

"**Capital Contribution**" means, with respect to any Member, the amount of cash and the initial Gross Asset Value of any property (other than cash) contributed to the Company by such Member. Any reference to the Capital Contribution of a Member will include any Capital Contributions made by a predecessor holder of such Member's Units to the extent that such Capital Contribution was made in respect of Units Transferred to such Member.

"**Cash Election**" means an election by the Company to redeem Units for cash pursuant to Section 3.6(d) or an election by PubCo (or such designated member(s) of the PubCo Holdings

Group) to purchase Units for cash pursuant to an exercise of its Call Right set forth in Section 3.6(n).

"**Cash Election Amount**" means with respect to a particular Redemption for which a Cash Election has been made, (a) other than in the case of clause (b), if the Common Shares trade on a securities exchange or automated or electronic quotation system, an amount of cash equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the average of the volume-weighted closing price for a Common Share on the principal U.S. securities exchange or automated or electronic quotation system on which the Common Shares trade, as reported by Bloomberg, L.P., or its successor, for each of the 10 consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Notice Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Common Shares; (b) if the Cash Election is made in respect of a Redemption Notice issued by a Redeeming Member in connection with a Public Offering (or PubCo consummates a Public Offering to fund such Cash Election), an amount of cash equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the price per Common Share sold to the public in such Public Offering (reduced by the amount of any Discount associated with such Common Share), and (c) if the Common Shares do not trade on a securities exchange or automated or electronic quotation system, an amount of cash equal to the product of (i) the number of Common Shares that would have been received in such Redemption if a Cash Election had not been made and (ii) the Fair Market Value of one Common Share, as determined by the Managing Member in Good Faith, that would be obtained in an arms' length transaction for cash between an informed and willing buyer and an informed and willing seller, neither of whom is under any compulsion to buy or sell, and without regard to the particular circumstances of the buyer or seller and without any discounts for liquidity or minority discount.

"**Change of Control**" means the occurrence of any of the following events or series of events after the date hereof:

(a) any Person (excluding a corporation or other entity owned, directly or indirectly, by the shareholders of PubCo in substantially the same proportions as their ownership of PubCo Shares and excluding Q Power and its Affiliates) is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the rules promulgated under the Exchange Act), directly or indirectly, of securities of PubCo representing more than 50% of the combined voting power of PubCo's then outstanding voting securities;

(b) there is consummated a merger or consolidation of PubCo with any other corporation or other entity, and, immediately after the consummation of such merger or consolidation, the voting securities of PubCo immediately prior to such merger or consolidation do not continue to represent or are not converted into more than 50% of the combined voting power of the then-outstanding voting securities of the Person resulting from such merger or consolidation or, if the surviving company is a Subsidiary, the ultimate parent thereof; or

(c) the shareholders of PubCo approve a plan of complete liquidation or dissolution of PubCo or there is consummated an agreement or series of related agreements for the sale or other disposition, directly or indirectly, by PubCo of all or substantially all of PubCo's assets, other than such sale or other disposition by PubCo of all or substantially all of PubCo's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of PubCo in substantially the same proportions as their ownership of PubCo immediately prior to such sale.

"**Change of Control Exchange Date**" is defined in Section 3.6(q).

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Commission**" means the U.S. Securities and Exchange Commission, including any governmental body or agency succeeding to the functions thereof.

"**Common Shares**" means, as applicable, (a) the Class A Common Stock or (b) following any consolidation, merger, reclassification or other similar event involving PubCo, any shares or other securities of PubCo or any other Person or cash or other property that become payable in consideration for the Common Shares or into which the Common Shares is exchanged or converted as a result of such consolidation, merger, reclassification or other similar event.

"**Common Units**" means the Units designated as "Class A Common Units" and corresponding to the Common Shares.

"**Company**" is defined in the preamble to this Agreement.

"**Company Level Taxes**" means any U.S. federal, state, or local taxes, additions to tax, penalties, and interest payable by the Company or any of its Subsidiaries as a result of any examination of the Company's or any of its Subsidiaries' affairs by any U.S. federal, state, or local tax authorities, including resulting administrative and judicial proceedings under the Partnership Tax Audit Rules.

"**Company Minimum Gain**" has the meaning of "partnership minimum gain" set forth in Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d). It is further understood that Company Minimum Gain shall be determined in a manner consistent with the rules of Treasury Regulations Section 1.704-2(b)(2), including the requirement that if the adjusted Gross Asset Value of property subject to one or more Nonrecourse Liabilities differs from its adjusted tax basis, Company Minimum Gain shall be determined with reference to such Gross Asset Value.

"**Company Representative**" has the meaning assigned to the term "partnership representative" in Section 6223 of the Code and any "designated individual," if applicable, as defined in the Treasury Regulations promulgated thereunder (including, in each case, any similar capacity or role under relevant state or local law), as appointed pursuant to Section 9.5.

"**Contract**" means any written agreement, contract, lease, sublease, license, sublicense, obligation, promise or undertaking.

"**control**" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by Contract, credit arrangement or otherwise.

"**Covered Audit Adjustment**" means an adjustment to any partnership-related item (within the meaning of Section 6241(2)(B) of the Code) to the extent such adjustment results in an "imputed underpayment" as described in Section 6225(b) of the Code or any analogous provision of state or local Law.

"**Covered Person**" is defined in Section 6.2(a).

"**Debt Securities**" means any and all debt instruments or debt securities that are not convertible or exchangeable into Equity Securities of any member of the PubCo Holdings Group.

"**Depreciation**" means, for each Fiscal Year or other taxable period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other taxable period, except that (a) with respect to any such property the Gross Asset Value of which differs from its Adjusted Basis for U.S. federal income tax purposes and which difference is being eliminated by use of the " remedial method" pursuant to Treasury Regulations Section 1.704-3(d), Depreciation for such Fiscal Year or other taxable period shall be the amount of book basis recovered for such Fiscal Year or other taxable period under the rules prescribed by Treasury Regulations Section 1.704-3(d)(2), and (b) with respect to any other such property the Gross Asset Value of which differs from its Adjusted Basis for U.S. federal income tax purposes at the beginning of such Fiscal Year or other taxable period, Depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the U.S. federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other taxable period bears to such beginning Adjusted Basis; *provided*, *however*, that if the Adjusted Basis for U.S. federal income tax purposes of an asset at the beginning of such Fiscal Year or other taxable period is zero, Depreciation with respect to such asset shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managing Member.

"**DGCL**" means the General Corporation Law of the State of Delaware, as amended from time to time (or any corresponding provisions of succeeding Law).

"**Discount**" means any underwriters' discounts or commissions and brokers' fees or commissions.

"**Equity Securities**" means (a) with respect to a partnership, limited liability company or similar Person, any and all units, interests, rights to purchase, warrants, options or other equivalents of, or other ownership interests in, any such Person as well as debt or equity instruments convertible, exchangeable or exercisable into any such units, interests, rights or other ownership interests and (b) with respect to a corporation, any and all shares, interests, participation or other equivalents (however designated) of corporate stock, including all common stock and preferred stock, or warrants, options or other rights to acquire any of the foregoing, including any debt instrument convertible or exchangeable into any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Excess Tax Amount**" is defined in Section 9.6(c).

"**Exchange Act**" means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).

"**Existing LLC Agreement**" is defined in the recitals to this Agreement.

"**Fair Market Value**" means the fair market value of any property as reasonably determined by the Managing Member after taking into account such factors as the Managing Member shall deem appropriate.

"**Federal Bankruptcy Code**" means Title 11 of the United States Code, as amended from time to time, and all rules and regulations promulgated thereunder.

"**Fiscal Year**" means the fiscal year of the Company, which shall end on December 31 of each calendar year unless, for U.S. federal income tax purposes, another fiscal year is required. The Company shall have the same fiscal year for U.S. federal income tax purposes and for accounting purposes.

"**GAAP**" means U.S. generally accepted accounting principles at the time.

"**Good Faith**" means a Person having acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to a criminal proceeding, having had no reasonable cause to believe such Person's conduct was unlawful.

"**Governmental Entity**" means any federal, national, supranational, state, provincial, local, foreign or other government, governmental, stock exchange, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"**Gross Asset Value**" means, with respect to any asset, the asset's Adjusted Basis for U.S. federal income tax purposes, except as follows:

(c) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross Fair Market Value of such asset as of the date of such contribution;

(d) the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross Fair Market Values as of the following times: (i) the acquisition of an interest (or additional interest) in the Company by any new or existing Member in exchange for more than a *de minimis* Capital Contribution to the Company or in exchange for the performance of more than a *de minimis* amount of services to or for the benefit of the Company; (ii) the distribution by the Company to a Member of more than a *de minimis* amount of Company assets as consideration for an interest in the Company; (iii) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(*g*)(1), (iv) the acquisition of an interest in the Company by any new or existing Member upon the exercise of a noncompensatory option in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(*s*); or (v) any other event to the extent determined by the Managing Member to be permitted and necessary or appropriate to properly reflect Gross Asset Values in accordance with the standards set forth in Treasury Regulations Section 1.704-1(b)(2)(iv)(*q*); *provided, however,* that adjustments pursuant to clauses (i), (ii) and (iv) above shall be made only if the Managing Member reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company. If any noncompensatory options are outstanding upon the occurrence of an event described in this subsection (b)(i) through (b)(v), the Company shall adjust the Gross Asset Values of its properties in accordance with Treasury Regulations Sections 1.704-1(b)(2)(iv)*(f)*(1) and 1.704-1(b)(2)(iv)*(h*)(2);

(e) the Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross Fair Market Value of such asset on the date of such distribution;

(f) the Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the Adjusted Basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*) and subsection (f) in the definition of "Profits" or "Losses" below or Section 4.2(h); *provided, however*, that the Gross Asset Value of a Company asset shall not be adjusted pursuant to this subsection to the extent the Managing Member determines that an adjustment

pursuant to subsection (b) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subsection (d); and

(g) if the Gross Asset Value of a Company asset has been determined or adjusted pursuant to subsections (a), (b) or (d) of this definition of Gross Asset Value, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits, Losses, and other items allocated pursuant to Article IV.

"**Indebtedness**" means (a) all indebtedness for borrowed money (including capitalized lease obligations, sale-leaseback transactions or other similar transactions, however evidenced), (b) any other indebtedness that is evidenced by a note, bond, debenture, draft or similar instrument, (c) notes payable, and (d) lines of credit and any other agreements relating to the borrowing of money or extension of credit.

"**Interest**" means the entire interest of a Member in the Company, including the Units and all of such Member's rights, powers and privileges under this Agreement and the Act.

"**Investment Company Act**" means the Investment Company Act of 1940, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).

"**IPO**" is defined in the recitals to this Agreement.

"**Law**" means any statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) of any Governmental Entity.

"**Legal Action**" is defined in Section 11.8.

"**Liability**" means any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due, regardless of when asserted.

"**Liquidating Event**" is defined in Section 10.1.

"**Managing Member**" is defined in Section 6.1(a).

"**Member**" means any Person that executes this Agreement as a Member, and any other Person admitted to the Company as an additional or substituted Member, in each case, that has not made a disposition of such Person's entire Interest.

"**Member Minimum Gain**" has the meaning ascribed to "partner nonrecourse debt minimum gain" set forth in Treasury Regulations Section 1.704-2(i). It is further understood that the determination of Member Minimum Gain and the net increase or decrease in Member Minimum Gain shall be made in the same manner as required for such determination of Company Minimum Gain under Treasury Regulations Sections 1.704-2(d) and 1.704-2(g)(3).

"**Member Nonrecourse Debt**" has the meaning of "partner nonrecourse debt" set forth in Treasury Regulations Section 1.704-2(b)(4).

"**Member Nonrecourse Deductions**" has the meaning of "partner nonrecourse deductions" set forth in Treasury Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2).

"**Minority Member Redemption Date**" is defined in Section 3.6(o).

"**Minority Member Redemption Notice**" is defined in Section 3.6(o).

"**National Securities Exchange**" means an exchange registered with the Commission under the Exchange Act.

"**Nonrecourse Deductions**" has the meaning assigned that term in Treasury Regulations Section 1.704-2(b).

"**Nonrecourse Liability**" is defined in Treasury Regulations Section 1.704-2(b)(3).

"**Partnership Tax Audit Rules**" means Sections 6221 through 6241 of the Code, together with any final or temporary Treasury Regulations, Revenue Rulings, and case Law interpreting Sections 6221 through 6241 of the Code (and any analogous provision of state or local tax Law).

"**Permitted Transferee**" means, with respect to any Member: (a) any Affiliate of such Member; (b) with respect to any Member that is a natural person or of which a majority of the outstanding Equity Securities and voting power with respect to the election of directors (or the selection of any other similar governing body in the case of an entity other than a corporation) are beneficially owned (as such term is defined under Rule 13d-3 of the Exchange Act) by a single natural person, a trust established by or for the benefit of such natural person of which only such natural person and his or her immediate family members are beneficiaries; and (c) upon the death of any Member that is a natural person, an executor, administrator or beneficiary of the estate of the deceased Member.

"**Person**" means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

"**Plan Asset Regulations**" means the regulations issued by the U.S. Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the Code of Federal Regulations, or any successor regulations as the same may be amended from time to time.

"**Prior Partnership**" means Scrubgrass Reclamation Company, LLC, a Delaware limited liability company (previously known as Scrubgrass Generating Company, L.P., a Delaware limited partnership).

"**Proceeding**" is defined in Section 6.2(a).

"**Profits**" or "**Losses**" means, for each Fiscal Year or other taxable period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments (without duplication):

(h) any income or gain of the Company that is exempt from U.S. federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;

(i) any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*i*), and not otherwise taken into account in computing Profits or Losses, shall be subtracted from such taxable income or loss;

(j) if the Gross Asset Value of any Company asset is adjusted pursuant to subsection (b) or (c) of the definition of Gross Asset Value above, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the Company asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the Company asset) from the disposition of such asset and shall, except to the extent allocated pursuant to Section 4.2, be taken into account for purposes of computing Profits or Losses;

(k) gain or loss resulting from any disposition of Company assets with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed with reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value;

(l) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation;

(m) to the extent an adjustment to the adjusted tax basis of any asset pursuant to Section 734(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*)(4), to be taken into account in determining Capital Account balances as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or an item of loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses; and

(n) any items of income, gain, loss or deduction that are specifically allocated pursuant to the provisions of Section 4.2 shall not be taken into account in computing Profits or Losses for any taxable year, but such items available to be specially allocated pursuant to Section 4.2 will be determined by applying rules analogous to those set forth in subsections (a) through (f) above.

"**Property**" means all real and personal property owned by the Company from time to time, including both tangible and intangible property.

"**PubCo**" is defined in the recitals to this Agreement.

"**PubCo Approved Change of Control**" means any Change of Control specified in clause (b) of the definition thereof that meets the following conditions: (i) such Change of Control was approved by the Board prior to such Change of Control, (ii) such Change of Control results in an early termination of and acceleration of payments under the TRA, (iii) the terms of such Change of Control provide for the consideration for the Units in such Change of Control to consist solely of (A) freely and immediately tradeable common Equity Securities of an issuer listed on a National Securities Exchange or (B) cash, and (iv) if such consideration includes common equity, the market value of the outstanding common equity held by non-Affiliates of such issuer is at least twice as large as the market value of all of the outstanding common equity of PubCo, in each case on a fully-diluted basis immediately before the public announcement of such Change of Control.

"**PubCo Certificate**" means the Amended and Restated Certificate of Incorporation of PubCo, as may be amended, supplemented or restated from time to time.

"**PubCo Holdings Group**" means PubCo and each Subsidiary of PubCo (other than the Company and its Subsidiaries).

"**PubCo Shares**" means all shares of stock in PubCo, including the Common Shares and the Voting Shares.

"**Public Offering**" means an underwritten offering and sale of Equity Securities to the public pursuant to a registration statement, including a "bought" deal or "overnight" public offering.

"**Q Power**" is defined in the recitals to this Agreement.

"**Reclassification Event**" means any of the following: (a) any reclassification or recapitalization of PubCo Shares (other than as a result of a subdivision or combination or any transaction subject to Section 3.1(g)), (b) any merger, consolidation or other combination involving PubCo, or (c) any sale, conveyance, lease, or other disposal of all or substantially all the properties and assets of PubCo to any other Person, in each of clauses (a), (b) or (c), as a result of which holders of PubCo Shares shall be entitled to receive cash, securities or other property for their PubCo Shares.

"**Redeeming Member**" is defined in Section 3.6(a).

"**Redemption**" means any redemption of Common Units into Common Shares pursuant to this Agreement.

"**Redemption Date**" means a Regular Redemption Date, a Special Redemption Date or, with respect to a Redemption pursuant to clause (x) of Section 3.6(e)(iii), the later of (a) the date specified in the Redemption Notice delivered by the Member and (b) the date that is ten (10) Business Days after the delivery of the Redemption Notice to the Company and PubCo.

"**Redemption Notice**" is defined in Section 3.6(b).

"**Redemption Notice Date**" means, with respect to any Regular Redemption Date or Special Redemption Date, the date that is 10 Business Days before such Redemption Date, and for any other Redemption Date, the date the Redemption Notice with respect to such Redemption Date is delivered, which date shall not be less than 10 Business Days before such Redemption Date.

"**Redemption Right**" is defined in Section 3.6(a).

"**Regular Redemption Date**" means a date within each fiscal quarter specified by PubCo from time to time, which will generally be set so that the corresponding Redemption Notice Date falls within a window after PubCo's earnings announcement for the prior fiscal quarter or in connection with a Public Offering.

"**Regulatory Allocations**" is defined in Section 4.2(i).

"**Securities Act**" means the Securities Act of 1933, and the rules and regulations promulgated thereunder, as the same may be amended from time to time (or any corresponding provisions of succeeding Law).

"**Special Redemption Date**" means a date specified by PubCo in addition to or in lieu of the Regular Redemption Date during the same fiscal quarter. PubCo must specify a Special Redemption Date effective with any Public Offering.

"**Subsequent TRA**" means any tax receivable agreement (or comparable agreement), other than the TRA, entered into by PubCo or any of its Subsidiaries pursuant to which any member of the PubCo Holdings Group is obligated to pay over amounts with respect to tax benefits resulting from any tax attributes to which any member of the PubCo Holdings Group becomes entitled.

"**Subsidiary**" means, with respect to any specified Person, any other Person with respect to which such specified Person (a) has, directly or indirectly, the power, through the ownership of securities or otherwise, to elect a majority of directors or similar managing body or (b) beneficially owns, directly or indirectly, a majority of such Person's Equity Securities.

"**Tax Contribution Obligation**" is defined in Section 9.6(c).

"**Tax Offset**" is defined in Section 9.6(c).

"**Tax-Related Distribution**" is defined in Section 5.2.

"**Tax-Related Liabilities**" means (a) any U.S. federal, state and local and non-U.S. tax obligations owed by a Member (including any Company Level Taxes for which a Member is liable hereunder, but excluding any obligations to remit any amounts withheld from payments to third parties) and (b) any obligations of such Member under the TRA or any Subsequent TRA.

"**TRA**" means that certain tax receivable agreement, dated as of April 1, 2021, by and among PubCo, Q Power and Gregory A. Beard, as agent, as the same may be amended, supplemented or restated from time to time.

"**Trading Day**" means a day on which the New York Stock Exchange or such other principal United States securities exchange on which the Common Shares are listed or admitted to trading is open for the transaction of business (unless such trading shall have been suspended for the entire day).

"**Transfer**" means, when used as a noun, any voluntary or involuntary, direct or indirect (whether through a change of control of the Transferor or any Person that controls the Transferor, the issuance or transfer of Equity Securities of the Transferor, by operation of law or otherwise), transfer, sale, pledge or hypothecation (other than a bona fide pledge to secure Indebtedness) or other disposition and, when used as a verb, voluntarily or involuntarily, directly or indirectly (whether through a change of control of the Transferor or any Person that controls the Transferor, the issuance or transfer of Equity Securities of the Transferor or any Person that controls the Transferor, by operation of law or otherwise), to transfer, sell, pledge or hypothecate or otherwise dispose of; *provided*, *however*, that, notwithstanding anything in this Agreement to the contrary, the transfer of Equity Securities in Q Power or any direct or indirect owner thereof shall not be deemed a Transfer for any purpose of this Agreement. The terms "**Transferee**," "**Transferor**," "**Transferred**," and other forms of the word "**Transfer**" shall have the correlative meanings.

"**Transfer Agent**" means AST Financial or such other agent or agents of PubCo as may be designated by the Board as the transfer agent for the Common Shares.

"**Treasury Regulations**" means pronouncements, as amended from time to time, or their successor pronouncements, which clarify, interpret and apply the provisions of the Code, and which are designated as "Treasury Regulations" by the United States Department of the Treasury.

"**Uniform Commercial Code**" means the Uniform Commercial Code or any successor provision thereof as the same may from time to time be in effect in the State of Delaware.

"**Units**" means the Units issued hereunder and shall also include any Equity Security of the Company issued in respect of or in exchange for Units, whether by way of dividend or other distribution, split, recapitalization, merger, rollup transaction, consolidation, conversion or reorganization.

"**Voting Shares**" means, as applicable, (a) the Class V Common Stock or (b) following any consolidation, merger, reclassification or other similar event involving PubCo, any shares or other securities of PubCo or any other Person or cash or other property that become payable in consideration for the Voting Shares or into which the Voting Shares is exchanged or converted as a result of such consolidation, merger, reclassification or other similar event.

"WH **Warrant Agreement**" means that certain Stock Purchase Warrant dated as of June 30, 2021 pursuant to which PubCo grants to WhiteHawk Finance LLC, a Delaware limited liability company, the right to purchase from PubCo a number of Common Shares.

"**Warrant Units**" means the Units designated as "Warrant Units" and corresponding to the Common Shares issuable pursuant to the WH Warrant Agreement, which shall be treated as Common Units for all purposes under this Agreement unless expressly noted otherwise.

"**Winding-Up Member**" is defined in Section 10.2(a).

Section 1.2 **Interpretive Provisions**. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) all accounting terms not otherwise defined herein have the meanings assigned under GAAP;

(b) all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars and all payments hereunder shall be made in United States dollars;

(c) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated;

(d) whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation";

(e) "or" is disjunctive and is not exclusive;

(f) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(g) references to any Law shall include any successor legislation and all rules and regulations promulgated thereunder as in effect from time to time in accordance with the terms thereof and references to any Law shall be construed as including all statutory, legal, and regulatory provisions consolidating, amending or replacing such Law as amended from time to time;

(h) the words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(i) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and when counting days, the date of commencement will not be included as a full day for purposes of computing any applicable time periods (except as otherwise may be required under any applicable Law). If any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action may be deferred until the next Business Day.

ARTICLE II

ORGANIZATION OF THE LIMITED LIABILITY COMPANY

Section 2.1 **Formation**. The Company has been formed as a limited liability company subject to the provisions of the Act upon the terms, provisions and conditions set forth in this Agreement.

