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

FORM 10-K

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

For the fiscal year ended December 31, 2024

or

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

For the transition period from _____________ to ______________

Commission file number 001-40792

BTCS Inc.
(Exact name of registrant as specified in its charter)

Nevada	**90-1096644**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
9466 Georgia Avenue #124, Silver Spring, MD	**20910**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(202) 430-6576**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	BTCS	The Nasdaq Stock Market (The Nasdaq Capital Market)

Securities registered under Section 12(g) of the Exchange Act: None

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

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

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Common Stock of the registrant held by non-affiliates was approximately $14,739,000 based on the closing sale price on The Nasdaq Capital Market on June 28, 2024 (the last business day of the registrant's most recently completed second fiscal quarter).

As of March 17, 2025, there were 20,087,981 shares of common stock, par value $0.001, issued and outstanding.

Documents Incorporated By Reference

Portions of the registrant’s Proxy Statement for the 2025 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission (the “SEC”) within 120 days of the registrant’s fiscal year ended December 31, 2024.

BTCS INC.
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PART I

ITEM 1. BUSINESS

BTCS Inc. (“BTCS” or the “Company”) is a Nasdaq-listed blockchain technology company focused on advancing blockchain infrastructure. Since 2014, BTCS has established itself as one of the only publicly traded U.S. companies with a primary emphasis on proof-of-stake (“PoS”) and delegated proof-of-stake (“dPoS”) blockchain networks. The Company’s goal is to drive scalable revenue by leveraging its robust blockchain infrastructure to develop innovative business lines that complement and enhance its core operations.

BTCS’s primary activities include Ethereum block-building (“Builder+”) and validator node operations (“NodeOps”) across PoS and dPoS networks. The Company generates native token rewards by staking the Company’s crypto assets (also referred to “cryptocurrencies”, “crypto”, “digital assets”, or “tokens”) to validator nodes (“nodes”) operated by BTCS and other third-parties. By leveraging our blockchain infrastructure, we aim to drive scalable revenue growth and strengthen our