Section 2.2 **Filing**. The Company’s Certificate of Formation has been filed with the Secretary of State of the State of Delaware in accordance with the Act. The Members shall execute such further documents (including amendments to such Certificate of Formation) and take such further action as is appropriate to comply with the requirements of Law for the formation or operation of a limited liability company in Delaware and in all states and counties where the Company may conduct its business.

Section 2.3 **Name**. The name of the Company is “Stronghold Digital Mining Holdings LLC” and all business of the Company shall be conducted in such name or, in the discretion of the Managing Member, under any other name.

Section 2.4 **Registered Office; Registered Agent**. The location of the registered office of the Company and the name and address for service of process on the Company in the State of Delaware are as set forth in the Company’s Certificate of Formation, or such other office, qualified Person or address, as applicable, as the Managing Member may designate from time to time.

Section 2.5 **Principal Place of Business**. The principal place of business of the Company shall be located in such place as is determined by the Managing Member from time to time.

Section 2.6 **Purpose; Powers**. The nature of the business or purposes to be conducted or promoted by the Company is to engage in any lawful act or activity for which limited liability companies may be formed under the Act. The Company shall have the power and authority to take any and all actions and engage in any and all activities necessary, appropriate, desirable, advisable, ancillary or incidental to the accomplishment of the foregoing purpose.

Section 2.7 **Term**. The term of the Company commenced on the date of filing of the Certificate of Formation of the Company with the office of the Secretary of State of the State of Delaware in accordance with the Act and shall continue indefinitely. The Company may be dissolved and its affairs wound up only in accordance with Article X.

Section 2.8 **Intent**. It is the intent of the Members that the Company be operated in a manner consistent with its treatment as a "partnership" solely for U.S. federal (and applicable state and local) income tax purposes. It is also the intent of the Members that the Company not be operated or treated as a "partnership" for any other purpose, including for purposes of Section 303 of the Federal Bankruptcy Code. Neither the Company nor any Member shall take any action inconsistent with the express intent of the parties hereto as set forth in this Section 2.8.

ARTICLE III

OWNERSHIP AND CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS

Section 3.1 **Authorized Equity Securities; General Provisions With Respect to Equity Securities and Debt Securities**.

(a) Subject to the provisions of this Agreement, the Company shall be authorized to issue from time to time such number of Units and such other Equity Securities as the Managing Member shall determine in accordance with Section 3.3. Each authorized Unit and other Equity Security may be issued pursuant to such agreements as the Managing Member shall approve, including pursuant to options and warrants. The Company may reissue any Units or other Equity Securites that have been repurchased or acquired by the Company.

(b) Except to the extent explicitly provided otherwise herein (including Section 3.3), each outstanding Common Unit shall be identical and each outstanding Warrant Unit shall be identical.

(c) Initially, none of the Units or other Equity Securities will be represented by certificates. If the Managing Member determines that it is in the interest of the Company to issue certificates representing the Units or other Equity Securities, certificates will be issued and the Units or other Equity Securities will be represented by those certificates, and this Agreement shall be amended as necessary or desirable to reflect the issuance of certificated Units or other Equity Securities for purposes of the Uniform Commercial Code. Nothing contained in this Section 3.1(c) shall be deemed to authorize or permit any Member to Transfer its Units or other Equity Securities except as otherwise permitted under this Agreement.

(d) The total number of Units and other Equity Securities issued and outstanding and held by each Member as of the date hereof is set forth in the books and records of the Company. The Company shall update such books and records from time to time to reflect any Transfers of Interests, the issuance of additional Equity Securities and, subject to Section 11.1(a), subdivisions or combinations of Units made in compliance with Section 3.1(g), in each case, in accordance with the terms of this Agreement.

(e)

(i) If, at any time after the date hereof, PubCo issues a Common Share or any other Equity Security of PubCo (other than Voting Shares), (i), one or more member(s) of the PubCo Holdings Group shall concurrently contribute to the Company the net proceeds (in cash or other property, as the case may be), if any, received by PubCo for such Common Share or other Equity Security and (ii) the Company shall concurrently issue to the

relevant member(s) of the PubCo Holdings Group (and the Company shall be deemed to have automatically issued to such member(s) of the PubCo Holdings Group without further action or agreement), in accordance with the contributions made by each such member pursuant to clause (i), if any, one Common Unit (if PubCo issues a Common Share), or such other Equity Security of the Company (if PubCo issues Equity Securities other than Common Shares) corresponding to the Equity Securities issued by PubCo, and with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo to be issued; *provided*, *however*, that if PubCo issues any Common Shares in order to acquire or fund the acquisition from a Member (other than any member of the PubCo Holdings Group) of a number of Common Units (and Voting Shares) equal to the number of Common Shares so issued, then the Company shall not issue any new Units in connection therewith and, where such Common Shares have been issued for cash to fund such an acquisition by any member of the PubCo Holdings Group pursuant to a Cash Election, the PubCo Holdings Group shall not be required to transfer such net proceeds to the Company, and such net proceeds shall instead be transferred by such member of the PubCo Holdings Group to such Member as consideration for such acquisition as required pursuant to Section 3.6(d). If PubCo issues any Equity Security for cash to be used to fund the acquisition by any member of the PubCo Holdings Group of any Person or the assets of any Person, then the PubCo Holdings Group shall not be required to transfer such cash proceeds to the Company but instead such member of the PubCo Holdings Group shall be required to contribute such Person or the assets and Liabilities of such Person to the Company or any of its Subsidiaries.

(ii) Notwithstanding the foregoing, this Section 3.1(e) shall not apply to the issuance and distribution to holders of PubCo Shares of rights to purchase Equity Securities of PubCo under a "poison pill" or similar shareholders rights plan (and upon any Redemption of Common Units for Common Shares, such Common Shares will be issued together with a corresponding right under such plan), or to the issuance under PubCo's employee benefit plans of any warrants, options, other rights to acquire Equity Securities of PubCo or rights or property that may be converted into or settled in Equity Securities of PubCo, but shall in each of the foregoing cases apply to the issuance of Equity Securities of PubCo in connection with the exercise or settlement of such rights, warrants, options or other rights or property.

(iii) If, at any time after the date hereof, the Company issues a Common Unit of the Company to a Member other than a member of the PubCo Holdings Group, PubCo shall concurrently issue to such Member one Voting Share.

(iv) Except pursuant to Section 3.6, (x) the Company may not issue any additional Units to any member of the PubCo Holdings Group unless substantially simultaneously therewith a member of the PubCo Holdings Group issues or sells an equal number of newly issued Common Shares to another Person, and (y) the Company may not issue any other Equity Securities of the Company to any member of the PubCo Holdings Group unless substantially simultaneously such member of the PubCo Holdings Group issues or sells, to another Person, an equal number of newly issued

shares of a new class or series of Equity Securities of such member of the PubCo Holdings Group with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of the Company.

(v) If at any time any member of the PubCo Holdings Group issues Debt Securities, such member of the PubCo Holdings Group shall transfer to the Company (in a manner to be determined by the Managing Member in its reasonable discretion) the proceeds received by such member of the PubCo Holdings Group in exchange for such Debt Securities in a manner that directly or indirectly burdens the Company with the repayment of the Debt Securities.

(vi) If any Equity Security outstanding at PubCo is exercised or otherwise converted and, as a result, any Equity Securities of PubCo are issued, (1) the corresponding Equity Security outstanding at the Company shall be similarly exercised or otherwise converted, as applicable, and an equivalent number of Equity Securities of the Company shall be issued to the PubCo Holdings Group as contemplated by the first sentence of this Section 3.1(e), and (2) the PubCo Holdings Group shall concurrently contribute to the Company the net proceeds, if any, received by the PubCo Holdings Group from any such exercise.

(vii) For the avoidance of doubt, each outstanding Warrant Unit shall automatically convert into a Common Unit concurrently with the exercise of the corresponding WH Warrant Agreement for Common Shares ; *provided that*, if the Warrant Units are certificated, each holder of Warrant Units shall instead surrender all of its Warrant Units to the Company and the Company shall issue to such holder a certificate for a number of Common Units equal to the number of Warrant Units surrendered.

(f) No member of the PubCo Holdings Group may redeem, repurchase or otherwise acquire (other than from another member of the PubCo Holdings Group) (i) any Common Shares (including upon forfeiture of any unvested Common Shares) unless substantially simultaneously the Company redeems, repurchases or otherwise acquires from the PubCo Holdings Group an equal number of Units for the same price per security or (ii) any other Equity Securities of PubCo, unless substantially simultaneously the Company redeems, repurchases or otherwise acquires from the PubCo Holdings Group an equal number of Equity Securities of the Company of a corresponding class or series with substantially the same rights to dividends and distributions (including distributions upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo for the same price per security. The Company may not redeem, repurchase or otherwise acquire (x) except pursuant to Section 3.6, any Units from the PubCo Holdings Group unless substantially simultaneously the PubCo Holdings Group redeems, repurchases or otherwise acquires an equal number of Common Shares for the same price per security from holders thereof, or (y) any other Equity Securities of the Company from the PubCo Holdings Group unless substantially simultaneously the PubCo Holdings Group redeems, repurchases or otherwise acquires for the same price per security an equal number of Equity Securities of PubCo of a corresponding class or series with substantially the same rights to

dividends and distributions (including distribution upon liquidation, but taking into account differences resulting from any tax or other Liabilities borne by PubCo) and other economic rights as those of such Equity Securities of PubCo. Notwithstanding the foregoing, to the extent that any consideration payable by the PubCo Holdings Group in connection with the redemption or repurchase of any Equity Securities of PubCo consists (in whole or in part) of Equity Securities (including, for the avoidance of doubt, in connection with the cashless exercise of an option or warrant), then the redemption or repurchase of the corresponding Equity Securities of the Company shall be effectuated in an equivalent manner.

(g) The Company shall not in any manner effect any subdivision (by any equity split, equity distribution, reclassification, recapitalization or otherwise) or combination (by reverse equity split, reclassification, recapitalization or otherwise) of the outstanding Equity Securities of the Company unless accompanied by an identical subdivision or combination, as applicable, of the related outstanding PubCo Shares, with corresponding changes made with respect to any other exchangeable or convertible securities. Unless in connection with any action taken pursuant to Section 3.1(i), PubCo shall not in any manner effect any subdivision (by any equity split, equity distribution, reclassification, recapitalization or otherwise) or combination (by reverse equity split, reclassification, recapitalization or otherwise) of the outstanding PubCo Shares unless accompanied by an identical subdivision or combination, as applicable, of the related outstanding Units or other Equity Securities of the Company (if any), with corresponding changes made with respect to any other exchangeable or convertible securities.

(h) Notwithstanding any other provision of this Agreement, the Company may redeem Units from the PubCo Holdings Group for cash to fund any acquisition by the PubCo Holdings Group of another Person; *provided* that promptly after such redemption and acquisition the PubCo Holdings Group contributes or causes to be contributed, directly or indirectly, such Person or the assets and Liabilities of such Person to the Company or any of its Subsidiaries in exchange for a number of Units equal to the number of Units so redeemed.

(i) Notwithstanding any other provision of this Agreement (including Section 3.1(e)), if the PubCo Holdings Group acquires or holds any material amount of cash in excess of any monetary obligations it reasonably anticipates (including as a result of the receipt of distributions pursuant to Section 5.2 for any period in excess of the Tax-Related Liabilities of PubCo Holdings Group for such period), the Managing Member may use such excess cash amount in such other manner, and make such other adjustments to or take such other actions with respect to the capitalization of PubCo and the Company and to the one-to-one exchange ratio between Units and Common Shares, as the Managing Member in Good Faith determine to be fair and reasonable to the shareholders of PubCo and to the Members and to preserve the intended economic effect of this Section 3.1, Section 3.6 and the other provisions hereof.

Section 3.2 **Voting Rights**. No Member has any voting right except with respect to those matters specifically reserved for a Member vote under the Act and for matters expressly requiring the approval of Members under this Agreement. Except as otherwise required by the Act, each Unit (other than Warrant Units, which shall have no voting rights) will entitle the holder thereof to one vote on all matters to be voted on by the Members. Except as otherwise expressly provided in this Agreement, the holders of Units having voting rights will vote together as a single class on all matters to be approved by the Members.

Section 3.3 **Capital Contributions; Unit Ownership**.

(a) *Capital Contributions*. Except as otherwise set forth in Section 3.1 with respect to the obligations of the PubCo Holdings Group, no Member shall be required to make additional Capital Contributions.

(b) *Issuance of Additional Interests*. Except as otherwise expressly provided in this Agreement, the Managing Member shall have the right to authorize and cause the Company to issue on such terms (including price) as may be determined by the Managing Member (i) subject to the limitations of Section 3.1, additional Equity Securities in the Company (including creating preferred interests or other classes or series of interests having such rights, preferences and privileges as determined by the Managing Member, which rights, preferences and privileges may be senior to the Units), and (ii) obligations, evidences of Indebtedness or other securities or interests convertible or exchangeable for Equity Securities in the Company; *provided* that, at any time following the date hereof, in each case the Company shall not issue Equity Securities in the Company to any Person unless such Person shall have executed a counterpart to this Agreement and all other documents, agreements or instruments deemed necessary or desirable in the reasonable discretion of the Managing Member. Upon such issuance and execution, such Person shall be admitted as a Member of the Company. In that event, the Managing Member shall update the Company's books and records to reflect such additional issuances. Subject to Section 11.1, the Managing Member is hereby authorized to amend this Agreement to set forth the designations, preferences, rights, powers and duties of such additional Equity Securities in the Company, or such other amendments that the Managing Member determines to be otherwise necessary or appropriate in connection with the creation, authorization or issuance of, any class or series of Equity Securities in the Company pursuant to this Section 3.3(b); *provided* that, notwithstanding the foregoing, the Managing Member shall have the right to amend this Agreement as set forth in this sentence without the approval of any other Person (including any Member) and notwithstanding any other provision of this Agreement (including Section 11.1) if such amendment is necessary, and then only to the extent necessary, in order to consummate any offering of PubCo Shares or other Equity Securities of PubCo provided that the designations, preferences, rights, powers and duties of any such additional Equity Securities of the Company as set forth in such amendment are substantially similar to those applicable to such PubCo Shares or other Equity Securities of PubCo.

Section 3.4 **Capital Accounts**. A Capital Account shall be maintained for each Member in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv) and, to the extent consistent with such regulations, the other provisions of this Agreement. Each Member's Capital Account shall be (a) increased by (i) allocations to such Member of Profits pursuant to Section 4.1 and any other items of income or gain allocated to such Member pursuant to Section 4.2, (ii) the amount of cash or the initial Gross Asset Value of any asset (net of any Liabilities assumed by the Company and any Liabilities to which the asset is subject) contributed to the Company by such Member, and (iii) any other increases allowed or required by Treasury Regulations Section 1.704-1(b)(2)(iv), and (b) decreased by (i) allocations to such Member of Losses pursuant to Section 4.1 and any other items of deduction or loss allocated to such Member pursuant to the provisions of Section 4.2, (ii) the amount of any cash or the Gross Asset Value of any asset (net of any Liabilities assumed by the Member and any Liabilities to which the asset is subject) distributed to such Member, and (iii) any other decreases allowed or required by Treasury Regulations Section 1.704-1(b)(2)(iv). If a Transfer of Units is made in accordance with this Agreement (including a deemed Transfer for U.S. federal income tax purposes as

described in Section 3.6(g)), the Capital Account of the Transferor that is attributable to the Transferred Units shall carry over to the Transferee Member in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv)(*l*).

Section 3.5 **Other Matters**.

(a) No Member shall be entitled to a return on or of its Capital Contributions or withdraw from the Company without the consent of the Managing Member.

(b) No Member shall receive any interest, salary, compensation, draw or reimbursement with respect to its Capital Contributions or its Capital Account, or for services rendered or expenses incurred on behalf of the Company or otherwise in its capacity as a Member, except as otherwise provided in Section 6.7 or as otherwise contemplated by this Agreement.

(c) The Liability of each Member shall be limited as set forth in the Act and other applicable Law and, except as expressly set forth in this Agreement or required by Law, no Member (or any of its Affiliates) shall be personally liable, whether to the Company, any of the other Members, the creditors of the Company, or any other third party, for any debt or Liability of the Company, whether arising in Contract, tort or otherwise, solely by reason of being a Member of the Company.

(d) Except as otherwise required by the Act, a Member shall not be required to restore a deficit balance in such Member's Capital Account, to lend any funds to the Company or, except as otherwise set forth herein, to make any additional contributions or payments to the Company.

Section 3.6 **Redemption of Common Units**.

(a) Each Member other than the PubCo Holdings Group shall be entitled from time to time to cause the Company to redeem all or a portion of such Member's Common Units (such Member a "**Redeeming Member**"), together with an equal number of Voting Shares, in exchange for Common Shares or, at the Company's election under certain circumstances, cash in accordance with Section 3.6(d) (referred to herein as the "**Redemption Right**"), upon the terms and subject to the conditions set forth in this Section 3.6 and subject to PubCo's (or such designated member(s) of the PubCo Holdings Group's) Call Right as set forth in Section 3.6(n).

(b) In order to exercise its Redemption Right, each Redeeming Member shall provide written notice in a reasonable form as the Company may provide from time to time (the "**Redemption Notice**") to the Company and PubCo, on or before any Redemption Notice Date, stating that the Redeeming Member elects to have redeemed on the next Redemption Date a stated number of Common Units, together with an equal number of Voting Shares. Upon delivery of any Redemption Notice by any Member on or before any Redemption Notice Date, such Member may not revoke or rescind such Redemption Notice after such Redemption Notice Date. If the Common Shares are publicly traded, any Redemption Notice may be made contingent on the price of a Common Share at the close of business on the last Trading Day prior to the Redemption Date (as reported by Bloomberg, L.P. or its successor) being equal to or above a price specified in the Redemption Notice. Any Redemption Notice delivered for a Redemption on a Special Redemption Date may be made contingent on the consummation of the Public Offering or other transaction described in the notice of the Managing Member specifying such Special Redemption Date.

(c) On any Redemption Date for which any Member delivered a Redemption Notice with respect to Common Units, unless the Company elects to pay cash in accordance with Section 3.6(d) or PubCo (or such designated member(s) of the PubCo Holdings Group) exercises its Call Right pursuant to Section 3.6(n), subject to Section 3.6(f), on such Redemption Date such number of Common Units, together with an equal number of Voting Shares, shall be redeemed for an equal number of Common Shares.

(d) The Company shall be entitled to elect to settle any Redemption by delivering to the Redeeming Member, in lieu of the applicable number of Common Shares that would be received in such Redemption, an amount of cash equal to the Cash Election Amount for such shares.

(e) Subject to Section 3.6(f), each Member's Redemption Right shall be subject to the following limitations and qualifications:

(i) Except as provided herein, Redemptions shall only be permitted on each Redemption Date.

(ii) Except as provided in clause (iii)(y) below and absent the prior written consent of the Managing Member (not to be unreasonably withheld, conditioned or delayed), with respect to any Redemption, a Redeeming Member shall be required to redeem at least a number of Common Units equal to the lesser of 0.1% of the total number of all outstanding Common Units and all of the Common Units then held by such Redeeming Member.

(iii) Notwithstanding anything to the contrary in this Agreement, a Redeeming Member may exercise its Redemption Right (x) with respect to at least 2.0% of the total number of all outstanding Common Units at any time or (y) with respect to any of the then-held Common Units of such Member if such Redemption Right is exercised in connection with a valid exercise of such Member's rights to have the Common Shares issuable in connection with such Redemption to participate in a Public Offering.

(iv) Any Redemption of Common Units may be limited in accordance with the terms of any agreements or instruments entered into in connection with such issuance, as deemed necessary or desirable in the discretion of the Managing Member.

(f) The Managing Member may impose additional limitations and restrictions on Redemptions (including limiting Redemptions or creating priority procedures for Redemptions), solely to the extent it determines such limitations and restrictions to be necessary or appropriate to avoid undue risk that the Company may be classified as a "publicly traded partnership" within the meaning of Section 7704 of the Code. Furthermore, the Managing Member may require any Member or group of Members to redeem all of their Common Units to the extent it determines, that such Redemption is necessary or appropriate to avoid undue risk that the Company may be classified as a "publicly traded partnership" within the meaning of Section 7704 of the Code. Upon delivery of any notice by the Managing Member to such Member or group of Members requiring such Redemption, such Member or group of Members shall exchange, subject to exercise by PubCo (or such designated member(s) of the PubCo Holdings Group) of the Call Right pursuant to Section 3.6(n), all of their Common Units effective

as of the date specified in such notice (and such date shall be deemed to be a Redemption Date for purposes of this Agreement) in accordance with this Section 3.6 and otherwise in accordance with the requirements set forth in such notice.

(g) For U.S. federal income (and applicable state and local) tax purposes, each of the Redeeming Member, the Company and PubCo (and any other member of the PubCo Holding Group), as the case may be, agree to treat each Redemption and, if PubCo (or another member of the PubCo Holdings Group) exercises its Call Right, each transaction between the redeeming or selling Member and PubCo (or such other member of the PubCo Holdings Group), as a sale of such Member's Common Units (together, if applicable, with the same number of Voting Shares) to PubCo (or such other member of the PubCo Holdings Group) in exchange for Common Shares or cash (and any associated payments made pursuant to the TRA or any applicable Subsequent TRA), as applicable.

(h) Each Redemption shall be deemed to have been effected on the applicable Redemption Date. Any Member redeeming Common Units in accordance with this Agreement may request that the Common Shares to be issued upon such Redemption be issued in a name other than such Member. Any Person or Persons in whose name or names any Common Shares are issuable on any Redemption Date shall be deemed to have become, on such Redemption Date, the holder or holders of record of such shares.

(i) If the redeemed Common Units (or the Voting Shares to be transferred and surrendered) are represented by a certificate or certificates, prior to the Redemption Date, the Redeeming Member shall also present and surrender such certificate or certificates representing such Common Units (or Voting Shares) during normal business hours at the principal executive offices of the Company or at the office of the Transfer Agent. If required by the Managing Member, any certificate for Common Units (or Voting Shares) surrendered to the Company or Transfer Agent hereunder shall be accompanied by instruments of Transfer, in forms reasonably satisfactory to the Managing Member and the Transfer Agent, duly executed by the Redeeming Member or the Redeeming Member's duly authorized representative.

(j) Unless a member of the PubCo Holdings Group has elected its Call Right pursuant to Section 3.6(n) with respect to any Redemption, on the relevant Redemption Date and immediately prior to such Redemption, (i) the Redeeming Member shall Transfer and surrender the redeemed Common Units (and a corresponding number of Voting Shares) to the Company, (ii) PubCo (or such other member(s) of the PubCo Holdings Group) shall contribute to the Company the consideration the Redeeming Member is entitled to receive under Section 3.6(c) (including if the Company exercises its right to deliver the Cash Election Amount pursuant to Section 3.6(d)) and the Company shall issue to PubCo (or such other member(s) of the PubCo Holdings Group) a number of Common Units or, pursuant to Section 3.1(e), other Equity Securities of the Company as consideration for such contribution, (iii) the Company shall (A) cancel the redeemed Common Units and (B) Transfer to the Redeeming Member the consideration the Redeeming Member is entitled to receive under Section 3.6(c) (including if the Company exercises its right to deliver the Cash Election Amount pursuant to Section 3.6(d)), (iv) PubCo shall cancel the surrendered Voting Shares, if applicable, and (v) if the redeemed Common Units are certificated, issue to the Redeeming Member a certificate for the number of Common Units equal to the difference (if any) between the number of Units evidenced by the

certificate surrendered by the Redeeming Member and the number of redeemed Units.

(k) If (i) there is any reclassification, reorganization, recapitalization or other similar transaction pursuant to which the Common Shares are converted or changed into another security, securities or other property (other than as a result of a subdivision or combination or any transaction subject to Section 3.1(f) or Section 3.1(g)), or (ii) except in connection with actions taken with respect to the capitalization of PubCo or the Company pursuant to Section 3.1(i), PubCo, by dividend or otherwise, distributes to all holders of the Common Shares evidences of its Indebtedness or assets, including securities (including Common Shares and any rights, options or warrants to all holders of the Common Shares to subscribe for or to purchase or to otherwise acquire Common Shares, or other securities or rights convertible into, redeemable for or exercisable for Common Shares) but excluding (A) any cash dividend or distribution or (B) any such distribution of Indebtedness or assets, in either case (A) or (B) received by PubCo, directly or indirectly, from the Company in respect of the Common Units, then upon any subsequent Redemption, in addition to the Common Shares or the Cash Election Amount, as applicable, each Redeeming Member shall be entitled to receive the amount of such security, securities or other property that such Member would have received if such Redemption had occurred immediately prior to the effective date of such reclassification, reorganization, recapitalization, other similar transaction, dividend or other distribution, taking into account any adjustment as a result of any subdivision (by any split, distribution or dividend, reclassification, reorganization, recapitalization or otherwise) or combination (by reverse split, reclassification, recapitalization or otherwise) of such security, securities or other property that occurs after the effective time of such reclassification, reorganization, recapitalization or other similar transaction. If there is any reclassification, reorganization, recapitalization or other similar transaction in which the Common Shares are converted or changed into another security, securities or other property, or any dividend or distribution (other than an excluded dividend or distribution, as described above in clause (A) or (B)), this Section 3.6 shall continue to be applicable, *mutatis mutandis*, with respect to such security or other property.

(l) PubCo shall at all times keep available, solely for the purpose of issuance upon a Redemption, out of its authorized but unissued Common Shares, such number of Common Shares that shall be issuable upon the Redemption of all outstanding Common Units (other than those Common Units held by any member of the PubCo Holdings Group). PubCo covenants that all Common Shares that shall be issued upon a Redemption shall, upon issuance thereof, be validly issued, fully paid and non-assessable (except as such non-assessability may be limited by Sections 18-607 and 18-804 of the Act). In addition, for so long as the Common Shares are listed on a National Securities Exchange, PubCo shall use its reasonable best efforts to cause all Common Shares issued upon a Redemption to be listed on such National Securities Exchange at the time of such issuance.

(m) The issuance of Common Shares upon a Redemption shall be made without charge to the Redeeming Member for any stamp or other similar tax in respect of such issuance, except that if any such Common Shares are to be issued in a name other than that of the Redeeming Member, then the Person or Persons in whose names such shares are to be issued shall pay to PubCo (or such other member of the PubCo Holdings Group) the amount of any tax payable in respect of any Transfer involved in such issuance or establish to the satisfaction of PubCo that

such tax has been paid or is not payable. Each of the Company and PubCo (or such other member of the PubCo Holdings Group) shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable upon a Redemption (and the Redeeming Member agrees to indemnify the Company and the PubCo Holdings Group with respect to) such amounts as may be required to be deducted or withheld therefrom under the Code or any provision of applicable Law, and to the extent deduction and withholding is required, such deduction and withholding may be taken in Common Shares. Prior to making such deduction or withholding, the Company shall give written notice to the Redeeming Member and reasonably cooperate with such Redeeming Member to reduce or avoid any such withholding. To the extent such amounts are so deducted or withheld and paid over to the relevant governmental authority, such amounts shall be treated for all purposes under this Agreement as having been paid to the Redeeming Member, and, if withholding is taken in Common Shares, the relevant withholding party shall be treated as having sold such Common Shares on behalf of such Redeeming Member for an amount of cash equal to the Fair Market Value thereof at the time of such deemed sale and paid such cash proceeds to the appropriate Governmental Entity.

(n) Notwithstanding anything to the contrary in this Section 3.6, a Redeeming Member shall be deemed to have offered to sell its Common Units as described in any Redemption Notice to each member of the PubCo Holdings Group, and PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) may, in its sole discretion, in accordance with this Section 3.6(n), elect to purchase directly and acquire such Common Units on the Redemption Date by paying to the Redeeming Member that number of Common Shares the Redeeming Member would otherwise receive pursuant to Section 3.6(c) or, if PubCo (or such designated member(s) of the PubCo Holdings Group) makes a Cash Election, the Cash Election Amount for such Common Shares (the "**Call Right**"), whereupon PubCo (or such designated member(s) of the PubCo Holdings Group) shall acquire the Common Units offered for Redemption by the Redeeming Member and shall be treated thereafter for all purposes of this Agreement as the owner of such Common Units.

(o) If (i) the Members (other than any member of the PubCo Holdings Group) beneficially own, in the aggregate, less than ten percent (10%) of the then-outstanding Common Units and (ii) the Common Shares are listed or admitted to trading on a National Securities Exchange, PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) shall have the right, in its sole discretion, to require any Member (other than any member of the PubCo Holdings Group), collectively with its Affiliates, that beneficially owns less than five percent (5%) of the then-outstanding Common Units to effect a Redemption of all of such Member's Common Units (together with the surrender and delivery of the same number of Voting Shares); *provided* that a Cash Election shall not be permitted pursuant to such a Redemption under this Section 3.6(o). PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) shall deliver written notice to the Company and any such Member of its intention to exercise its Redemption Right pursuant to this Section 3.6(o) (a "**Minority Member Redemption Notice**") at least 5 Business Days prior to the proposed date upon which such Redemption is to be effected (such proposed date, the "**Minority Member Redemption Date**"), indicating in such notice the number of Common Units (and corresponding Voting Shares) held by such Member that PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) intends to require to be subject to such Redemption. Any Redemption

pursuant to this Section 3.6(o) shall be effective on the Minority Member Redemption Date. From and after the Minority Member Redemption Date, (x) the Common Units and Voting Shares subject to such Redemption shall be deemed to be Transferred to PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) on the Minority Member Redemption Date and (y) such Member shall cease to have any rights with respect to the Common Units and Voting Shares subject to such Redemption (other than the right to receive Common Shares pursuant to such Redemption). Following delivery of a Minority Member Redemption Notice and on or prior to the Minority Member Redemption Date, the Members shall take all actions reasonably requested by PubCo (or such other member(s) of the PubCo Holdings Group designated by PubCo) to effect such Redemption, including taking any action and delivering any document required pursuant to the remainder of this Section 3.6 to effect a Redemption. Notwithstanding the foregoing, PubCo will only have the right to deliver a Minority Member Redemption Notice if (x) there is an active shelf registration statement in effect with respect to all of such Member's Common Units subject to Redemption pursuant to a given Minority Member Redemption Notice, and (y) the Common Shares issuable to such Member shall not be subject to any lockup or other restrictions on Transfer.

(p) No Redemption shall impair the right of the Redeeming Member to receive any distributions payable on the Common Units redeemed pursuant to such Redemption in respect of a record date that occurs prior to the Redemption Date for such Redemption. No Redeeming Member, or a Person designated by a Redeeming Member to receive Common Shares, shall be entitled to receive, with respect to such record date, distributions or dividends both on Common Units redeemed by the Company from such Redeeming Member and on Common Shares received by such Redeeming Member, or other Person so designated, if applicable, in such Redemption.

(q) In connection with a PubCo Approved Change of Control, PubCo shall have the right, in its sole discretion, to require each Member (other than any member of the PubCo Holdings Group) to effect a Redemption of all of such Member's Common Units (together, if applicable, with the corresponding number of Voting Shares); *provided*, *however*, that if any Member owns more than 10% of the total number of outstanding Common Units at the time of a PubCo Approved Change of Control, PubCo shall use commercially reasonable efforts to consult and cooperate with such Member to structure such Redemption in a tax efficient manner mutually agreeable to such Member and PubCo. Any Redemption pursuant to this Section 3.6(q) shall be effective immediately prior to and conditioned upon the consummation of the PubCo Approved Change of Control (the "**Change of Control Exchange Date**"). From and after the Change of Control Exchange Date, (i) the Common Units and Voting Shares subject to such Redemption shall be deemed to be transferred to PubCo on the Change of Control Exchange Date and (ii) such Member shall cease to have any rights with respect to the Common Units and Voting Shares subject to such Redemption (other than the right to receive Common Shares pursuant to such Redemption). PubCo shall provide written notice of an expected PubCo Approved Change of Control to all Members within the earlier of (x) 5 Business Days following the execution of the agreement with respect to such PubCo Approved Change of Control and (y) 10 Business Days before the proposed date upon which the contemplated PubCo Approved Change of Control is to be effected, indicating in such notice such information as may reasonably describe the PubCo Approved Change of Control transaction, subject to applicable Law, including the date of execution of such

agreement or such proposed effective date, as applicable, the amount and types of consideration to be paid for Common Shares in the PubCo Approved Change of Control, any election with respect to types of consideration that a holder of Common Shares, as applicable, shall be entitled to make in connection with such PubCo Approved Change of Control, and the number of Common Units (and, if applicable, the corresponding Voting Shares) held by such Member that PubCo intends to require to be subject to such Redemption. Following delivery of such notice and on or prior to the Change of Control Exchange Date, the Members shall take all actions reasonably requested by PubCo (or such other member of the PubCo Holdings Group) to effect such Redemption, including taking any action and delivering any document required pursuant to the remainder of this Section 3.6(q) to effect a Redemption. Nothing contained in this Section 3.6(q) shall limit the right of any Member to vote for or participate in any proposed Change of Control of PubCo with respect to such Member's Common Units and Voting Shares or exchange all Common Units of such Member for Common Shares in connection with such Change of Control.

ARTICLE IV

ALLOCATIONS OF PROFITS AND LOSSES

Section 4.1 **Profits and Losses**. After giving effect to the allocations under Section 4.2 and subject to Section 4.4, Profits and Losses (and, to the extent determined by the Managing Member to be necessary and appropriate to achieve the resulting Capital Account balances described below, any allocable items of income, gain, loss, deduction or credit includable in the computation of Profits and Losses) for each Fiscal Year or other taxable period shall be allocated among the Members during such Fiscal Year or other taxable period in a manner such that, after giving effect to the special allocations set forth in Section 4.2 and all distributions through the end of such Fiscal Year or other taxable period, the Capital Account balance of each Member, immediately after making such allocation, is, as nearly as possible, equal to (i) the amount such Member would receive pursuant to Section 10.2(b) if all assets of the Company on hand at the end of such Fiscal Year or other taxable period were sold for cash equal to their Gross Asset Values, all Liabilities of the Company were satisfied in cash in accordance with their terms (limited with respect to each Nonrecourse Liability to the Gross Asset Value of the assets securing such Liability), and all remaining or resulting cash was distributed, in accordance with Section 10.2(b), to the Members immediately after making such allocation, *minus* (ii) such Member's share of Company Minimum Gain and Member Minimum Gain, computed immediately prior to the hypothetical sale of assets, and the amount any such Member is treated as obligated to contribute to the Company, computed immediately after the hypothetical sale of assets.

Section 4.2 **Special Allocations**. The following allocations shall be made in the following order:

(a) Nonrecourse Deductions for any Fiscal Year or other taxable period shall be specially allocated to the Members on a *pro rata* basis, in accordance with the number of Units owned by each Member as of the last day of such Fiscal Year or other taxable period. The amount of Nonrecourse Deductions for a Fiscal Year or other taxable period shall equal the excess, if any, of the net increase, if any, in the amount of Company Minimum Gain during that Fiscal Year or other taxable period over the aggregate amount of any distributions during that Fiscal Year or other taxable period of proceeds of a Nonrecourse Liability that are allocable to an

increase in Company Minimum Gain, determined in accordance with the provisions of Treasury Regulations Section 1.704-2(d).

(b) Any Member Nonrecourse Deductions for any Fiscal Year or other taxable period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i). If more than one Member bears the economic risk of loss for such Member Nonrecourse Debt, the Member Nonrecourse Deductions attributable to such Member Nonrecourse Debt shall be allocated among the Members according to the ratio in which they bear the economic risk of loss. This Section 4.2(b) is intended to comply with the provisions of Treasury Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(c) Notwithstanding any other provision of this Agreement to the contrary, if there is a net decrease in Company Minimum Gain during any Fiscal Year or other taxable period (or if there was a net decrease in Company Minimum Gain for a prior Fiscal Year or other taxable period and the Company did not have sufficient amounts of income and gain during prior periods to allocate among the Members under this Section 4.2(c)), each Member shall be specially allocated items of Company income and gain for such Fiscal Year or other taxable period in an amount equal to such Member's share of the net decrease in Company Minimum Gain during such year (as determined pursuant to Treasury Regulations Section 1.704-2(g)(2)). This Section 4.2(c) is intended to constitute a minimum gain chargeback under Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(d) Notwithstanding any other provision of this Agreement except Section 4.2(c), if there is a net decrease in Member Minimum Gain during any Fiscal Year or other taxable period (or if there was a net decrease in Member Minimum Gain for a prior Fiscal Year or other taxable period and the Company did not have sufficient amounts of income and gain during prior periods to allocate among the Members under this Section 4.2(d)), each Member shall be specially allocated items of Company income and gain in an amount equal to such Member's share of the net decrease in Member Minimum Gain (as determined pursuant to Treasury Regulations Section 1.704-2(i)(4)). This Section 4.2(d) is intended to constitute a partner nonrecourse debt minimum gain chargeback under Treasury Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(e) Notwithstanding any provision hereof to the contrary except Section 4.2(a) and Section 4.2(b), no Losses or other items of loss or expense shall be allocated to any Member to the extent that such allocation would cause such Member to have an Adjusted Capital Account Deficit (or increase any existing Adjusted Capital Account Deficit) at the end of such Fiscal Year or other taxable period. All Losses and other items of loss and expense in excess of the limitation set forth in this Section 4.2(e) shall be allocated to the Members who do not have an Adjusted Capital Account Deficit in proportion to their relative positive Capital Accounts but only to the extent that such Losses and other items of loss and expense do not cause any such Member to have an Adjusted Capital Account Deficit.

(f) Notwithstanding any provision hereof to the contrary except Section 4.2(c) and Section 4.2(d), if any Member unexpectedly receives any adjustment, allocation or distribution described in paragraph (4), (5) or (6) of Treasury Regulations Section 1.704-1(b)(2)(ii)(*d*), items of income and gain (consisting of a *pro rata*

portion of each item of income, including gross income, and gain for the Fiscal Year or other taxable period) shall be specially allocated to such Member in an amount and manner sufficient to eliminate any Adjusted Capital Account Deficit of that Member as quickly as possible; provided that an allocation pursuant to this Section 4.2(f) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article IV have been tentatively made as if this Section 4.2(f) were not in this Agreement. This Section 4.2(f) is intended to constitute a qualified income offset under Treasury Regulations Section 1.704-1(b)(2)(ii)*(d)* and shall be interpreted consistently therewith.

(g) If any Member has a deficit balance in its Capital Account at the end of any Fiscal Year or other taxable period that is in excess of the sum of (i) the amount that such Member is obligated to restore and (ii) the amount that the Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), that Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 4.2(g) shall be made only if and to the extent that such Member would have a deficit balance in its Capital Account in excess of such sum after all other allocations provided for in this Article IV have been made as if Section 4.2(f) and this Section 4.2(g) were not in this Agreement.

(h) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Sections 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(*m*)(2) or 1.704-1(b)(2)(iv)*(m)*(4), to be taken into account in determining Capital Accounts as a result of a distribution to any Member in complete liquidation of such Member's Interest in the Company, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such item of gain or loss shall be allocated to the Members in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)*(m)*(2) if such section applies or to the Member to whom such distribution was made if Treasury Regulations Section 1.704-1(b)(2)(iv)*(m)*(4) applies.

(i) The allocations set forth in Section 4.2(a) through Section 4.2(h) (the "**Regulatory Allocations**") are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding any other provision of this Article IV (other than the Regulatory Allocations), the Regulatory Allocations (and anticipated future Regulatory Allocations) shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocation of other items and the Regulatory Allocations to each Member should be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred. This Section 4.2(i) is intended to minimize to the extent possible and to the extent necessary any economic distortions which may result from application of the Regulatory Allocations and shall be interpreted in a manner consistent therewith.

(j) Items of income, gain, loss, expense or credit resulting from a Covered Audit Adjustment shall be allocated to the Members in accordance with the applicable provisions of the Partnership Tax Audit Rules, as reasonably determined by the Managing Member.

Section 4.3 **Allocations for Tax Purposes in General**.

(a) Except as otherwise provided in this Section 4.3, each item of income, gain, loss, deduction and credit of the Company for U.S. federal income tax purposes shall be allocated among the Members in the same manner as such item is allocated under Section 4.1 and Section 4.2.

(b) In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder (including the Treasury Regulations applying the principles of Section 704(c) of the Code to changes in Gross Asset Values), items of income, gain, loss and deduction with respect to any Company property having a Gross Asset Value that differs from such property's adjusted U.S. federal income tax basis shall, solely for U.S. federal income tax purposes, be allocated among the Members to account for any such difference using such method or methods determined by the Managing Member to be appropriate and in accordance with the applicable Treasury Regulations; *provided*, that the Managing Member will, to the greatest extent possible, use the "traditional method with curative allocations," with the curative allocations applied only to sale gain, under Treasury Regulations Section 1.704-3(c) with respect to the assets owned by the Company immediately following the date of the Third Amended and Restated Limited Liability Company Agreement of the Company, dated as of October 22, 2021.

(c) Any (i) recapture of Depreciation or any other item of deduction shall be allocated, in accordance with Treasury Regulations Sections 1.1245-1(e) and 1.1254-5, to the Members who received the benefit of such deductions to the maximum extent permissible by Law, and (ii) recapture of grants or credits shall be allocated to the Members in accordance with applicable Law.

(d) Tax credits of the Company shall be allocated among the Members as provided in Treasury Regulation Sections 1.704-1(b)(4)(ii) and 1.704-1(b)(4)(viii).

(e) Allocations pursuant to this Section 4.3 are solely for purposes of U.S. federal, state and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

(f) If, as a result of an exercise of a noncompensatory option to acquire an interest in the Company, a Capital Account reallocation is required under Treasury Regulations Section 1.704-1(b)(2)(iv)(*s*)(3), the Company shall make corrective allocations pursuant to Treasury Regulations Section 1.704-1(b)(4)(x).

Section 4.4 **Other Allocation Rules**.

(a) The Members are aware of the income tax consequences of the allocations made by this Article IV and the economic impact of the allocations on the amounts receivable by them under this Agreement. The Members hereby agree to be bound by the provisions of this Article IV in reporting their share of Company income and loss for income tax purposes.

(b) The provisions regarding the establishment and maintenance for each Member of a Capital Account as provided by Section 3.4 and the allocations set forth in Section 4.1, Section 4.2, and Section 4.3 are intended to comply with the Treasury Regulations and to reflect the intended economic entitlement of the Members. If the Managing Member determines that the application of the provisions in Section

3.4, Section 4.1, Section 4.2, or Section 4.3 would result in non-compliance with the Treasury Regulations or would be inconsistent with the intended economic entitlement of the Members, the Managing Member is authorized to make any appropriate adjustments to such provisions.

(c) All items of income, gain, loss, deduction and credit allocable to an interest in the Company that may have been Transferred shall be allocated between the Transferor and the Transferee in accordance with a method determined by the Managing Member and permissible under Section 706 of the Code and the Treasury Regulations thereunder.

(d) The Members' proportionate shares of the "excess nonrecourse liabilities" of the Company, within the meaning of Treasury Regulations Section 1.752-3(a)(3), shall be allocated to the Members on a *pro rata* basis, in accordance with the number of Units owned by each Member unless otherwise determined by the Managing Member.

ARTICLE V

DISTRIBUTIONS

Section 5.1 **Distributions**.

(a) Distributions. To the extent permitted by applicable Law and hereunder, and except as otherwise provided in Section 10.2, distributions to Members may be declared by the Managing Member out of funds legally available therefor in such amounts and on such terms (including the payment dates of such distributions) as the Managing Member shall determine using such record date as the Managing Member may designate; any such distribution shall be made to the Members as of the close of business on such record date on a *pro rata* basis (provided that repurchases or redemptions made in accordance with Section 3.1(f), Section 3.6, or payments made in accordance with Section 6.2 or Section 6.7 need not be on a *pro rata* basis), in accordance with the number of Units owned by each Member as of the close of business on such record date; *provided*, *however*, that the Managing Member shall have the obligation to make distributions as set forth in Section 5.2 and Section 10.2(b)(iii). Promptly following the designation of a record date and the declaration of a distribution pursuant to this Section 5.1, the Managing Member shall give notice to each Member of the record date, the amount and the terms of the distribution and the payment date thereof.

(b) Successors. For purposes of determining the amount of distributions, each Member shall be treated as having made the Capital Contributions and as having received the distributions made to or received by its predecessors in respect of any of such Member's Units.

(c) Distributions In-Kind. Except as otherwise provided in this Agreement, any distributions may be made in cash or in kind, or partly in cash and partly in kind, as determined by the Managing Member. Except for repurchases or redemptions made in accordance with Section 3.1(f), Section 3.6, or payments made in accordance with Section 6.2 or Section 6.7, in the event of any distribution of (i) property in kind or (ii) both cash and property in kind, each Member shall be distributed its proportionate share of any such cash so distributed and its proportionate share of any such property so distributed in kind (based on the Fair

Market Value of such property). To the extent that the Company distributes property in-kind to the Members, the Company shall be treated as making a distribution equal to the Fair Market Value of such property for purposes of Section 5.1(a) and such property shall be treated as if it were sold for an amount equal to its Fair Market Value. Any resulting gain or loss shall be allocated to the Member's Capital Accounts in accordance with Section 4.1 and Section 4.2.

Section 5.2 **Tax-Related Distributions**. The Company shall, subject to any restrictions contained in any agreement to which the Company is bound, make distributions (each, a "**Tax-Related Distribution**") out of legally available funds to all Members, on a *pro rata* basis, in accordance with the number of Units owned by each Member, at such times and in such amounts as the Managing Member reasonably determines is necessary (taking into account any distributions reasonably expected to be made pursuant to Section 5.1(a), but only to the extent reasonably contemporaneously with such Tax-Related Distribution), to enable the PubCo Holdings Group to timely satisfy its Tax-Related Liabilities.

Section 5.3 **Distribution Upon Withdrawal**. No withdrawing Member shall be entitled to receive any distribution or the value of such Member's Interest in the Company as a result of withdrawal from the Company prior to the liquidation of the Company, except as specifically provided in this Agreement.

ARTICLE VI

MANAGEMENT

Section 6.1 **The Managing Member; Fiduciary Duties**.

(a) PubCo shall be the sole managing member of the Company (the "**Managing Member**"). Except as otherwise required by Law, (i) the Managing Member shall have full and complete charge of all affairs of the Company, (ii) the management and control of the Company's business activities and operations shall rest exclusively with the Managing Member, and the Managing Member shall make all decisions regarding the business, activities and operations of the Company (including the incurrence of costs and expenses) without the consent of any other Member, and (iii) the Members other than the Managing Member (in their capacity as such) shall not participate in the control, management, direction or operation of the activities or affairs of the Company and shall have no power to act for or bind the Company.

(b) Except as otherwise provided herein, in connection with the performance of its duties as the Managing Member of the Company, the Managing Member acknowledges that it will owe to the Members the same fiduciary duties as it would owe to the stockholders of a Delaware corporation under the DGCL if it were a member of the board of directors of such a corporation and the Members were stockholders of such corporation; *provided*, that all Members acknowledge and agree that the Managing Member shall owe no fiduciary or other duty to any Member where this Agreement provides that the Managing Member may act or otherwise proceed in its sole discretion. The Members further acknowledge that the Managing Member will take action through the Board and that the members of the Board will owe comparable fiduciary duties to the stockholders of PubCo.

Section 6.2 **Indemnification; Exculpation**.

(a) The Company shall indemnify and hold harmless, to the fullest extent permitted by applicable Law as it presently exists or may hereafter be amended (provided, that no such amendment shall limit a Covered Person's rights to indemnification hereunder with respect to any actions or events occurring prior to such amendment), any person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that such Person (or a Person for whom such Person is the legal representative or a director, officer or employee) is or was a Person entitled to indemnification under the Existing LLC Agreement, or is a Member, or acting as the Managing Member or Company Representative of the Company or, while being a Person entitled to indemnification under the Existing LLC Agreement, a Member, or acting as the Managing Member or Company Representative of the Company, is or was serving at the request of the Company as a member, director, officer, trustee, employee or agent of another limited liability company or of a corporation, partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (each of the Persons referred to above in this Section 6.2(a) being referred to as a "**Covered Person**"), whether the basis of such Proceeding is alleged action or failure of action in an official capacity as a member, director, officer, trustee, employee or agent, or in any other capacity while serving as a member, director, officer, trustee, employee or agent, against all costs, expenses (including reasonable attorneys' fees), Liability and loss incurred or suffered by such Covered Person in connection with such Proceeding, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of such act or omission, and taking into account the acknowledgements and agreements set forth in this Agreement, such Covered Person breached the terms of this Agreement or any duties owed to the Company or the Members. The Company shall, to the fullest extent not prohibited by applicable Law as it presently exists or may hereafter be amended (provided, that no such amendment shall limit a Covered Person's rights to indemnification hereunder with respect to any actions or events occurring prior to such amendment), pay the costs and expenses (including reasonable attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition; *provided*, *however*, that to the extent required by applicable Law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined by final judicial decision from which there is no further right to appeal that the Covered Person is not entitled to be indemnified under this Section 6.2(a) or otherwise. The rights to indemnification and advancement of expenses under this Section 6.2(a) shall be Contract rights and such rights shall continue as to a Covered Person who has ceased to be a member, director, officer, trustee, employee or agent and shall inure to the benefit of his heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 6.2(a), except for Proceedings to enforce rights to indemnification and advancement of expenses, the Company shall indemnify and advance expenses to a Covered Person in connection with a Proceeding (or part thereof) initiated by such Covered Person only if such Proceeding (or part thereof) was authorized by the Managing Member. If this Section 6.2(a) or any portion of this Section 6.2(a) shall be invalidated on any ground by a court of competent jurisdiction the Company shall nevertheless indemnify each Covered Person as to expenses (including attorneys' fees),

judgments, fines, and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, including a grand jury proceeding or action or suit brought by or in the right of the Company, to the full extent permitted by any applicable portion of this Section 6.2(a) that shall not have been invalidated.

(b) Subject to other applicable provisions of this Section 6.2, to the fullest extent permitted by applicable Law, the Covered Persons shall not be liable to the Company, any Subsidiary, any director, any Member or any holder of any equity interest in any Subsidiary by virtue of being a Covered Person or for any acts or omissions in their capacity as a Covered Person or otherwise in connection with the Company, this Agreement or the business and affairs of the Company and its Subsidiaries unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such losses or Liabilities were the result of conduct in which such Covered Person breached the terms of this Agreement or any duties owed to the Company or the Members.

Section 6.3 **Maintenance of Insurance or Other Financial Arrangements**. In compliance with applicable Law, the Company (with the approval of the Managing Member) may purchase and maintain insurance or make other financial arrangements on behalf of any Person who is or was a Member, employee or agent of the Company, or at the request of the Company is or was serving as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, for any Liability asserted against such Person and Liability and expenses incurred by such Person in such Person's capacity as such, or arising out of such Person's status as such, whether or not the Company has the authority to indemnify such Person against such Liability and expenses.

Section 6.4 **Resignation or Termination of Managing Member**. PubCo (or its successor, as applicable) shall not, by any means, resign as, cease to be or be replaced as Managing Member except in compliance with this Section 6.4. No termination or replacement of PubCo (or its successor, as applicable) as Managing Member shall be effective unless proper provision is made, in compliance with this Agreement, so that the obligations of PubCo, its successor (if applicable) and any new Managing Member and the rights of all Members under this Agreement and applicable Law remain in full force and effect. No appointment of a Person other than PubCo (or its successor, as applicable) as Managing Member shall be effective unless PubCo (or its successor, as applicable) and the new Managing Member (as applicable) provide all other Members with contractual rights, directly enforceable by such other Members against PubCo (or its successor, as applicable) and the new Managing Member (as applicable), to cause (a) PubCo (or its successor, as applicable) to comply with all of PubCo's or such member's obligations under this Agreement (including its obligations under Section 3.6) other than those that must necessarily be taken in its capacity as Managing Member and (b) the new Managing Member to comply with all of the Managing Member's obligations under this Agreement.

Section 6.5 **No Inconsistent Obligations**. The Managing Member represents that it does not have any contracts, other agreements, duties or obligations that are inconsistent with its duties and obligations (whether or not in its capacity as Managing Member) under this Agreement and covenants that, except as permitted by Section 6.1, it will not enter into any contracts or other agreements or undertake or acquire any other duties or obligations that are inconsistent with such duties and obligations.

Section 6.6 **Reclassification Events of PubCo**. If a Reclassification Event occurs, the Managing Member or its successor, as the case may be, shall amend this Agreement in compliance with Section 11.1, and enter into supplementary or additional agreements, to ensure that, following the effective date of the Reclassification Event: (i) the Redemption Right of

holders of Common Units set forth in Section 3.6 provide that each Unit (together with the surrender and delivery of one Voting Share) is redeemable for the same amount and same type of property, securities or cash (or combination thereof) that one Common Share becomes exchangeable for or converted into as a result of the Reclassification Event, and (ii) PubCo or the successor to PubCo, as applicable, is obligated to deliver such property, securities or cash upon such Redemption. PubCo shall not consummate or agree to consummate any Reclassification Event unless the successor Person, if any, becomes obligated to comply with the obligations of PubCo (in whatever capacity) under this Agreement.

Section 6.7 **Certain Costs and Expenses**. The Company shall (i) pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Company and its Subsidiaries (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Company and its Subsidiaries) incurred in pursuing and conducting, or otherwise related to, the activities of the Company and (ii) reimburse the Managing Member for any costs, fees or expenses incurred by it in connection with serving as the Managing Member. To the extent that the Managing Member determines that such expenses are related to the business and affairs of the Managing Member that are conducted through the Company or its Subsidiaries (including expenses that relate to the business and affairs of the Company or its Subsidiaries and that also relate to other activities of any member of the PubCo Holdings Group), the Managing Member may cause the Company to pay or bear all expenses of the PubCo Holdings Group; *provided* that the Company shall not pay or bear any income tax obligations of any member of the PubCo Holdings Group or any obligations of any member of the PubCo Holdings Group pursuant to the TRA or any Subsequent TRA. If (i) Equity Securities of PubCo are sold to underwriters in any Public Offering at a price per share that is lower than the price per share for which such Equity Securities of PubCo are sold to the public in such Public Offering after taking into account any Discounts and (ii) the proceeds from such Public Offering are not used to fund the Cash Election Amount for any redeemed Units but are instead contributed to the Company, the Company shall reimburse the applicable member of the PubCo Holdings Group for such Discount by treating such Discount as an additional Capital Contribution made by such member of the PubCo Holdings Group to the Company in respect of Equity Securities pursuant to Section 3.1(e), and increasing the Capital Account of such member of the PubCo Holdings Group by the amount of such Discount. Any payments made to or on behalf of any member of the PubCo Holdings Group pursuant to this Section 6.7 shall not be treated as a distribution pursuant to Section 5.1(a) but shall instead be treated as an expense of the Company.

ARTICLE VII

ROLE OF MEMBERS

Section 7.1 **Rights or Powers**.

(a) Other than the Managing Member, the Members, acting in their capacity as Members, shall not have any right or power to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way. Notwithstanding the foregoing, the Members have all the rights and powers specifically set forth in this Agreement and, to the extent not inconsistent with this Agreement, in the Act. A Member, any Affiliate thereof or an employee, stockholder, agent, director or officer of a Member or any Affiliate thereof, may also be an employee or be retained as an agent of the Company. The existence of these relationships and acting in such capacities will not result in the Member (other than the Managing Member) being deemed to be participating in the control of the business of the Company or otherwise affect the limited liability

of the Member. Except as specifically provided herein, a Member (other than the Managing Member) shall not, in its capacity as a Member, take part in the operation, management or control of the Company's business, transact any business in the Company's name or have the power to sign documents for or otherwise bind the Company.

(b) The Company shall promptly (but in any event within 3 Business Days) notify the Members in writing if, to the Company's knowledge, for any reason, it would be an "investment company" within the meaning of the Investment Company Act, but for the exceptions provided in Section 3(c)(1) or 3(c)(7) thereunder.

Section 7.2 **Voting**.

(a) Meetings of the Members may be called upon the written request of the Managing Member or Members holding at least 50% of the outstanding Units (excluding Warrant Units). Such request shall state the location of the meeting and the nature of the business to be transacted at the meeting. Written notice of any such meeting shall be given to all Members not less than 2 Business Days and not more than 30 days prior to the date of such meeting. Members may vote in person, by proxy or by telephone at any meeting of the Members and may waive advance notice of such meeting. Whenever the vote or consent of Members is permitted or required under this Agreement, such vote or consent may be given at a meeting of the Members or may be given in accordance with the procedure prescribed in this Section 7.2. Except as otherwise expressly provided in this Agreement, the affirmative vote of the Members holding a majority of the outstanding Units (excluding Warrant Units) shall constitute the act of the Members.

(b) Each Member may authorize any Person or Persons to act for it by proxy on all matters in which such Member is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by such Member or its attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Member executing it.

(c) Each meeting of Members shall be conducted by the Managing Member or such individual Person as the Managing Member deems appropriate.

(d) Any action required or permitted to be taken by the Members may be taken without a meeting if the requisite Members whose approval is necessary consent thereto in writing.

Section 7.3 **Various Capacities**. The Members acknowledge and agree that the Members or their Affiliates will from time to time act in various capacities, including as a Member and as the Company Representative.

Section 7.4 **Investment Opportunities**.

(a) To the fullest extent permitted by applicable Law, the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to any Member, any of their respective Affiliates (other than the Company, the Managing Member or any of their respective Subsidiaries), or any of their respective officers, directors, agents, shareholders, members, and partners (each, a "**Business Opportunities Exempt Party**"). The Company renounces any interest or expectancy of the Company in, or in being offered an opportunity to participate in, business

opportunities that are from time to time presented to any Business Opportunities Exempt Party. No Business Opportunities Exempt Party who acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Company or any of its Subsidiaries shall have any duty to communicate or offer such opportunity to the Company. No amendment or repeal of this Section 7.4 shall apply to or have any effect on the liability or alleged liability of any Business Opportunities Exempt Party for or with respect to any opportunities of which any such Business Opportunities Exempt Party becomes aware prior to such amendment or repeal. Any Person purchasing or otherwise acquiring any interest in any Units shall be deemed to have notice of and consented to the provisions of this Section 7.4. Neither the alteration, amendment or repeal of this Section 7.4, nor the adoption of any provision of this Agreement inconsistent with this Section 7.4, shall eliminate or reduce the effect of this Section 7.4 in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Section 7.4, would accrue or arise, prior to such alteration, amendment, repeal or adoption.

ARTICLE VIII

TRANSFERS OF INTERESTS

Section 8.1 **Restrictions on Transfer**.

(a) Except as provided in Section 3.6 or this Article VIII, no Member shall Transfer all or any portion of its Interest without the Managing Member's prior written consent, which consent shall be granted or withheld in the Managing Member's sole discretion. If all or any portion of a Member's Interests are Transferred in violation of this Section 8.1(a), involuntarily, by operation of law or otherwise, then without limiting any other rights and remedies available to the other parties under this Agreement or otherwise, the Transferee of such Interest (or portion thereof) shall not be admitted to the Company as a Member or be entitled to any rights as a Member hereunder, and the Transferor will continue to be bound by all obligations hereunder. Any attempted or purported Transfer of all or a portion of a Member's Interests in violation of this Section 8.1(a) shall be null and void and of no force or effect whatsoever. The restrictions on Transfer contained in this Article VIII shall not apply to the Transfer of any capital stock of PubCo; except that in no circumstance may Voting Shares be Transferred unless a corresponding number of Common Units are Transferred to the same Person and in no circumstance may Common Units may be Transferred unless a corresponding number of Voting Shares are also Transferred to the same Person. Notwithstanding anything to the contrary herein, in no event shall a member of the PubCo Holdings Group Tranfser a Warrant Unit to another Person (other than another member of the PubCo Holdings Group).

(b) In addition to any other restrictions on Transfer herein contained, in no event may any Transfer or assignment of Equity Securities in the Company by any Member be made to any Person who lacks the legal right, power or capacity to own Equity Securities in the Company; if the Managing Member reasonably determines such Transfer (A) would be considered to be effected on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Treasury Regulations Section 1.7704-1, (B) would result in the Company having more than one hundred (100) partners, within the meaning

of Treasury Regulations Section 1.7704-1(h)(1)(ii) (determined taking into account the rules of Treasury Regulations Section 1.7704-1(h)(3)), or (C) would cause the Company to be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code or a successor provision or otherwise become taxable as a corporation under the Code; if such Transfer would cause the Company to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(e)(2) of the Code); if such Transfer would, in the opinion of counsel to the Company, cause any portion of the assets of the Company to constitute assets of any employee benefit plan pursuant to the Plan Asset Regulations or otherwise cause the Company to be subject to regulation under ERISA; if such Transfer requires the registration of any Equity Securities issued upon any exchange of any Equity Securities, pursuant to any applicable U.S. federal or state securities Laws; or if such Transfer subjects the Company to regulation under the Investment Company Act or the Investment Advisors Act of 1940, each as amended (or any succeeding Law). Any attempted or purported Transfer of all or a portion of a Member's Interests in violation of this Section 8.1(b) shall be null and void and of no force or effect whatsoever.

(c) Notwithstanding the provisions in Section 8.1(a), but subject to the other provisions in this Article VIII, Q Power and its Affiliates may Transfer all or a portion of their Equity Securities in the Company to any Permitted Transferee or their respective members or holders of Equity Securities without the consent of any other Member or Person.

(d) A Member making a Transfer (including a deemed Transfer for U.S. federal income tax purposes as described in Section 3.6(g)) permitted by this Agreement shall, unless otherwise determined by the Managing Member, (i) at least 10 Business Days before such Transfer, have delivered to the Company and the Transferee an affidavit of non-foreign status with respect to such Transferor that satisfies the requirements of Section 1446(f)(2) of the Code or other documentation establishing a valid exemption from withholding pursuant to Section 1446(f) of the Code or (ii) contemporaneously with such Transfer, properly withhold and remit to the Internal Revenue Service the amount of tax required to be withheld upon the Transfer by Section 1446(f) of the Code (and provide evidence to the Company of such withholding and remittance promptly thereafter).

Section 8.2 **Notice of Transfer**. Other than in connection with Transfers made pursuant to Section 3.6, each Member shall, no later than 3 Business Days following any Transfer of Equity Securities in the Company, give written notice to the Company of such Transfer. Each such notice shall describe the manner and circumstances of the Transfer.

Section 8.3 **Transferee Members**. A Transferee of Equity Securities in the Company pursuant to this Article VIII shall have the right to become a Member only if (a) the requirements of this Article VIII are met, (b) such Transferee executes an instrument reasonably satisfactory to the Managing Member agreeing to be bound by the terms and provisions of this Agreement and assuming all of the Transferor's then existing and future Liabilities arising under or relating to this Agreement, (c) such Transferee represents that the Transfer was made in accordance with all applicable securities Laws and such other customary representations as determined by the Managing Member, (d) the Transferor or Transferee shall have reimbursed the Company for all reasonable expenses (including attorneys' fees and expenses) of any Transfer or proposed Transfer of all or a portion of a Member's Interest, whether or not consummated, and (e) if such

Transferee or his or her spouse is a resident of a community property jurisdiction, then such Transferee's spouse shall also execute an instrument reasonably satisfactory to the Managing Member agreeing to be bound by the terms and provisions of this Agreement to the extent of his or her community property or quasi-community property interest, if any, in such Member's Interest. Unless agreed to in writing by the Managing Member, the admission of a Member shall not result in the release of the Transferor from any Liability that the Transferor may have to each remaining Member or to the Company under this Agreement or any other Contract between the Managing Member, the Company or any of its Subsidiaries, on the one hand, and such Transferor or any of its Affiliates, on the other hand. Written notice of the admission of a Member shall be sent promptly by the Company to each remaining Member.

Section 8.4 **Legend**. Each certificate representing a Unit, if any, will be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.
>
> THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT.
>
> THE TRANSFER AND VOTING OF THESE SECURITIES IS SUBJECT TO THE CONDITIONS SPECIFIED IN THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF STRONGHOLD DIGITAL MINING HOLDINGS LLC DATED AS OF APRIL 1, 2021 AMONG THE MEMBERS LISTED THEREIN, AS IT MAY BE AMENDED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME, AND NO TRANSFER OF THESE SECURITIES WILL BE VALID OR EFFECTIVE UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE ISSUER OF SUCH SECURITIES."

ARTICLE IX

ACCOUNTING; CERTAIN TAX MATTERS

Section 9.1 **Books of Account**. The Company shall, and shall cause each Subsidiary of the Company to, maintain true books and records of account in which full and correct entries shall be made of all its business transactions pursuant to a system of accounting established and administered in accordance with GAAP, and shall set aside on its books all such proper accruals and reserves as shall be required under GAAP.

Section 9.2 **Partnership Continuation**. The Members and the Company have agreed to treat the Company as a continuation of the Prior Partnership for U.S. federal (and applicable state and local) income tax purposes and to take no position inconsistent therewith except to the extent required by Law. In accordance with the foregoing, the Company shall use the U.S.

employer identification number used by the Prior Partnership immediately prior to the Transactions.

Section 9.3 **Tax Elections**.

(a) The Company and any eligible Subsidiary of the Company (i) shall make an election (or continue a previously made election) pursuant to Section 754 of the Code (and any similar provisions of applicable U.S. state or local law) for the taxable year of the Company that includes the date hereof and shall not thereafter revoke such election and (ii) shall use commercially reasonable efforts to ensure that any entity in which the Company holds a direct or indirect interest that is treated as a partnership for U.S. federal income tax purposes that does not meet the definition of "Subsidiary" herein, will have in effect an election pursuant to Section 754 of the Code (and under any similar provisions of applicable U.S. state or local law). In addition, the Company shall make, to the extent not previously made, the following elections on the appropriate forms or tax returns, if permitted under the Code or applicable Law:

(i) to adopt the calendar year as the Company's Fiscal Year;

(ii) to adopt the accrual method of accounting for U.S. federal income tax purposes;

(iii) to elect to amortize the organizational expenses of the Company as permitted by Section 709(b) of the Code;

(iv) except where the Managing Member elects to apply Section 9.6(e), to make an election under Section 6226(a) of the Code, commonly known as the "push out" election, or any analogous election under state or local tax law, if applicable; and

(v) except as otherwise provided herein, any other election the Managing Member may in Good Faith deem appropriate.

(b) Upon request of the Managing Member, each Member shall cooperate in Good Faith with the Company in connection with the Company's efforts to make any election pursuant to this Section 9.3.

Section 9.4 **Tax Returns; Information**. The Managing Member shall arrange for the preparation and timely filing of all income and other tax and informational returns of the Company. The Managing Member shall furnish to each Member a copy of each approved return and statement, together with any schedules (including Internal Revenue Service Schedule K-1) or other information that a Member may require in connection with such Member's own tax affairs as soon as practicable. The Company shall also (a) provide each Member with an estimate of its share of the Company's taxable income for each Fiscal Year by December 31 of such Fiscal Year, including an estimate of state and local apportionment information, (b) cause an estimated Internal Revenue Service Schedule K-1 or any successor form to be prepared and delivered to the Members within 90 days after the end of each Fiscal Year, including any appropriate state and local apportionment information, and (c) deliver or cause to be delivered to the Members a final Internal Revenue Service Schedule K-1, including any appropriate state and local apportionment information, as soon as practicable, but in any event, at least 45 days prior the due date for such return (including any extensions). Each Member agrees to (a) take all actions reasonably requested by the Company or the Company Representative to comply with the Partnership Tax Audit Rules, including where applicable, filing amended returns as provided in Sections 6225 or

6226 of the Code and providing confirmation thereof to the Company Representative and (b) furnish to the Company (i) all reasonably requested certificates or statements relating to the tax matters of the Company (including an affidavit of non-foreign status pursuant to Section 1446(f)(2) of the Code), and (ii) all pertinent information in its possession relating to the Company's operations that is reasonably necessary to enable the Company's tax returns to be prepared and timely filed.

Section 9.5 **Company Representative**. The Managing Member is specially authorized and appointed to act as the Company Representative and in any similar capacity under state or local Law. The Company Representative shall designate a "designated individual" in accordance with Treasury Regulations Section 301.6223-1(b)(3). The Company and the Members (including any Member designated as the Company Representative prior to the date hereof) shall cooperate fully with each other and shall use reasonable best efforts to cause the Managing Member (or any other Person subsequently designated) to become the Company Representative with respect to any taxable period of the Company with respect to which the statute of limitations has not yet expired, including (as applicable) by filing certifications pursuant to Treasury Regulations Section 301.6231(a)(7)-1(d). In acting as Company Representative, the Managing Member shall act, to the maximum extent possible, to cause income, gain, loss, deduction, and credit of the Company, and adjustments thereto, to be allocated or borne by the Members in the same manner as such items or adjustments would have been borne if the Company could have effectively made an election under Section 6221(b) of the Code (commonly known as the "election out") or similar state or local provision with respect to the taxable period at issue. The Company Representative may retain, at the Company's expense, such outside counsel, accountants and other professional consultants as it may reasonably deem necessary in the course of fulfilling its obligations as Company Representative.

Section 9.6 **Withholding Tax Payments and Obligations**.

(a) Withholding Tax Payments. Each of the Company and its Subsidiaries may withhold from distributions, allocations or portions thereof if it is required to do so by any applicable Law, and each Member hereby authorizes the Company and its Subsidiaries to withhold or pay on behalf of or with respect to such Member, any amount of U.S. federal, state or local or non-U.S. taxes that the Managing Member determines, in Good Faith, that the Company or any of its Subsidiaries is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement.

(b) Allocation of Tax Payments. To the extent that any tax is paid by (or withheld from amounts payable to) the Company or any of its Subsidiaries and the Managing Member determines, in Good Faith, that such tax (including any Company Level Tax) specifically relates to one or more particular Members, such tax shall be treated as an amount of tax withheld or paid with respect to such Member pursuant to this Section 9.6. Any determinations made by the Managing Member pursuant to this Section 9.6 shall be binding on the Members.

(c) Tax Contribution and Indemnity Obligation. Any amounts withheld or paid with respect to a Member pursuant to Section 9.6(a) or Section 9.6(b) (other than the payment of Company Level Taxes) shall be offset against any distributions to which such Member is entitled concurrently with such withholding or payment (a "**Tax Offset**"); *provided* that the amount of any distribution subject to a Tax Offset shall be treated as having been distributed to such Member pursuant to Section 5.1 or Section 10.2(b)(iii) at the time such Tax Offset is made. To the extent that (i) the amount of such Tax Offset exceeds the distributions to which such Member is entitled concurrently with such withholding or payment (an

"**Excess Tax Amount**"), or (ii) there is a payment of Company Level Taxes relating to a Member, the amount of such (A) Excess Tax Amount or (B) Company Level Taxes, as applicable, shall, upon notification to such Member by the Managing Member, give rise to an obligation of such Member to make a Capital Contribution to the Company (a "**Tax Contribution Obligation**"), which Tax Contribution Obligation shall be immediately due and payable. If a Member defaults with respect to its Tax Contribution Obligation, the Company shall be entitled to offset the amount of a Member's Tax Contribution Obligation against distributions to which such Member would otherwise be subsequently entitled until the full amount of such Tax Contribution Obligation has been contributed to the Company or has been recovered through offset against distributions and, any such offset shall be treated as distributed to such Member pursuant to Section 5.1 or Section 10.2(b), as applicable, at the time such offset is made for purposes of this Agreement. To the extent the Managing Member determines it is appropriate for purposes of properly maintaining Capital Accounts, (x) any payment by a Member with respect to such Member's Tax Contribution Obligation shall increase such Member's Capital Account, but shall not reduce the amount (if any) that a Member is otherwise obligated to contribute to the Company, and (y) any recovery of such Tax Contribution Obligation through an offset against distributions to such Member shall not reduce such Member's Capital Account by the amount of such offset. Each Member hereby unconditionally and irrevocably grants to the Company a security interest in such Member's Units to secure such Member's obligation to pay the Company any amounts required to be paid pursuant to this Section 9.6. Each Member shall take such actions as the Company may reasonably request in order to perfect or enforce the security interest created hereunder. Each Member hereby agrees to indemnify and hold harmless the Company, the other Members, the Company Representative and the Managing Member from and against any Liability (including any Liability for Company Level Taxes) with respect to income attributable to or distributions or other payments to such Member.

(d) Continued Obligations of Former Members. Any Person who ceases to be a Member shall be deemed to be a Member solely for purposes of this Section 9.6, and the obligations of a Member pursuant to this Section 9.6 shall survive until 30 days after the closing of the applicable statute of limitations on assessment with respect to the taxes withheld or paid by the Company or a Subsidiary that relate to the period during which such Person was actually a Member. If the Managing Member determines in its sole discretion that seeking indemnification for Company Level Taxes from a former Member is not practicable, or that seeking such indemnification failed, then, in either case, the Managing Member may (i) recover any Liability for Company Level Taxes from the substituted Member that acquired directly or indirectly the applicable interest in the Company from such former Member or (ii) treat such Liability for Company Level Taxes as a Company expense.

(e) Managing Member Discretion Regarding Recovery of Taxes. Notwithstanding the foregoing, the Managing Member may choose not to recover an amount of Company Level Taxes or other taxes withheld or paid with respect to a Member under this Section 9.6 to the extent that there are no distributions to which such Member is entitled that may be offset by such amounts if the Managing Member determines, in its reasonable discretion, that such a decision would be in the best interests of the Members (e.g., where the cost of recovering the amount of taxes withheld or paid with respect to such Member is not justified in light of the amount that may be recovered from such Member).

ARTICLE X

DISSOLUTION AND TERMINATION

Section 10.1 **Liquidating Events**. The Company shall dissolve and commence winding up and liquidating upon the first to occur of the following (each, a "**Liquidating Event**"):

(a) the sale of all or substantially all of the assets of the Company; and

(b) the determination of the Managing Member to dissolve, wind up, and liquidate the Company.

The Members hereby agree that the Company shall not dissolve prior to the occurrence of a Liquidating Event and that no Member shall seek a dissolution of the Company, under Section 18-802 of the Act or otherwise, other than based on the matters set forth in subsections (a) and (b) above. If it is determined by a court of competent jurisdiction that the Company has dissolved prior to the occurrence of a Liquidating Event, the Members hereby agree to continue the business of the Company without a winding up or liquidation. In the event of a dissolution pursuant to Section 10.1(b), the relative economic rights of each class of Units immediately prior to such dissolution shall be preserved to the greatest extent practicable with respect to distributions made to Members pursuant to Section 10.2 in connection with such dissolution, taking into consideration tax and other legal constraints that may adversely affect one or more parties to such dissolution and subject to compliance with applicable Laws and regulations, unless, with respect to any class of Units, holders of a majority of the Units of such class consent in writing to a treatment other than as described above.

Section10.2 **Procedure**.

(a) In the event of the dissolution of the Company for any reason, the Managing Member or such other Person as is designated by the Managing Member ("**Winding-Up Member**") shall commence to wind up the affairs of the Company and, subject to Section 10.3(a), such Winding-Up Member shall have full right and unlimited discretion to determine in Good Faith the time, manner and terms of any sale or sales of the Property or other assets pursuant to such liquidation, having due regard to the activity and condition of the relevant market and general financial and economic conditions. The Members shall continue to share profits, losses and distributions during the period of liquidation in the same manner and proportion as though the Company had not dissolved. The Company shall engage in no further business except as may be necessary, in the reasonable discretion of the Managing Member or the Winding-Up Member, as applicable, to preserve the value of the Company's assets during the period of dissolution and liquidation.

(b) Following the payment of all expenses of liquidation and the allocation of all Profits and Losses as provided in Article IV, the proceeds of the liquidation and any other funds of the Company shall be distributed in the following order of priority:

(i) first, to the payment and discharge of all of the Company's debts and Liabilities to creditors (whether third parties or Members), in the order of priority as provided by Law, except any obligations to the Members in respect of their Capital Accounts;

(ii) second, to set up such cash reserves which the Managing Member reasonably deems necessary for contingent or unforeseen Liabilities or future payments described in Section 10.2(b)(i) (which reserves when they become unnecessary shall be distributed in accordance with the provisions of subsection (iii) below, as applicable); and

(iii) third, the balance to the Members holding Common Units and, for the avoidance of doubt, Warrant Units, *pro rata* in accordance with the number of Common Units and Warrant Units owned by each Member.

(c) Except as provided in Section 10.3(a), no Member shall have any right to demand or receive property other than cash upon dissolution and termination of the Company.

(d) Upon the completion of the liquidation of the Company and the distribution of all Company funds, the Company shall terminate and the Managing Member or the Winding-Up Member, as the case may be, shall have the authority to execute and record a certificate of cancellation of the Company, as well as any and all other documents required to effectuate the dissolution and termination of the Company.

Section10.3 **Rights of Members**.

(a) Each Member irrevocably waives any right that it may have to maintain an action for partition with respect to the property of the Company.

(b) Except as otherwise provided in this Agreement, (i) each Member shall look solely to the assets of the Company for the return of its Capital Contributions and (ii) no Member shall have priority over any other Member as to the return of its Capital Contributions, distributions or allocations.

Section10.4 **Notices of Dissolution**. If a Liquidating Event occurs or an event occurs that would, but for the provisions of Section 10.1, result in a dissolution of the Company, the Company shall, within 30 days thereafter, (a) provide written notice thereof to each of the Members and to all other parties with whom the Company regularly conducts business (as determined in the discretion of the Managing Member), and (b) comply, in a timely manner, with all filing and notice requirements under the Act or any other applicable Law.

Section10.5 **Reasonable Time for Winding Up**. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets in order to minimize any losses that might otherwise result from such winding up.

Section10.6 **No Deficit Restoration**. No Member shall be personally liable for a deficit Capital Account balance of that Member, it being expressly understood that the distribution of liquidation proceeds shall be made solely from existing Company assets.

ARTICLE XI

GENERAL

Section11.1 **Amendments; Waivers**.

(a) The terms and provisions of this Agreement may only be waived, modified or amended (including by means of merger, consolidation or other business

combination to which the Company is a party) with the approval of (y) the Managing Member and (z) if at such time the Members (other than any member of the PubCo Holdings Group) beneficially own, in the aggregate, more than 10% of the then-outstanding Units, the holders of at least 66 2/3% of the outstanding Units held by Members other than the PubCo Holdings Group; *provided* that no waiver, modification or amendment shall be effective until at least 5 Business Days after written notice is provided to the Members that the requisite consent has been obtained for such waiver, modification or amendment, and any Member, including any Member not providing written consent, shall have the right to file a Redemption Notice prior to the effectiveness of such waiver, modification or amendment; *provided further*, that no amendment to this Agreement may:

(i) modify the limited liability of any Member, or increase the liabilities or obligations of any Member, in each case, without the consent of each such affected Member; or

(ii) materially alter or change any rights, preferences or privileges of any Interests in a manner that is different or prejudicial (or would have a different or prejudicial effect) relative to any other Interests, without the approval of a majority in interest of the Members holding the Interests affected in such a different or prejudicial manner

(b) Notwithstanding the provisions of Section 11.1(a), the Managing Member, acting alone, may amend this Agreement or update the books and records of the Company (i) to reflect the admission of new Members, Transfers of Interests, the issuance of additional Equity Securities, as provided by the terms of this Agreement, and, subject to Section 11.1(a), subdivisions or combinations of Units made in compliance with Section 3.1(g), (ii) to the minimum extent necessary to comply with or administer in an equitable manner the Partnership Tax Audit Rules in any manner determined by the Managing Member, and (iii) as necessary to avoid the Company being classified as a "publicly traded partnership" within the meaning of Section 7704(b) of the Code.

(c) No waiver of any provision or default under, nor consent to any exception to, the terms of this Agreement or any agreement contemplated hereby shall be effective unless in writing and signed by the party to be bound and then only to the specific purpose, extent and instance so provided.

(d) Notwithstanding anything to the contrary in this Agreement, the Company shall not consummate a merger, consolidation or other combination without the consent of the holders of a majority of the Units not held by the PubCo Holdings Group.

Section11.2 **Further Assurances**. Each party hereto agrees that it will from time to time, upon the reasonable request of another party, execute such documents and instruments and take such further action as may be required to accomplish the purposes of this Agreement.

Section11.3 **Successors and Assigns**. All of the terms and provisions of this Agreement shall be binding upon the parties and their respective successors and assigns, but shall inure to the benefit of and be enforceable by the successors and assigns of any Member only to the extent that they are permitted successors and assigns pursuant to the terms hereof. No party hereto may assign its rights hereunder except as herein expressly permitted.

Section11.4 **Certain Representations by Members**. Each Member (or, if such Member is disregarded for U.S. federal income tax purposes, such Member's regarded owner for

such purposes), by executing this Agreement and becoming a Member, whether by making a Capital Contribution, by admission in connection with a permitted Transfer, or otherwise, represents and warrants to the Company and the Managing Member, as of the date of its admission as a Member, that such Member is either (a) not a partnership, grantor trust, or a Subchapter S corporation for U.S. federal income tax purposes (e.g., an individual or a Subchapter C corporation), or (b) is a partnership, grantor trust, or a Subchapter S corporation for U.S. federal income tax purposes, but (i) permitting the Company to satisfy the 100-partner limitation set forth in Treasury Regulations Section 1.7704-1(h)(1)(ii) is not a principal purpose of any beneficial owner of such Member in investing in the Company through such Member, (ii) such Member was formed for business purposes prior to or in connection with the investment by such Member in the Company or for estate planning purposes, and (iii) no beneficial owner of such Member has a redemption or similar right with respect to such Member that is intended to correlate to such Member's right to Redemption pursuant to Section 3.6.

Section11.5 **Entire Agreement**. This Agreement, together with all Exhibits and Schedules hereto and all other agreements referenced therein and herein, including the TRA, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein and therein.

Section11.6 **Rights of Members Independent**. The rights available to the Members under this Agreement and at Law shall be deemed to be several and not dependent on each other and each such right accordingly shall be construed as complete in itself and not by reference to any other such right. Any one or more or any combination of such rights may be exercised by a Member or the Company from time to time and no such exercise shall exhaust the rights or preclude another Member from exercising any one or more of such rights or combination thereof from time to time thereafter or simultaneously.

Section11.7 **Governing Law**. This Agreement, the legal relations between the parties and any Action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware applicable to Contracts made and performed in such State and without regard to conflicts of law doctrines, except to the extent that certain matters are preempted by federal Law or are governed as a matter of controlling Law by the Law of the jurisdiction of organization of the respective parties.

Section11.8 **Jurisdiction and Venue**. The parties hereto hereby agree and consent to be subject to the jurisdiction of any federal court of the District of Delaware or the Delaware Court of Chancery over any action, suit or proceeding (a "**Legal Action**") arising out of or in connection with this Agreement. The parties hereto irrevocably waive the defense of an inconvenient forum to the maintenance of any such Legal Action. Each of the parties hereto further irrevocably consents to the service of process out of any of the aforementioned courts in any such Legal Action by the mailing of copies thereof by registered mail, postage prepaid, to such party at its address set forth in this Agreement, such service of process to be effective upon acknowledgment of receipt of such registered mail. Nothing in this Section 11.8 shall affect the right of any party hereto to serve legal process in any other manner permitted by law.

Section11.9 **Headings**. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section11.10 **Counterparts**. This Agreement and any amendment hereto or any other agreement (or document) delivered pursuant hereto may be executed in one or more counterparts and by different parties in separate counterparts. All of such counterparts shall constitute one and the same agreement (or other document) and shall become effective (unless otherwise provided therein) when one or more counterparts have been signed by each party and delivered to the other party.

Section11.11 **Notices**. Any notice or other communication hereunder must be given in writing and (a) delivered in person, (b) transmitted by facsimile, by telecommunications mechanism or electronically, or (c) mailed by certified or registered mail, postage prepaid, receipt requested as follows:

If to the Company or the Managing Member, addressed to it at:

____

With copies (which shall not constitute notice) to:

____

or to such other address or to such other Person as either party shall have last designated by such notice to the other parties. Each such notice or other communication shall be effective (i) if given by telecommunication or electronically, when transmitted to the applicable number or electronic mail address so specified in (or pursuant to) this Section 11.11 and an appropriate answerback is received or, if transmitted after 4:00 p.m. local time on a Business Day in the jurisdiction to which such notice is sent or at any time on a day that is not a Business Day in the jurisdiction to which such notice is sent, then on the immediately following Business Day, (ii) if given by mail, on the first Business Day in the jurisdiction to which such notice is sent following the date 3 days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, on the Business Day when actually received at such address or, if not received on a Business Day, on the Business Day immediately following such actual receipt.

Section11.12 **Representation By Counsel; Interpretation**. The parties acknowledge that each party to this Agreement has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of Law, or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived.

Section11.13 **Severability**. If any provision of this Agreement is determined to be invalid, illegal or unenforceable by any Governmental Entity, the remaining provisions of this Agreement, to the extent permitted by Law shall remain in full force and effect; *provided* that the essential terms and conditions of this Agreement for all parties remain valid, binding and enforceable.

Section11.14 **Expenses**. Except as otherwise provided in this Agreement, each party shall bear its own expenses in connection with the transactions contemplated by this Agreement.

Section11.15 **Waiver of Jury Trial**. EACH OF THE COMPANY, THE MEMBERS, THE MANAGING MEMBER AND ANY INDEMNITEES SEEKING REMEDIES HEREUNDER HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY CLAIM,

DEMAND, ACTION OR CAUSE OF ACTION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE.

Section11.16 **No Third Party Beneficiaries**. Except as expressly provided in Section 6.2 and Section 10.2(b), nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto and their respective successors and permitted assigns, any rights or remedies under this Agreement or otherwise create any third party beneficiary hereto.

[Signatures on Next Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Fourth Amended and Restated Limited Liability Company Agreement to be executed as of the date first above written.

COMPANY:

STRONGHOLD DIGITAL MINING HOLDINGS LLC, a Delaware limited liability company

By: /s/ Gregory A. Beard

Name: Gregory A. Beard
Title: Authorized Person

MEMBERS:

Q POWER LLC, a Delaware limited liability company

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Member

By: /s/ William B. Spence
Name: William B. Spence
Title: Member

STRONGHOLD DIGITAL MINING, INC., a Delaware corporation

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Officer

PANTHER CREEK RECLAMATION HOLDINGS, LLC, a Delaware limited liability company

By: /s/ Sean P. Lane
Name: Sean P. Lane
Title: Authorized Representative

MANAGING MEMBER:

STRONGHOLD DIGITAL MINING, INC., a Delaware corporation

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Authorized Officer

EXHIBIT A

Omitted pursuant to Item 601(a)(5) of Regulation S-K.

TRANSITION AND SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS

This TRANSITION AND SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (this "***Agreement***") is entered into as of April 14, 2022 (the "***Effective Date***") by and between Stronghold Digital Mining, Inc., a Delaware corporation (the "***Company***"), and Ricardo R.A. Larroudé ("***Employee***"). Q Power LLC, a Delaware limited liability company ("***Q Power***") enters into this Agreement for the limited purposes of agreeing to Sections 3 and 10 below. Gregory A. Beard, in his personal capacity ("***Beard***") enters into this Agreement for the limited purposes of agreeing to Sections 5(b), 10 and 19 below. Employee and the Company are each referred to herein individually as a "***Party***" and collectively as the "***Parties***."

WHEREAS, reference is made to (i) the Incentive Unit Award Agreement by and between Q Power and Employee entered into May 12, 2021 and effective as of May 10, 2021 pursuant to which Employee was granted certain Series B Units (the "***Q Power B Unit Award Agreement***") subject to the terms of the Q Power B Unit Award Agreement and the Amended and Restated Limited Liability Company Agreement of Q Power effective May 10, 2021 (the "***Q Power LLC Agreement***"); (ii) the Incentive Unit Award Agreement by and between Q Power and Employee entered into May 12, 2021 and effective as of May 10, 2021 pursuant to which Employee was granted certain Series C Units (the "***Q Power C Unit Award Agreement***") subject to the terms of the Q Power C Unit Award Agreement and the Q Power LLC Agreement (collectively, the Q Power C Unit Award Agreement and Q Power B Unit Award Agreement are referred to herein as the "***Q Power Award Agreements***"); and (iii) that certain Stock Option Grant Notice and Stock Option Agreement between the Company and Employee dated September 3, 2021 (the "***Stronghold Option Agreement***") pursuant to which Employee was granted an option to purchase shares of Restricted Stock in the Company, pursuant to the terms of such Stronghold Option Agreement and the Stronghold Digital Mining, Inc. 2021 Long Term Incentive Plan (the "***LTIP***" and, along with the Stronghold Option Agreement referenced in this clause (iii), the "***Company Equity Agreements***");

WHEREAS, Employee's employment with the Company will end no later than May 15, 2022;

WHEREAS, if Employee enters into this Agreement and satisfies the terms herein, then the Company will provide Employee with the payments and benefits as set forth herein; and

WHEREAS, the Parties wish to resolve any and all claims that Employee has or may have against the Company or any of the other Company Parties (as defined below), including any claims that Employee may have arising out of Employee's employment or the end of such employment.

NOW, THEREFORE, in consideration of the promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Employee and the Company, the Parties hereby acknowledge and agree as follows:

1. Separation from Employment; Transition Assistance.

(a) Employee's employment with the Company will continue until the Separation Date; provided, however, Employee hereby acknowledges that Employee has resigned (and Employee hereby resigns) as the Company's Chief Financial Officer effective as of April 17, 2022. As used herein, the "***Separation Date***" means May 15, 2022 or, if applicable, such earlier date that Employee's employment terminates due to Employee's resignation, death, or a termination by the Company for Transition Agreement Cause (as defined below). As of the Separation Date, Employee will have no further employment relationship with the Company or

any other Company Party. The Parties further acknowledge and agree that, as of the Separation Date, Employee will automatically be deemed to have resigned, to the extent applicable, from all officer and board positions with the Company and any other Company Party such that, as of the day immediately following the Separation Date, Employee shall have no officer, director or similar role with respect to any Company Party. As used herein, "***Transition Agreement Cause***" means Employee's: (i) gross negligence or willful misconduct with respect to the duties required of him pursuant to Section 1(b) below, (ii) material failure to perform those duties required of him pursuant to Section 1(b) below, or (iii) violation of any law with respect to, or that affects, the Company, Q Power or any of their respective affiliates; provided, however, that in the event of a Transition Agreement Cause event described in the immediately preceding clauses (i) or (ii), Employee shall have fifteen (15) days following written notice from the Company to cure such Transition Agreement Cause event if such event is reasonably capable of cure.

(b) Between the date on which Employee signs this Agreement (the "***Signing Date***") and the Separation Date (such period, the "***Transition Period***"), Employee shall remain employed by the Company. During the Transition Period, Employee shall continue to perform Employee's duties or such reduced or otherwise modified duties as may be requested by the Company. The Parties agree that (i) Employee may work remotely during the Transition Period, and (ii) Employee's duties shall be limited to those that he can reasonably perform in accordance with limitations on access to resources or information that may be imposed by the Company. Employee agrees that any modification of his duties shall not give rise to Good Reason as defined in the LTIP and the Q Power Award Agreements or pursuant to any other agreement between Employee and any Company Party. The Company and Q Power agree that Employee's failure to perform any duties required of him during the Transition Period due to any reduction, modification, limitation or elimination of Employee's duties, facilities, operations or access by the Company or any of its affiliates shall not constitute Transition Agreement Cause or "Cause" as defined in the LTIP and the Q Power Agreements or pursuant to any other agreement, arrangement or applicable term between Employee and any Company Party. During the Transition Period, Employee shall be reasonably available to provide, and shall provide, such cooperation and assistance as the Company may reasonably request of Employee, upon reasonable prior notice to Employee with respect to the transition of his duties and responsibilities, and he shall make himself available to provide, and shall provide, such other reasonable services and assistance as the Company may request, which services may include providing assistance with respect to the Company's preparation and filing of Form 10-Q, although Employee will not have responsibility for signing the Form 10-Q.

2. **Separation Benefits**. Provided that (i) Employee executes this Agreement and returns a copy of this Agreement signed by Employee to the Company care of Matt Usdin, General Counsel, so that it is received by Mr. Usdin no later than April 14, 2022; (ii) Employee's employment is not terminated by the Company for Transition Agreement Cause or due to Employee's resignation, in each case prior to May 15, 2022; (iii) Employee abides by each of his commitments set forth herein, including in Section 1(b) above; and (iv) Employee timely executes and returns the Confirming Release (as defined below) to the Company as set forth in Section 8 below and does not exercise his revocation right set forth in the Confirming Release (the first date on which the Confirming Release is executed, not revoked, and no longer subject to revocation, the "***Confirming Release Effective Date***"), then:

(a) the Company shall, effective as of no later than ten (10) business days following the Confirming Release Effective Date, grant to Employee or his heirs, beneficiaries or estate a one-time award of fully vested stock in the Company under the LTIP with a value equal to $450,000 based on the closing price per share of the Company's common stock on the Effective Date, which Employee (on behalf of his heirs, beneficiaries or estate) agrees will not be sold or transferred sooner than ninety (90) days following the date on which Employee is no

longer a Section 16 officer of the Company for purposes of the Securities and Exchange Act of 1934;

(b) effective as of the Confirming Release Effective Date, (i) all of the 247,939 Options (as defined in the LTIP) held by Employee granted pursuant to the Stronghold Option Agreement (the "***Accelerated Options***") shall fully vest and the Accelerated Options may be exercised by Employee pursuant to the terms of the Stronghold Option Agreement at any time on or before the first anniversary of the Separation Date and (ii) in the event the Company reduces the Exercise Price (as defined in the LTIP) of outstanding Options held by Company employees as contemplated by Section 6.3(k)(i) of the LTIP, or issues new options at a reduced strike price in exchange for outstanding options at a greater stock price either (x) prior to the Separation Date or (y) within 90 days following the Separation Date and Employee is providing services to the Company pursuant to Section 17 below at such time, then Employee or his heirs, beneficiaries or estate shall have the right to have the Exercise Price all of the Accelerated Options reduced to the new strike price provided to Company employees in a substantially similar manner. Exercise of the Accelerated Options shall result in purchase of unrestricted stock which may be sold by the Employee at any time following ninety (90) days after the date on which Employee is no longer a Section 16 officer of the Company for purposes of the Securities and Exchange Act of 1934 and in any matter as determined by the Employee in his sole and exclusive discretion and otherwise in accordance with all applicable laws.

(c) if Employee's employment is terminated by the Company prior to May 15, 2022 without Cause, then Employee shall receive a payment (the "***Additional Salary Payment***") equal to the amount of base salary (at Employee's annualized rate of base salary of $250,000) that Employee would have received between the date his employment terminates and May 15, 2022 had Employee remained continuously employed by the Company during such period, which Additional Salary Payment will be paid in a lump sum on the Company's first payroll date that is regularly scheduled to occur on or after the Confirming Release Effective Date;

(d) provided that that Employee has not resigned or been terminated for Cause prior to the Separation Date and subject to Employee's satisfactory performance through such date, the Company shall pay to Employee a one-time payment of $129,330 *plus* an amount equal to Employee's accrued and unused vacation existing as of the Separation Date (which, for the avoidance of doubt, shall equal five (5) days of such vacation), which will be paid in a lump sum on the Company's first payroll date that is regularly scheduled to occur on or after the Confirming Release Effective Date; and

(e) for the portion, if any, of the 12-month period following the Separation Date (the "***COBRA Period***") that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), the Company shall reimburse Employee, on a monthly basis, for the Company portion (assuming Company contribution is consistent with active employees of the Company) of the premiums for Employee to effect and continue such coverage (the Company portion of each such monthly premium, the "***Monthly COBRA Premium***"), which Monthly COBRA Premium shall be approximately $2,500. Each payment of a Monthly COBRA Premium is dependent upon Employee's timely election of COBRA continuation coverage and informing the Company in writing, care of Matt Usdin, General Counsel, of his election of such coverage for the applicable month during the COBRA Period at least five (5) days before such month begins. Employee shall be eligible to receive Monthly COBRA Premiums until the earlier of: (A) the last day of the COBRA Period; and (B) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); provided, however, that the election of COBRA continuation coverage shall remain Employee's sole responsibility. Notwithstanding the

foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company; and

(f) effective as of the Separation Date, (i) Q Power will waive (and will not seek to enforce) the cooperation, non-competition and non-solicitation covenants set forth in Sections 8(b), 8(c) and 8(d) of the Q Power Award Agreements, and(ii) the Company will waive (and will not seek to enforce) the non-competition and non-solicitation covenants set forth in Sections 6(b), 6(c) and 6(d) of the Stronghold Option Agreement or in the LTIP.

The payments and benefits set forth in Sections 2(a), (b), (c), (d), (e), (f) and (g) above are referred to herein collectively as the "***Severance Benefits***." Employee acknowledges and agrees that Employee is not eligible to receive any severance pay or other termination-related benefits from the Company or any other Company Party other than the Severance Benefits. Employee acknowledges and agrees that Employee has no right to the Severance Benefits but for his entry into this Agreement and compliance with the terms herein, and Employee's receipt of the Severance Benefits will fully and finally satisfy any and all rights that Employee has had, or could ever have, to severance pay or benefits from the Company or any other Company Party. Nothing herein is intended to alter or release any 401(k), retirement or other vested pension or welfare benefits to which Employee may have been entitled to as of the Separation Date.

3. **Q Power Units**. As of the Effective Date, all unvested Q Power Units held by Employee, and all of Employee's rights arising from being a holder thereof, shall be forfeited. As of the Effective Date, all vested Q Power Units shall be repurchased for zero dollars ($0.00), the current Fair Market Value (as defined in the Q Power B Unit Award Agreement and the Q Power C Unit Award Agreement), in accordance with Section 6 of each the Q Power B Unit Award Agreement and the Q Power C Unit Award Agreement. Employee acknowledges and agrees that Employee shall not be eligible to receive any payment or other compensation with respect to the forfeited Q Power Units or the repurchased Q Power Units.

4. **Satisfaction of All Leaves and Payment Amounts; Acknowledgment with Respect to Duties.** Employee expressly acknowledges and agrees that, as of the Signing Date, Employee has received all leaves (paid and unpaid) to which Employee has been entitled during Employee's employment with the Company or any other Company Party and as of the Signing Date Employee has received all wages, bonuses and other compensation, been provided all benefits, and been afforded all rights, been reimbursed for all expenses, and been paid all sums that Employee is owed and has been owed by the Company or any other Company Party. For the avoidance of doubt, Employee remains entitled to receive Employee's base salary and employment benefits for services performed during the Transition Period. The Company acknowledges that, as of the Signing Date, it is not aware of Transition Agreement Cause with respect to Employee.

5. **Complete Release of Claims**.

(a) For good and valuable consideration, including the Company's agreement to provide the consideration described herein (and any part thereof), Employee hereby forever releases, discharges and acquits the Company, Q Power, Insperity PEO Services, L.P. ("***Insperity***"), each of their respective parents, subsidiaries and other affiliates, and each of the foregoing entities' respective past, present and future subsidiaries, affiliates, stockholders, members, managers, partners, directors, officers, employees (specifically including. Beard in his personal and representative capacity), professional employer organizations, agents, attorneys, heirs, predecessors, successors and representatives, in their personal and representative

capacities, as well as all employee benefit plans maintained by the Company or any of its affiliates and all fiduciaries and administrators of any such plans, in their personal and representative capacities (collectively, the "***Company Parties***"), from liability for, and Employee hereby waives, any and all claims, damages or causes of action of any kind related to Employee's employment or affiliation with any Company Party and any other acts or omissions related to any matter occurring or existing, whether known or unknown, on or prior to the Signing Date, whether arising under federal or state laws or the laws of any other jurisdiction, including: (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination or anti-retaliation law, including Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, and Sections 1981 through 1988 of Title 42 of the United States Code, the Americans with Disabilities Act of 1990; (B) the Employee Retirement Income Security Act of 1974 ("***ERISA***"); (C) the Immigration Reform Control Act; (D) the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act; (E) the Occupational Safety and Health Act; (F) the Family and Medical Leave Act of 1993; (G) any law, regulation or ordinance or orders under New York State law, the New York State Human Rights Law, the New York Labor Law, the New York Retaliatory Action By Employers Law, Section 125 of the New York Workers' Compensation Law, Article 23-A of the New York Correction Law, the New York Civil Rights Law, the New York Wage-Hour Law, the New York Workers' Compensation Law, the New York Wage Payment Law, the New York City Human Rights Law and the New York City Earned Sick Leave Law; (H) any other local, state or federal law, regulation, ordinance or orders which may have afforded any legal or equitable causes of action of any nature; or (I) any public policy, contract, tort or common law claim, including any claim for defamation, slander, libel, negligence, emotional distress, fraud or misrepresentation of any kind, promissory estoppel, breach of implied duty of good faith and fair dealing, breach of implied or express contract, breach of fiduciary duty or wrongful discharge; (ii) any allegation for costs, fees or other expenses including attorneys' fees incurred in, or with respect to, a Released Claim; (iii) any and all claims Employee may have under any employment contract or any other agreement, incentive or compensation plan or under any other benefit plan, program or practice; (iv) any claim, whether direct or derivative, arising from, or relating to, Employee's status as a member or holder of any interest in any Company Party, including all claims arising from or relating to the Company Equity Agreements or the Q Power Award Agreements; and (v) any claim for compensation, damages or benefits of any kind not expressly set forth in this Agreement. This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Employee is simply agreeing that, in exchange for the consideration received by Employee through this Agreement, any and all potential claims of this nature that Employee may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES**.

(b) In entering into this Agreement, Employee expressly represents and warrants that the has not violated any laws with respect to, or in the course of duties on behalf of, the Company or any of its affiliates, and he has not committed any fraudulent or criminal act with respect to, or in the course of duties on behalf of, the Company or any of its affiliates. In express reliance on the representation and warranty in the previous sentence, and subject to the accuracy of such representation and warranty, the Company (on its behalf and on behalf of its affiliates) and Beard (in his personal and representative capacity), each hereby agree to release and forever discharge Employee from any and all known claims, damages, or causes of action of any kind related to Employee's employment or affiliation with any Company Party and any other acts or omissions related to any matter occurring or existing on or prior to the Signing Date, whether arising under federal or state laws or the laws of any other jurisdiction, including: (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination or anti-retaliation law, (B) any other local, state or federal law, regulation, ordinance or orders which

may have afforded any legal or equitable causes of action of any nature; or (C) any public policy, contract, tort or common law claim, including any claim for defamation, slander, libel, negligence, emotional distress, fraud or misrepresentation of any kind, promissory estoppel, breach of implied duty of good faith and fair dealing, breach of implied or express contract or breach of fiduciary duty or wrongful discharge; (D) any and all claims Company or Beard may have under any employment contract or any other agreement, incentive or compensation plan or under any other benefit plan, program or practice; (iv) any claim, whether direct or derivative, arising from, or relating to, Employee's status as a member or holder of any interest in any Company Party, including all claims arising from or relating to the Company Equity Agreements or the Q Power Award Agreements, and (E) any claim for compensation, damages or benefits of any kind not expressly set forth in this Agreement. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF THE EMPLOYEE**.

(c) Notwithstanding this release of liability, *nothing in this Agreement prevents Employee from filing any non-legally waivable claim, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission, New York State Division of Human Rights, New York City Commission on Human Rights, Occupational Safety and Health Administration, Securities and Exchange Commission, or other federal, state or local governmental agency or commission (collectively "**Governmental Agencies**") or participating in (or cooperating with) any investigation or proceeding conducted by any Governmental Agency; however, Employee understands and agrees that, to the extent permitted by law, Employee is waiving any and all rights to recover any monetary or personal relief or recovery from any Company Party as a result of such Governmental Agency proceeding or subsequent legal actions*. Nothing herein waives Employee's right to receive an award for information provided to a Governmental Agency. Further, in no event shall the Released Claims include (i) any claim that arises after the date this Agreement is executed by Employee, (ii) any claim to enforce Employee's rights under this Agreement; or (iii) any claim to vested benefits under an employee benefit plan that is subject to ERISA and that cannot be waived by ERISA. Nothing herein will prevent Employee from seeking workers' compensation or unemployment insurance benefits.

(d) Employee represents and warrants that, as of the time Employee executes this Agreement, Employee has not brought or joined any lawsuit or filed any lawsuit, complaints, appeals, charges or claims against any of the Company Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which Employee signs this Agreement. Employee further represents and warrants that Employee has made no assignment, sale, delivery, transfer or conveyance of any rights Employee has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claim. Employee also confirms that he has no known workplace injuries or occupational diseases.

6. <u>Employee's Acknowledgements</u>. By executing and delivering this Agreement, Employee expressly acknowledges that:

(a) Employee has carefully read this Agreement;

(b) Employee has had sufficient time to consider this Agreement before the execution and delivery to Company;

(c) Employee has been advised, and hereby is advised in writing, to discuss this Agreement with an attorney of Employee's choice before signing this Agreement and Employee has had adequate opportunity to do so prior to executing this Agreement;

(d) Employee fully understands the final and binding effect of this Agreement; the only promises made to Employee to sign this Agreement are those stated within this document; and Employee is signing this Agreement knowingly, voluntarily and of Employee's own free will, and that Employee understands and agrees to each of the terms of this Agreement;

(e) The Severance Benefits referenced in Sections 2(c), 2(d) and 2(e) are due solely from the Company, and Insperity has no obligation to pay the Severance Benefits referenced in Sections 2(c), 2(d) and 2(e), even though payment of such portions of the Severance Benefits may be processed through Insperity; and

(f) No Company Party has provided any tax or legal advice regarding this Agreement and Employee has had an adequate opportunity to receive sufficient tax and legal advice from advisors of Employee's own choosing such that Employee enters into this Agreement with full understanding of the tax and legal implications thereof.

7. Reaffirmation of Restrictive Covenants. Employee acknowledges and agrees that Employee has Proprietary Information (as defined in the Stronghold Option Agreement and Q Power Agreements), and that Employee has continuing non-disclosure and intellectual property-related obligations to the Company and the other Company Parties pursuant to the Stronghold Option Agreement and the Q Power Agreements (collectively, such obligations with respect to non-disclosure and intellectual property are referred to as the "***Restrictive Covenants***"). In entering into this Agreement, Employee acknowledges the continued effectiveness and enforceability of the Restrictive Covenants and expressly reaffirms Employee's commitment to abide by, and promises to abide by, the terms of the Restrictive Covenants; provided, however, that Company and Q Power acknowledged that pursuant to Section 2(f) (so long as Section 2(f) takes effect, as set forth in Section 2), they will waive the cooperation, non-competition and non-solicitation covenants described in Section 2(f) above.

8. Confirming Release. On the Separation Date or within twenty (21) days thereafter, Employee shall execute the Confirming Release Agreement that is attached as Exhibit A (the "***Confirming Release***"), which is incorporated by reference as if fully set forth herein, and return the executed Confirming Release the Company care of Matt Usdin, General Counsel, so that it is received by Mr. Usdin no later than twenty (21) days after the Separation Date. The Company will acknowledge and counter-sign such Confirming Release after the Confirming Release Revocation Period (as defined in the Confirming Release) has expired without Employee having exercised his revocation right set forth in the Confirming Release.

9. No Waiver. No failure by any party at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

10. Applicable Law; Dispute Resolution.

(a) This Agreement shall in all respects be construed according to the laws of the State of New York without regard to the conflict of law principles thereof.

(b) Subject to Section 10(b), any dispute, controversy or claim arising out of or relating to this Agreement or Employee's employment or engagement with the Company or any other Company Party ("***Disputes***") will be finally settled by arbitration in New York, New York (or such other location as agreed to by the parties) in accordance with the then-existing JAMS ("***JAMS***") Comprehensive Arbitration Rules & Procedures. The arbitration award shall be final and binding on the parties. Any arbitration conducted under this Section 10(b) shall be

heard by a single arbitrator (the "***Arbitrator***") selected in accordance with the then-applicable rules of JAMS. The Arbitrator shall expeditiously hear and decide all matters concerning the Dispute. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the Dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. All Disputes shall be arbitrated on an individual basis, and each party hereto hereby foregoes and waives any right to arbitrate any Dispute as a class action or collective action or on a consolidated basis or in a representative capacity on behalf of other persons or entities who are claimed to be similarly situated, or to participate as a class member in such a proceeding. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction. This arbitration agreement is subject to, and shall be enforceable pursuant to, the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

(c) Notwithstanding Section 10(b), a party may make a timely application for, and obtain, judicial emergency or temporary injunctive relief with respect to any of the provisions of the Restrictive Covenants; *provided, however*, that the remainder of any such Dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under Section 10(b). By entering into this Agreement and entering into the arbitration provisions of this Section 10, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Should any resort to a court be necessary and permitted under this Agreement, then the parties consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in the Borough of Manhattan in New York, New York.

11. Severability and Modification. To the extent permitted by applicable law, the Parties agree that any term or provision of this Agreement (or part thereof) that renders such term or provision (or part thereof) or any other term or provision (or part thereof) of this Agreement invalid or unenforceable in any respect shall be severable and shall be modified or severed to the extent necessary to avoid rendering such term or provision (or part thereof) invalid or unenforceable, and such severance or modification shall be accomplished in the manner that most nearly preserves the benefit of the Parties' bargain hereunder.

12. Withholding of Taxes and Other Deductions. The Company may, or may direct any other Company Party to, withhold from any payments made pursuant to this Agreement all federal, state, local, and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling.

13. Counterparts. This Agreement may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.

14. Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Company and each other Company Party, and Employee expressly acknowledges and agrees that each Company Party that is not a signatory hereto shall be a third-party beneficiary of Employee's representations, warranties and releases set forth in this Agreement.

15. Amendment; Entire Agreement. This Agreement may not be changed orally but only by an agreement in writing agreed to and signed by Employee and the Company. This

Agreement (and, as referenced herein, the Restrictive Covenants) constitute the entire agreement of the Parties with regard to the subject matter hereof; *provided*, *however*, this Agreement and the Restrictive Covenants complement and are in addition to, and do not supersede or replace, any other obligations that Employee has to the Company or any of its affiliates with respect to confidentiality or non-disclosure, return of property or the assignment of intellectual property.

16. Return of Property. Employee represents and warrants that, as of the Separation Date, Employee will have returned to the Company all property belonging to the Company or any other Company Party, including all Company-issued laptop computers and mobile devices and all computer files, electronically stored information and other materials provided to Employee by the Company or any other Company Party or created by Employee in the course of Employee's employment, and Employee further represents and warrants that Employee will not maintain a copy of any such materials in any form.

17. Continued Cooperation. Following the Separation Date, Employee agrees to cooperate fully with the Company Parties regarding any matter, event, or issue relating to Employee's employment with the Company, occurring during Employee's employment with the Company, or relating to Employee's knowledge of the Company. Employee acknowledges and agrees that such cooperation shall include, without limitation, being available to meet with any of the Company Parties or their attorneys; preparing for, traveling to, attending, and participating in any proceeding; serving as a witness in connection with any litigation or other legal proceeding affecting any of the Company Parties; providing truthful affidavits, declarations, and testimony; and assisting with any audit, inspection, or other inquiry. In performing such services, Employee agrees to cooperate with the Company Parties and their lawyers in all respects. In seeking Employee's cooperation in conformance with this Section 18, the Company agrees to do so in a reasonable manner that takes into consideration Employee's professional and personal obligations. The Company shall pay for or reimburse Employee for all reasonable, pre-approved expenses incurred in connection with such cooperation, including any pre-approved reasonable costs and fees of independent counsel for Employee. To the extent that Employee provides services pursuant to this Section 17 during the 90-day period that follows May 15, 2022, then the Company agrees to compensate Employee for Employee's time in connection with this paragraph at the rate of $4,000.00 per day (not pro-rated for partial days) spent by Employee providing such services during such period; *provided*, *however*, that i) in order to receive such compensation, such services must be approved by the Company in writing before they are performed, and ii) Employee shall not be eligible for such payment for Employee's performance of any duties that are required by applicable law or legal process (including providing testimony or information in response to any subpoena).

18. Indemnification. Nothing in this Agreement shall affect, alter or diminish Employee's rights to indemnification under applicable law or any agreement with the Company, including but not limited to the Indemnification Agreement dated October 19, 2021 between the Company and Employee. Company represents and warrants that Employee will continue to be covered by such applicable directors and insurance policy(ies) by which he is now covered (to the extent sponsored by the Company or its affiliate) in accordance with such policy(ies) terms for so long as such policy(ies) remain in effect, and the Company agrees not to cancel any such policy(ies) in a manner that adversely affects Employee prior to the expiration of any such policy(ies). If the Company renews or extends such policy(ies), the Company agrees to provide Employee with the same coverage under such policy(ies) as such policy(ies) provide(s) to any of the other former officers or directors of the Company.

19. Non-Disparagement. Employee agrees not to disparage, defame, or publish derogatory statements regarding any Company Party. The Company agrees to cause those individuals who are its directors and officers as of the Separation Date (including, for the avoidance of doubt, Beard) not to disparage, defame, or publish derogatory statements regarding

Employee or any current spouse or dependent of Employee. Beard agrees not to disparage, defame, or publish derogatory statements regarding Employee or any current spouse or dependent of Employee. Notwithstanding the foregoing, this section will not prohibit Employee or any other person (including any Company director or officer) from: making any disclosure required by law or speaking with law enforcement, making disclosures to or speaking with a Governmental Agency (including the Equal Employment Opportunity Commission or any state or local division of human rights or commission on human rights) or an attorney retained by such person, nor does the foregoing prevent making truthful statements in response to a subpoena or as part of any legal proceeding.

20. Further Assurances. Employee shall, from time to time at the request of the Company, and without any additional consideration, furnish the Company with such further information or assurances, execute and deliver such additional documents, instruments, and conveyances, and take such other actions and do such other things, as may be reasonably necessary or desirable, as determined in the sole discretion of the Company, to carry out the provisions of this Agreement or transition his responsibilities.

21. Mutual Announcement.

(a) No later than four (4) business days after all parties have entered into this Agreement, the Company agrees to issue the statement contained at Exhibit B hereto.

(b) In addition, so long as Employee satisfies the conditions to receive the Severance Benefits, then the Company will post the statement set forth at Exhibit B, or another statement mutually agreed upon by the Company and Employee, on the Company's LinkedIn page.

22. Section 409A. Neither this Agreement nor any payment or benefit provided hereunder are intended to constitute "deferred compensation" subject to the requirements of Section 409A of the Internal Revenue Code of 1986 and the Treasury regulations and interpretive guidance issued thereunder (collectively, "***Section 409A***"), and this Agreement shall be construed and administered in accordance with such intent. Notwithstanding the foregoing, the Company makes no representations that the payments provided under this Agreement comply with or are exempt from the requirements of Section 409A and in no event shall the Company or any other Company Party be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

23. Interpretation. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. The word "or" as used herein is not exclusive and is deemed to have the meaning "and/or." The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement (including the Exhibits hereto) and not to any particular provision hereof. All references to this Agreement shall include the Exhibits attached hereto. All references herein to a law, agreement, instrument or other document shall be deemed to refer to such law, agreement, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any Party, whether under any rule of construction or otherwise. This Agreement has been reviewed by each of the Parties and their

counsel and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the Parties. The Confirming Release is incorporated by reference as if fully set forth herein.

[*Signatures begin on the following page*]

The Parties have executed this Agreement on the date(s) set forth beneath their signatures below, with this Agreement effective as of the Effective Date.

STRONGHOLD DIGITAL MINING, INC.

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: CEO

Date: April 14, 2022

RICARDO R.A. LARROUDÉ

/s/ Ricardo R.A. Larroudé
Ricardo R.A. Larroudé

Date: April 14, 2022

Solely for the limited purposes of agreeing to Sections 5(b), 10 and 19:

GREGORY A. BEARD

/s/ Gregory A. Beard
Gregory A. Beard

Date: April 14, 2022

And solely for the limited purposes of agreeing to Sections 3 and 10:

Q POWER LLC

By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Managing Member

Date: April 14, 2022

EXHIBIT A

CONFIRMING RELEASE AGREEMENT

This Confirming Release Agreement (the "***Confirming Release***") is that certain Confirming Release referenced in Section 8 of the Transition and Separation Agreement and General Release of Claims (the "***Separation Agreement***"), entered into as of April 14, 2022 by and between Stronghold Digital Mining, Inc. (the "***Company***") and Ricardo R.A. Larroudé ("***Employee***"). Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Separation Agreement. In signing below, Employee agrees as follows:

1. **Release of Claims.**

(a) For good and valuable consideration, including the Company's agreement to provide the consideration described in Section 2 of the Separation Agreement (and any portion thereof), Employee hereby forever releases, discharges and acquits the Company, Q Power, Insperity, their respective parents, subsidiaries and other affiliates, and each of the foregoing entities' respective past, present and future subsidiaries, affiliates, stockholders, members, managers, partners, directors, officers, employees, agents, attorneys, heirs, predecessors, successors and representatives, in their personal and representative capacities as well as all employee benefit plans maintained by the Company or any of its affiliates and all fiduciaries and administrators of any such plans, in their personal and representative capacities (collectively, the "***Confirming Released Parties***"), from liability for, and Employee hereby waives, any and all claims, damages, or causes of action of any kind related to Employee's employment or affiliation with any Confirming Released Party, the termination of such employment or affiliation, and any other acts or omissions related to any matter occurring or existing, whether known or unknown, on or prior to the date that Employee executes this Confirming Release, whether arising under federal or state laws or the laws of any other jurisdiction, including (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination or anti-retaliation law, including the Age Discrimination in Employment Act (including as amended by the Older Workers Benefit Protection Act), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, and Sections 1981 through 1988 of Title 42 of the United States Code, the Americans with Disabilities Act of 1990; (B) ERISA; (C) the Immigration Reform Control Act; (D) the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act; (E) the Occupational Safety and Health Act; (F) the Family and Medical Leave Act of 1993; (G) any law, regulation, or ordinance or orders under New York State law, the New York State Human Rights Law, the New York Labor Law, the New York Retaliatory Action By Employers Law, Section 125 of the New York Workers' Compensation Law, Article 23-A of the New York Correction Law, the New York Civil Rights Law, the New York Wage-Hour Law, the New York Workers' Compensation Law, the New York Wage Payment Law, the New York City Human Rights Law and the New York City Earned Sick Leave Law; (H) any other local, state or federal law, regulation, ordinance or orders which may have afforded any legal or equitable causes of action of any nature; or (I) any public policy, contract, tort, or common law claim, including any claim for defamation, slander, libel, negligence, emotional distress, fraud or misrepresentation of any kind, promissory estoppel, breach of implied duty of good faith and fair dealing, breach of implied or express contract, breach of fiduciary duty or wrongful discharge; (ii) any allegation for costs, fees, or other expenses including attorneys' fees incurred in, or with respect to, a Confirming Released Claim; (iii) any and all claims Employee may have under any employment contract or any other agreement, incentive or compensation plan or under any other benefit plan, program or practice; (iv) any claim, whether direct or derivative, arising from, or relating to, Employee's status as a member or holder of any interest in any Company Party, including all claims arising from or relating to the Q Power Award Agreements or the Company Equity Agreements, and (v) any claim for compensation, damages or benefits of any kind not expressly set forth in this Confirming Release (collectively, the "***Confirming Released Claims***"). This

Confirming Release is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Employee is simply agreeing that, in exchange for the consideration received by Employee through this Confirming Release, any and all potential claims of this nature that Employee may have against the Confirming Released Parties, regardless of whether they actually exist, are expressly settled, compromised and waived. THIS CONFIRMING RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE CONFIRMING RELEASED PARTIES.

(b) Notwithstanding this release of liability, *nothing in this Confirming Release prevents Employee from filing any non-legally waivable claim, including a challenge to the validity of this Agreement, with any Governmental Agency or participating in (or cooperating with) any investigation or proceeding conducted by any Governmental Agency; however, Employee understands and agrees that, to the extent permitted by law, Employee is waiving any and all rights to recover any monetary or personal relief or recovery from any Confirming Release Party as a result of such Governmental Agency proceeding or subsequent legal actions*. Nothing herein waives Employee's right to receive an award for information provided to a Governmental Agency. Further, in no event shall the Confirming Released Claims include (i) any claim that arises after the date this Confirming Release is executed by Employee, (ii) any claim to enforce Employee's rights under this Confirming Release; or (iii) any claim to vested benefits under an employee benefit plan that is subject to ERISA and that cannot be waived by ERISA. Nothing herein will prevent Employee from seeking workers' compensation or unemployment insurance benefits.

(c) Employee represents and warrants that, as of the time Employee executes this Confirming Release, Employee has not brought or joined any lawsuit or filed any lawsuit, complaints, appeals, charges or claims against any of the Confirming Released Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which Employee signs this Confirming Release. Employee further represents and warrants that Employee has made no assignment, sale, delivery, transfer or conveyance of any rights Employee has asserted or may have against any of the Confirming Released Parties to any person or entity, in each case, with respect to any Confirming Released Claim.

2. **Satisfaction of Obligations; Receipt of Leaves, Bonuses, and Other Compensation.** Employee acknowledges and agrees that Employee has been paid in full all bonuses, been provided all benefits, been afforded all rights and otherwise received all wages, compensation, and other sums that Employee has been owed or ever could be owed by each Confirming Released Party (with the exception of any sums to which Employee may be entitled pursuant to the Separation Agreement). Employee further acknowledges and agrees that Employee has received all leaves (paid and unpaid) that Employee has been entitled to receive from each Confirming Released Party.

3. **Employee's Acknowledgments.** By executing and delivering this Confirming Release, Employee expressly acknowledges that: (a) Employee has carefully read this Confirming Release and has had sufficient time (and at least twenty-one (21) days) to consider this Confirming Release before its execution and delivery to the Company, and Employee affirms that he has had more than twenty-one (21) days to consider the terms and conditions herein, as he has been able to review and consider the terms of this Confirming Release since a time prior to his signing of the Separation Agreement to which this Confirming Release is attached; (b) Employee is receiving, pursuant to the Separation Agreement and Employee's execution of this Confirming Release, consideration in addition to anything of value to which Employee is already entitled; (c) Employee has been advised, and hereby is advised in writing, to discuss this Confirming Release with an attorney of Employee's choice before

signing this Confirming Release, and Employee has had an adequate opportunity to do so prior to executing this Confirming Release; (d) Employee fully understands the final and binding effect of this Confirming Release; the only promises made to Employee to sign this Confirming Release are those contained herein and in the Separation Agreement; and Employee is signing this Confirming Release knowingly, voluntarily and of Employee's own free will, and Employee understands and agrees to each of the terms of this Confirming Release; (e) Employee is bound by, and affirms his agreement to be bound by, those non-disparagement terms applicable to him as set forth in Section 19 of the Separation Agreement; and (f) the terms set forth in the Separation Agreement (including this Confirming Release) are Employee's preference, and the only matters relied upon by Employee and causing Employee to sign this Confirming Release are the provisions set forth in writing within this Confirming Release and the Separation Agreement.

4. **Return of Property.** Employee represents and warrants that Employee has returned to the Company all property belonging to the Company and any other Confirming Released Party, including all Company-issued laptop computers and mobile devices and all computer files and other electronically stored information, client materials, electronically stored information, and other materials provided to Employee by the Company or any other Confirming Released Party in the course of Employee's employment or created by Employee in the course of Employee's employment and Employee further represents and warrants that Employee has not maintained a copy of any such materials in any form.

5. **Revocation Right.** Notwithstanding the initial effectiveness of this Confirming Release, Employee may revoke the delivery (and therefore the effectiveness) of this Confirming Release within the seven-day period beginning on the date Employee executes this Confirming Release (such seven day period being referred to herein as the "***Confirming Release Revocation Period***"). To be effective, such revocation must be in writing signed by Employee and must be received by the Company care of Matt Usdin, General Counsel, so that it is received by Mr. Usdin no later than 11:59 p.m. New York, New York time, on the last day of the Confirming Release Revocation Period. In the event Employee exercises his revocation right as set forth herein, this Confirming Release will be of no force or effect, Employee will not be entitled to receive any portion of the Severance Benefits and all other provisions of the Separation Agreement (other than Section 19 and any provisions of Section 21(b) that have not been performed) shall remain in full force and effect.

EMPLOYEE HAS CAREFULLY READ THIS CONFIRMING RELEASE, FULLY UNDERSTANDS HIS AGREEMENT, AND SIGNS IT AS HIS OWN FREE ACT.

_____
Ricardo R.A. Larroudé

Date:_____

Acknowledged and Agreed

STRONGHOLD DIGITAL MINING, INC.

By:_____
Name:
Title:
Date: _____

EXHIBIT B

Stronghold Digital Mining, Inc. thanks Ricardo Larroudé for his devotion to, and services on behalf of, the Company. Ricardo was instrumental to the Company's growth in the past year, and the Company wishes him best in his future endeavors.

STRONGHOLD

DIGITAL MINING

April 13, 2022

Dear Matt,

We are pleased to offer you a position with Stronghold Digital Mining, Inc. (the "Company"), as Chief Financial Officer. If you decide to join us, the material economic and other terms and conditions of your offer of employment are further outlined in Exhibit A attached hereto.

The Company is excited about your joining and looks forward to a beneficial and productive relationship. Nevertheless, you should be aware that your employment with the Company is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice. We request that, in the event of resignation, you give the Company at least two weeks' notice, and likewise the Company will provide you with notice (and/or severance pay in lieu of notice) as described more fully in Exhibit A. You should note that the Company may modify job titles, salaries and benefits from time to time as it deems necessary.

The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees. Your job offer, therefore, is contingent upon a clearance of such a background investigation and/or reference check, if any.

For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your date of hire, or our employment relationship with you may be terminated.

We also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting, or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company; provided, however, for the avoidance of doubt, the Company acknowledges the permitted outside business activities outlined in Exhibit C. Similarly, you agree not to bring any third-party confidential information to the Company, including that of your former employer, and that you will not in any way utilize any such information in performing your duties for the Company.

As a Company employee, you will be expected to abide by Company rules and standards. In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that (i) any and all disputes between you and the Company shall be fully and finally resolved by binding arbitration, (ii) you are waiving any and all rights to a jury trial but all court remedies will be available in arbitration, and (iii) all disputes shall be resolved by a neutral arbitrator who shall issue a written opinion.

To accept the Company's offer, please sign and date this letter in the space provided below. If you accept our offer, your first day of employment will be mutually agreed upon, but no later than April 15, 2022. This letter, along with the Confidentiality, Intellectual Property, Arbitration, Non-Competition and

Non-Solicitation Agreement between you and the Company, dated April 13, 2022, set forth the terms of your employment with the Company and supersede any prior representations or agreements including, but not limited to, any representations made during your recruitment, interviews or pre-employment negotiations, whether written or oral. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by the Company's Chief Executive Officer and you. This offer of employment will terminate if it is not accepted, signed, and returned by April 13, 2022.

We look forward to your favorable reply and to working with you at Stronghold Digital Mining, Inc.

Sincerely,

/s/ Gregory Beard
Gregory Beard
CEO

Agreed to and accepted:

Signature: /s/ Matthew J. Smith

Printed Name: Matthew J. Smith

Date: April 13, 2022

Enclosures
Exhibits A, B, C – Term Sheet; PSU Vesting Schedule and Settlement Tiers; Permitted Outside Business Activities

Exhibit A – Term Sheet

Stronghold Digital Mining Inc. -- Offer to Matthew J. Smith ("Employee")

The following sets forth the material economic terms of the offer letter.

Job Title:	• Chief Financial Officer.
Start Date:	• To be mutually agreed upon, but no later than April 18, 2022.
Base Salary:	• $300,000.00 (paid in accordance with the Company's ordinary course payroll practices in effect from time to time).
Annual Bonus:	• Employee to be eligible to receive an annual bonus in the amount of up to $300,000.00 payable at such time as bonuses are paid to Company employee's generally (which is expected to be calendar year-end), subject to the achievement of individual and Company performance metrics mutually determined and agreed to by Employee and the Company's Board of Directors (the "Board") and Employee's continued employment through the last day of the applicable calendar year, except as otherwise set forth below (the "Annual Bonus"). Notwithstanding the foregoing, (i) Employee shall be eligible to receive a guaranteed Annual Bonus in respect of the 2022 calendar year of $300,000, prorated based on the number of days between Employee's Start Date and calendar year end and (ii), upon a Change in Control (as defined in the Company's equity-based incentive plan as in effect on the grant date of the RSUs), Employee shall receive an Annual Bonus for the year in which the Change in Control occurs equal to the greater of (x) $150,000 and (y) $300,000, prorated based on the number of days between the first day of the calendar year in which the Change in Control occurs and the date of the Change in Control. For the avoidance of doubt, Employee shall not be eligible to earn more than one Annual Bonus with respect to any calendar year.

Equity Compensation:

- Subject to approval by the Board, Employee shall be granted 200,000 restricted stock units ("RSUs") and a target amount of 250,000 performance stock units ("PSUs") settleable into the Company's common stock (subject to adjustment for stock splits or other changes to the Company's capital structure). RSUs and PSUs will be granted as soon as reasonably practical after Employee's start date.
- Receipt and retention of the RSUs and PSUs will be conditioned on the Employee's execution of the Company's grant agreement attached to this term sheet and remaining bound to the terms and conditions set forth therein.
- The RSUs will vest in substantially equal installments approximately every one month following the grant date over three years; provided that the RSUs will be credited with an additional twelve months of accelerated vesting upon an involuntary termination of Employee without Cause or for Good Reason not in connection with a Change in Control prior to the third anniversary of the grant date, and provided further that 50% of any unvested portion of the RSUs will vest (i) upon an involuntary termination of Employee without Cause or a departure by Employee for Good Reason following a Change in Control (as defined in the Company's equity-based incentive plan as in effect on the grant date of the RSUs) to the extent the RSUs are continued by the acquiror in connection with the Change in Control, and (ii) immediately prior to a Change in Control in the event the RSUs are not continued by the acquiror in connection with the Change in Control or in the event of the involuntary termination of Employee without Cause or a departure by Employee for Good Reason within 60 days prior to or upon the Change in Control.
- Any PSUs will vest in installments at approximately the end of each calendar quarter over approximately three years beginning July 1, 2022 and ending June 30, 2025, (such three-year period, the "Performance Period"), with the first such tranche eligible to vest on September 30, 2022, in accordance with Exhibit B. The number of shares of the Company's common stock issued to Employee each quarter to settle the number of PSUs that vest ranges from zero to three times the number of PSUs that vest (each a "Settlement Tier" and collectively, the "Settlement Tiers"). Each Settlement Tier is to be determined based on the 30-day volume-weighted average share price, as adjusted for stock splits and dividends ("VWAP"), at Nasdaq market close on the last trading day of each calendar quarter, in accordance with Exhibit B.
- In addition, the PSUs shall be subject to catch-up vesting at the end of the three-year Performance Period such that any PSUs that did not settle from one to three times the number of PSUs that vest during the four calendar quarters ending September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023 will settle into the applicable Settlement Tier at the end of the three-year Performance Period if the VWAP over the period beginning on April 1, 2024 and ending on March 31, 2025 equals or exceeds $10.00; for the avoidance of doubt, if the VWAP over the period beginning on April 1, 2024 and ending on March 31, 2025 equals or exceeds $10.00, for each quarter during which Employee is subject to the catch-up vesting pursuant to this section and the VWAP exceeds $10.00, Employee shall receive an amount of common stock of the Company equal to the number of vested PSUs during the applicable quarter *less* the number of shares of common stock of the Company actually issued to settle PSUs to Employee during the applicable quarter. Notwithstanding the foregoing, (i) to the extent the PSUs are assumed or continued by the acquiror in connection with a Change in Control (as defined in the Company's equity-based incentive plan as in effect on the grant date of the RSUs) and Employee's employment is involuntarily terminated without Cause or by Employee for Good Reason following the Change in Control or (ii) to the extent either the PSUs are not assumed or continued by the acquiror in connection with a Change in Control or Employee's employment is terminated without Cause or Employee resigns for Good Reason within 60 days prior to or upon a Change in Control, then 50% of any unvested PSUs will immediately vest, and the number of shares of the Company's common stock issued to settle the PSUs will be based on the target for the then-applicable Settlement Tier taking into account the share price of the Company's common stock at market close on the date immediately preceding the closing of the transaction that results in a Change in Control of the Company.
- RSUs and PSUs will be settled upon vesting, subject to the terms of the grant agreement.
- In the event of voluntary or involuntary separation, Employee will retain all vested RSUs and PSUs, subject to any accelerated vesting rights and the terms and conditions of the grant agreement and the Company's equity-based incentive plan in effect on the grant date.
- In the event of a termination of Employee's employment for Cause, or a violation by Employee of any restrictive covenants to which he is subject, all vested and unvested RSUs and PSUs which have not been settled will immediately be forfeited.

Director Compensation:	• For the avoidance of doubt, Employee will not receive compensation for Employee's role on the Company's Board of Directors on a go-forward basis following Employee's start date; however, stock options granted to Employee for his prior role as a member of the Board will be subject to adjustments to reduce the exercise price and/or vesting schedule, consistent with adjustment(s) made, if any, to stock options previously granted to other directors and/or other employees on or before June 30, 2022. In the event that Employee's position as Chief Financial Officer terminates at any time and for any reason, Employee will automatically offer to resign from the Board concurrently with any termination of such employment.

Other Benefits:

- Employee is eligible to participate in the benefits plans maintained by the Company from time to time, subject to the requirements of the applicable plans, which may include health, dental, life & disability insurance, 401(k), discounted stock purchase plans and other plans as may be made available to senior officers of the company. Notwithstanding the forgoing, nothing herein shall be deemed to require the Company to adopt or maintain any particular benefit plans or programs, and the Company may change the terms and conditions of its benefits programs at any time.
- In the event of a termination of Employee's employment without Cause or for Good Reason within eighteen (18) months following Employee's start date, (i) Employee shall receive a severance payment, paid within sixty (60) days following termination of employment, subject to Employee's execution and non-revocation of a general release of claims within such sixty (60) day period, equal to the sum of (A) twelve months of Employee's base salary; (B) a pro-rated portion of Employee's Annual Bonus for the year of termination, plus any Annual Bonus earned but not yet paid for the year prior to termination; and (C) a lump sum equal to the cost of COBRA insurance premiums for family health coverage for twelve months and (ii) Employee shall be credited with the additional vesting credit of the RSUs as set forth above.
- In the event of a termination of Employee's employment without Cause or for Good Reason within 60 days prior to or upon or following a Change in Control that occurs within eighteen (18) months following Employee's start date, Employee shall receive a severance payment, paid within sixty (60) days following termination of employment, subject to Employee's execution and non-revocation of a general release of claims within such sixty (60) day period, equal to the sum of (i) twelve months of Employee's base salary; (ii) one times the Annual Bonus for the year of termination, plus any Annual Bonus earned but not yet paid for the year prior to termination; and (iii) a lump sum equal to the cost of COBRA insurance premiums for family health coverage for eighteen months.
- Employee shall not be entitled to severance in any form for a termination without Cause or for Good Reason that occurs after the date that is eighteen (18) months following Employee's start date.
- "Cause" shall mean the occurrence of any of the following events or conditions: (i) willful misconduct by Employee in performance of his duties to the Company; (ii) willful commission by Employee of any act of fraud or embezzlement with respect to the Company; (iii) Employee's indictment for or commission of a felony or a crime involving moral turpitude; or (iv) willful failure by Employee to comply with lawful directives of the Board. No act or failure to act by Employee shall be considered "willful" unless done or omitted to be done by Employee in bad faith and without reasonable belief that Employee's action or omission was in the best interests of the Company. Any act, or failure to act, by Employee based upon express direction from the Board shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interests of the Company.
- The Company shall not have Cause to terminate Employee's employment unless (i) the Board reasonably determines in good faith that a "Cause" condition under such clauses has occurred; (ii) the Board notifies Employee in writing of the occurrence of the Cause condition within sixty (60) days of the Board's first becoming aware of such occurrence; (iii) Employee fails to cure any such Cause condition, to the extent curable, within fifteen (15) days of such notice (the "Cause Cure Period"); (iv) notwithstanding such efforts, the Cause condition continues to exist; and (v) the Board terminates Employee's employment within sixty (60) days after the end of the Cause Cure Period. If Employee cures the Cause condition during the Cause Cure Period, Cause shall be deemed not to have occurred.
- "Good Reason" shall mean the occurrence of any of the following events or conditions: (i) a reduction in Employee's Base Salary or Annual Bonus target; (ii) a material diminution of Employee's duties, responsibilities, powers or authorities, including, without limitation, the material assignment of duties and responsibilities materially inconsistent with Employee's positions as Chief Financial Officer of the Company; (iii) a breach by the Company of this offer letter or any other written agreement between Employee and the Company or any of its affiliates, including without limitation any equity-based award agreement; or (iv) a relocation of Employee's principal place of business by more than 35 miles. For purposes of this Agreement, Employee shall not have Good Reason for termination unless (i) Employee reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) Employee notifies the Company in writing of the occurrence of the Good Reason condition within sixty (60) days of Employee's first becoming aware of such occurrence; (iii) Employee cooperates in good faith with the Company's efforts, for a period not less than thirty (30) days following such notice (the "Good Reason Cure Period"), to cure the condition, to the extent curable; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) Employee terminates his employment within sixty (60) days after the end of the Good Reason Cure Period. If the Company cures the Good Reason condition during the Good Reason Cure Period, Good Reason shall be deemed not to have occurred.

Business and Legal Expenses:	• The Company shall reimburse all reasonable out-of-pocket business-related expenses in accordance with the Company's expense reimbursement policy in effect from time to time.
Section 409A	• The offer letter and this Exhibit A (the "Agreement") are intended to comply with or be exempt from the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of Section 409A of the Code, all payments to be made pursuant to the Agreement upon the termination of employment that constitute a "deferral of compensation" within the meaning of Section 409A of the Code may only be made upon a "separation from service" under Section 409A of the Code, each payment made pursuant to the Agreement shall be treated as a separate payment and the right to a series of installment payments shall be treated as a right to a series of separate payments. In no event shall Employee, directly or indirectly, designate the calendar year of payment. Notwithstanding any provision of this Agreement to the contrary, if, at the time of Employee's termination of employment with the Company, the Company has securities which are publicly traded on an established securities market and Employee is a "specified employee" (as defined in Section 409A of the Code) and it is necessary to postpone the commencement of any payments or benefits otherwise payable pursuant to this Agreement as a result of such termination of employment to prevent any tax, interest or penalties being payable under Section 409A of the Code, then the Company will postpone the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to Employee), until the first payroll date that occurs after the date that is six (6) months following Employee's "separation of service" with the Company (within the meaning of such term under Code Section 409A) and any such postponed payments or benefits will be paid in a lump sum to Employee on such date. If Employee dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of Section 409A of the Code shall be paid to the personal representative of Employee's estate within sixty (60) days after the date of Employee's death.

Exhibit B – PSU Vesting Schedule and Settlement Tiers

Omitted pursuant to Item 601(a)(5) of Regulation S-K.

Exhibit C – Permitted Outside Business Activities

Omitted pursuant to Item 601(a)(5) of Regulation S-K.

Exhibit 10.6

STRONGHOLD DIGITAL MINING, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of April 22, 2022 by and between Stronghold Digital Mining, Inc., a Delaware corporation (the "Company"), and Indira Agarwal ("Indemnitee"). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") believes that highly competent persons have become more reluctant to serve publicly held corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Amended and Restated Certificate of Incorporation of the Company (as may be amended, the "Certificate of Incorporation") and the Bylaws of the Company (as may be amended, the "Bylaws") provide for indemnification of the officers and directors of the Company to the fullest extent permitted by law. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation, the Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification may increase the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and the Bylaws, and any resolutions adopted pursuant thereto, as well as any rights of Indemnitees under any directors' and officers' liability insurance policy, and this Agreement

and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Certificate of Incorporation, the Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve or continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director or officer of the Company or, by mutual agreement of the Company and Indemnitee, as a director or officer of another Enterprise (as defined below), as applicable. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Bylaws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director or officer of the Company or any Enterprise, as applicable, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement),

individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity) more than 50% of the combined voting power of the voting securities of the Surviving Entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such Surviving Entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(D) "Surviving Entity" shall mean the surviving entity in a merger or consolidation or any entity that controls, directly or indirectly, such surviving entity.

(c) “Corporate Status” describes the status of a person who is or was a director, trustee, partner, managing member, manager, officer, employee, agent or fiduciary of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

(d) “Disinterested Director” shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) “Enterprise” shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, manager, employee, agent or fiduciary.

(f) “Expenses” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees and other costs of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements, obligations or expenses of the types customarily incurred in connection with, or as a result of, prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a deponent or witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors’ and officers’ liability insurance policies maintained by the Company, regardless of whether Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) for purposes of Section 14(d) only, Expenses incurred by or on behalf of Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, the Certificate of Incorporation, the Bylaws or under any directors’ and officers’ liability insurance policies maintained by the Company, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee’s counsel as being reasonable in the good faith judgment of such counsel shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “Independent Counsel” shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, regulatory or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnitee's Corporate Status, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Indemnitee's part while acting pursuant to Indemnitee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee's conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of the Company's stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. If applicable law so provides, no indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court of competent jurisdiction (after the time for an appeal has

expired) to be liable to the Company, unless and only to the extent that the Delaware Court (as hereinafter defined) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a witness, is or was made (or asked) to respond to discovery requests in any Proceeding or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee, by reason of his or her Corporate Status is, or is threatened to be made, a party to or a participant in any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) by reason of Indemnitee's Corporate Status.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law; provided that the Company shall advance Expenses in connection with Indemnitee's defense of a claim under Section 16(b), which advances shall be repaid to the Company if it is ultimately determined that Indemnitee is not entitled to indemnification; or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), if Indemnitee is held liable therefor (including pursuant to any settlement arrangements); or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross claim or affirmative defense brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding), or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board as provided in Section 9(c), and such advancement shall be made as soon as reasonably practicable, but in any event no later than within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts

advanced (without interest) by the Company pursuant to this Section 10, if and only to the extent that it is ultimately determined by final non-appealable judgment or other final non-appealable adjudication under the provisions of any applicable law (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding, in each case, to the extent known to Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any Proceeding (in whole or in part) if such settlement would impose any Expense, judgment, liability, fine, penalty or limitation on Indemnitee which Indemnitee is not entitled to be indemnified hereunder without Indemnitee's prior written consent, which shall not be unreasonably withheld.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs

or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) If the Company disputes a portion of the amounts for which indemnification is requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of any such dispute.

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior

to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 13(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, manager, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the second to last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under

this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by or on behalf of Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement (i) shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise and (ii) shall be interpreted independently of, and without reference to, any other such rights to which Indemnitee may at any time be entitled. No amendment, alteration or repeal of this Agreement or of any provision hereof, the Certificate of Incorporation or the Bylaws shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, the Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (or for which advancement is provided

hereunder) if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(d) The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement and insurance provided by one or more Persons with whom or which Indemnitee may be associated. The Company hereby acknowledges and agrees that (i) the Company shall be the indemnitor of first resort with respect to any Proceeding, Expense, liability or matter that is the subject of the Indemnity Obligations (as defined below), (ii) the Company shall be primarily liable for all Indemnity Obligations and any indemnification afforded to Indemnitee in respect of any Proceeding, Expense, liability or matter that is the subject of Indemnity Obligations, whether created by applicable law, organizational or constituent documents, contract (including this Agreement) or otherwise, (iii) any obligation of any other Persons with whom or which Indemnitee may be associated to indemnify Indemnitee or advance Expenses or liabilities to Indemnitee in respect of any Proceeding shall be secondary to the obligations of the Company hereunder, (iv) the Company shall be required to indemnify Indemnitee and advance Expenses or liabilities to Indemnitee hereunder to the fullest extent provided herein without regard to any rights Indemnitee may have against any other Person with whom or which Indemnitee may be associated or insurer of any such Person and (v) the Company irrevocably waives, relinquishes and releases any other Person with whom or which Indemnitee may be associated from any claim of contribution, subrogation or any other recovery of any kind in respect of amounts paid by the Company hereunder. In the event any other Person with whom or which Indemnitee may be associated or their insurers advances or extinguishes any liability or loss which is the subject of any Indemnity Obligation owed by the Company or payable under any Company insurance policy, the payor shall have a right of subrogation against the Company or its insurer or insurers for all amounts so paid which would otherwise be payable by the Company or its insurer or insurers under this Agreement. In no event will payment of an Indemnity Obligation by any other Person with whom or which Indemnitee may be associated or their insurers affect the obligations of the Company hereunder or shift primary liability for any Indemnity Obligation to any other Person with whom or which Indemnitee may be associated. Any indemnification, insurance or advancement provided by any other Person with whom or which Indemnitee may be associated with respect to any liability arising as a result of Indemnitee's status as director, officer, employee or agent of the Company or capacity as an officer or director of any Person is specifically in excess over any Indemnity Obligation of the Company or valid and any collectible insurance (including but not limited to any malpractice insurance or professional errors and omissions insurance) provided by the Company under this Agreement. As used herein, the term "Indemnity Obligations" shall mean all obligations of the Company to Indemnitee under the Certificate of Incorporation, the Bylaws, this Agreement or otherwise, including the Company's obligations to provide indemnification to Indemnitee and advance Expenses to Indemnitee under this Agreement.

Section 16. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee serves as a director or officer of the Company or any other Enterprise, as applicable, and shall continue thereafter so long as Indemnitee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement) by reason of Indemnitee's Corporate Status, whether or not Indemnitee is acting in any such capacity at the time any liability or expense is incurred for which indemnification or advancement can be provided under this Agreement. The indemnification and advancement of expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure

to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and shall cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to, by written agreement, expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order or other applicable law, to perform its obligations hereunder shall not constitute a breach of this Agreement. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve or continue to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws, any directors' and officers' insurance maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered

by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

Stronghold Digital Mining, Inc.
595 Madison Avenue, 28th Floor
New York, New York 10022
Attn: Matt Usdin, General Counsel

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Court of Chancery of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted

for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

STRONGHOLD DIGITAL MINING, INC.
By: /s/ Gregory A. Beard
Name: Gregory A. Beard
Title: Chief Executive Officer

INDEMNITEE
By: /s/ Indira Agarwal
Name: Indira Agarwal
Address: _____
_____
_____
_____

CONFIDENTIALITY, INTELLECTUAL PROPERTY, ARBITRATION, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

As a condition of continued employment with Stronghold Digital Mining, Inc., a Delaware corporation (the "Company") and the opportunity to earn cash and equity-based compensation provided by the Company, Matthew J. Smith ("Employee") and the Company hereby agree to the terms of this Confidentiality, Intellectual Property, Arbitration, Non-Competition and Non-Solicitation Agreement (this "Agreement"), dated effective as of April 13, 2022.

1. **Confidentiality**.

(a) In the course of Employee's employment with the Company and the performance of Employee's duties on behalf of the Company Group (as defined below), Employee has been and will continue to be provided with, and will have access to, Confidential Information (as defined below). No other right or license, whether express or implied, in or with respect to the Confidential Information is granted to Employee hereunder. In consideration of Employee's receipt and access to such Confidential Information, and as a condition of Employee's continued employment with the Company, Employee agrees to the terms of this Agreement.

(b) Both during the term of Employee's employment with the Company and thereafter, except as expressly permitted in writing by an authorized representative of the Company, Employee shall not disclose any Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company and its direct and indirect subsidiaries and affiliates as may exist from time to time (collectively, the Company and its direct and indirect subsidiaries and affiliates are referred to as the "Company Group"). Employee shall follow all Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which such Confidential Information is stored). The covenants Employee makes in this Section 1(b) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with the Company or any other member of the Company Group.

(c) Notwithstanding any provision of Section 1(b) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of the Company Group who have a need to know Confidential Information in connection with the businesses of the Company Group;

(ii) disclosures to a person or entity that has (A) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (B) agreed in writing to abide by the terms of a confidentiality agreement; or

(iii) disclosures for the purpose of complying with any applicable laws or regulatory requirements or that Employee is legally compelled to make by deposition, interrogatory, request for documents, subpoena, civil investigative demand, order of a court of competent jurisdiction, or similar process, or otherwise by law.

(d) Upon Employee's ceasing to be employed by the Company and at any other time upon request of the Company, Employee shall promptly deliver to the Company all documents (including electronically stored information) and all copies thereof and all other

materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(e) As used herein, "Confidential Information" means all non-public, confidential, or proprietary information of or related to any member of the Company Group, including all trade secrets, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee individually or in conjunction with others, during the period that Employee is employed or engaged by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks). "Confidential Information" includes confidential information of third parties that have supplied such information to a member of the Company Group. Moreover, all documents, videotapes, presentations, brochures, memoranda, notes, records, files, correspondence, manuals, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any Confidential Information shall be the sole and exclusive property of the Company or its designee and is subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents.

(f) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

2. **Non-Competition; Non-Solicitation**.

(a) The Company shall continue to provide Employee access to Confidential Information for use only during the Employment Period (as defined below), and Employee acknowledges and agrees that the Company Group will continue to entrust Employee, in Employee's unique and special capacity, with developing the goodwill of the Company Group, and in consideration of the Company providing Employee with access to Confidential Information and as an express incentive for the Company to continue to employ Employee, Employee has voluntarily agreed to the covenants set forth in this Section 2. Employee agrees and acknowledges that the limitations and restrictions set forth herein, including geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, do not interfere with public interests, will not cause Employee undue hardship, and are intended and necessary to prevent unfair competition and to protect the Company Group's Confidential Information, goodwill and legitimate business interests.

(b) During the Prohibited Period, Employee shall not, without the prior written approval of the Company, directly or indirectly, for Employee or on behalf of or in conjunction with any other person or entity of any nature:

(i) engage in or participate within the Market Area in competition with any member of the Company Group in any aspect of the Business, which prohibition shall prevent Employee from directly or indirectly: (A) owning, managing, operating, or being an officer or director of, any business that competes with any member of the Company Group in the Market Area, or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with, any person or entity engaged in, or planning to engage in, the Business in the Market Area in competition, or anticipated competition, with any member of the Company Group in any capacity (with respect to this clause (B)) in which Employee's duties or responsibilities: (x) are the same as or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group, or (y) involve direct or indirect oversight of, or responsibility for, duties or responsibilities that are the same or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group;

(ii) appropriate any Business Opportunity of, or relating to, any member of the Company Group located in the Market Area;

(iii) solicit, canvass, approach, encourage, entice or induce any customer or supplier of any member of the Company Group with whom or which Employee had contact on behalf of any member of the Company Group to cease or lessen such customer's or supplier's business with any member of the Company Group; or

(iv) solicit, canvass, approach, encourage, entice or induce any employee or contractor of any member of the Company Group to terminate his, her or its employment or engagement with any member of the Company Group.

(c) The following terms shall have the following meanings:

(i) "Business" shall mean the business and operations that are the same or similar to those performed by the Company and any other member of the Company Group for which Employee provides services or about which Employee obtains Confidential Information during the Employment Period, which business and operations include acquisition, set up or operation of cryptocurrency exchanges, development of programing for blockchain technologies, cryptocurrency mining activities, and the generation and sale of power related to the same.

(ii) "Business Opportunity" shall mean any commercial, investment or other business opportunity relating to the Business.

(i) "Market Area" shall mean anywhere in the states and territories in which the Company or any members of the Company Group have locations or customers or prospective customers.

(ii) "Prohibited Period" shall mean the period during which Employee is employed by any member of the Company Group and continuing for a period of twelve (12) months following the date that Employee is no longer employed by any member of the Company Group; provided however that in the event of a termination of employment without "Cause" or for "Good Reason" (as such terms are defined in Employee's offer letter), Employee is paid severance for the duration of the Prohibited Period for purposes of Section 2(b)(i).

3. **Ownership of Intellectual Property**.

(a) Employee agrees that the Company owns, and Employee hereby assigns, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), improvements, developments, works of authorship, mask works, designs, know-how, ideas, data and any other information or materials authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, individually or in conjunction with others, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group that either (i) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group's businesses or actual or anticipated research or development, or (ii) were developed on any amount of the Company's or any other member of the Company Group's time or with the use of any member of the Company Group's equipment, supplies, facilities or trade secret information (all of the foregoing collectively referred to herein as "Company Intellectual Property"), and Employee shall promptly disclose all Company Intellectual Property to the Company. All of Employee's works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any member of the Company Group and in the scope of Employee's employment shall be deemed to be "works made for hire" within the meaning of the Copyright Act. Employee hereby waives any moral rights Employee may have in any Company Intellectual Property. To the extent any rights to any Company Intellectual Property cannot be assigned by Employee to the Company, Employee hereby grants to the Company an exclusive, perpetual, royalty-free, transferable, irrevocable, fully sub-licensable (though multiple levels) worldwide license to use, exploit, and practice all rights under such Company Intellectual Property in any manner.

(b) Employee warrants that, on or prior to the date of this Agreement, Employee has disclosed in writing to the Company, a description of any intellectual or industrial property in which Employee has an ownership interest that is applicable to or relates in any way to any member of the Company Group's businesses, products, services, or demonstrably anticipated research and development ("Prior Invention"). If, in the course of Employee's employment or affiliation with the Company or any other member of the Company Group, Employee incorporates any Prior Invention into any product, process, or device of the Company Group, Employee hereby grants the Company Group a nonexclusive, perpetual, royalty-free, transferable, irrevocable, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use, import, export, offer for sale, sell and otherwise commercialize such Prior Invention as part of or in connection with any product, process, or device of any member of the Company Group.

(c) Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary by the Company to assist the Company Group, at the Company's expense, in obtaining and enforcing its rights throughout the world in the Company Intellectual Property. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, trade secrets, moral rights, trademarks, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property. If the Company is unable for any reason to secure Employee's signature on any document necessary for obtaining protection of or enforcing the Company Intellectual Property, Employee hereby irrevocably designates and appoints the Company and each of the Company's duly authorized officers and agents as Employee's agent and attorney-in-fact to act for and on Employee's behalf with respect to such Company Intellectual Property.

4. **Limitations on Material Non-Company Business Activities**. During the Employment Period, Employee shall devote Employee's full business time, attention, skill and best efforts to the business of the Company and, as applicable, the other members of the Company Group and shall not engage in any other business or occupation during the Employment Period, including any activity that (x) conflicts with the interests of the Company or any other member of the Company Group or (y) interferes with the proper and efficient performance of Employee's duties for the Company. Employee may, subject to Sections 1 and 2, without violating this Section 4, (a) engage in charitable and civic activities, (b) engage in any activity approved by the Chief Executive Officer of the Company in writing, in each case, so long as such interests or activities do not interfere with Employee's ability to fulfill Employee's duties, authorities and responsibilities to the Company and the other members of the Company Group and are not competitive with the Business conducted by any member of the Company Group, and (c) engage in the Permitted Outside Business Activities referenced in Exhibit C of Employee's offer letter. Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties of an officer of a corporation organized under the laws of the State of Delaware, and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law. For purposes of this Agreement, "Employment Period" shall mean the period of time that Employee is employed by the Company or any other member of the Company Group.

5. **Specific Performance**. Because of the difficulty of measuring economic losses to the Company Group as a result of a breach or threatened breach of the covenants set forth in Sections 1 and 2, and because of the immediate and irreparable damage that would be caused to the members of the Company Group for which they would have no other adequate remedy, the Company and each other member of the Company Group shall be entitled to enforce the foregoing covenants in the event of a breach or threatened breach, by injunctions and restraining orders from any arbitrator or court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall not be the Company's or any other member of the Company Group's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company and each other member of the Company Group at law and equity.

6. **Severability; Reformation**. The covenants in this Agreement are severable and separate, and the unenforceability of any specific covenant (or part thereof) shall not affect the provisions of any other covenant (or parts thereof). Moreover, in the event any

arbitrator or court of competent jurisdiction shall determine that the scope of restrictions set forth herein are unreasonable, then it is the intention of Employee and the Company that such restrictions be enforced to the fullest extent which the arbitrator or court deems reasonable, and this Agreement shall thereby be reformed.

7. **Survival; Third-Party Beneficiaries**. Employee's obligations under this Agreement will continue in effect after the termination of Employee's employment, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary. Employee's obligations under this Agreement will be binding upon Employee's heirs, executors, assigns, and administrators and will inure to the benefit of each member of the Company Group and their respective subsidiaries, successors, and assigns. Each member of the Company Group that is not a signatory hereto shall be a third-party beneficiary of Employee's representations and covenants hereunder and shall be entitled to enforce this Agreement as if a party hereto.

8. **Waiver**. Any waiver of any term of this Agreement by the Company or another member of the Company Group will not operate as a waiver of any other term of this Agreement, nor will any failure to enforce any provision of this Agreement operate as a waiver of any member of the Company Group's right to enforce any other provision of this Agreement.

9. **Interpretation; Construction**. Titles and headings to Sections hereof are included for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Unless the context requires otherwise, the word "or" as used herein is not exclusive and is deemed to have the meaning "and/or." The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

10. **At-Will Employment**. This Agreement is not an employment contract for any particular term and nothing herein alters the at-will nature of Employee's employment with the Company, as Employee or the Company (and, if Employee becomes employed by any other member of the Company Group, any other member of the Company Group) may terminate the employment relationship at any time and for any reason not prohibited by applicable law or no reason at all.

11. **Modification**. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by both parties.

12. **Choice of Law; Arbitration; Dispute Resolution**.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflict of laws thereof. Subject to Section 12(b), any dispute, controversy or claim between Employee and the Company arising out of or relating to this Agreement or Employee's employment or engagement with the Company or any other member of the Company Group ("**Disputes**") will be finally settled by arbitration in New York, New York (or such other location as agreed to by the parties) in accordance with the then-existing American Arbitration Association ("**AAA**") Arbitration Rules. The arbitration award shall be final and binding on both parties. Any arbitration conducted under this Section 12(a) shall be heard by a single arbitrator (the "**Arbitrator**") selected in accordance with the then-applicable rules of the AAA. The Arbitrator shall expeditiously hear and decide all matters concerning the Dispute. Except as

expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the Dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. All Disputes shall be arbitrated on an individual basis, and each party hereto hereby foregoes and waives any right to arbitrate any Dispute as a class action or collective action or on a consolidated basis or in a representative capacity on behalf of other persons or entities who are claimed to be similarly situated, or to participate as a class member in such a proceeding. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing parties and the parties agree that judgment upon the award may be entered by any court of competent jurisdiction. The party whom the Arbitrator determines is the prevailing party in such arbitration shall receive, in addition to any other award pursuant to such arbitration or associated judgment, reimbursement from the other party of all reasonable legal fees and costs associated with such arbitration and associated judgment, provided that the Company in all cases agrees to pay for all costs, filing fees and arbitrator fees associated with such arbitration. This Section 12 does not prevent Employee from filing a charge or complaint with a federal, state, or other governmental administrative agency. This Section 12 shall be enforceable pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

(b) Notwithstanding Section 12(a), either party may make a timely application for, and obtain, judicial emergency or temporary injunctive relief to enforce any of the provisions of Sections 1 through 3; *provided*, *however*, that the remainder of any such Dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Section 12(b).

(c) By entering into this Agreement and entering into the arbitration provisions of this Section 12(c), THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Nothing in this Section 12(d) shall prohibit a party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining the other party to this Agreement in a litigation initiated by a person or entity that is not a party to this Agreement. Further, nothing in this Section 12(d) precludes Employee from filing a charge or complaint with a federal, state or other governmental administrative agency.

[*The remainder of this page was left blank intentionally; the signature page follows.*]

Employee and the Company each agree to the terms of this Agreement.

EMPLOYEE

/s/ Matthew J. Smith
Matthew J. Smith

STRONGHOLD DIGITAL MINING, INC.

By: /s/ Gregory A. Beard
Gregory A. Beard
Chief Executive Officer

Exhibit 31.1

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

I, Gregory A. Beard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the "registrant") for the quarter ended March 31, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16, 2022

By: /s/ Gregory A. Beard
Gregory A. Beard
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Matthew J. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the "registrant") for the quarter ended March 31, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16, 2022

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the "Company") for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Beard, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 16, 2022

By: /s/ Gregory A. Beard

Gregory A. Beard
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Stronghold Digital Mining, Inc. (the "Company") for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew J. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 16, 2022

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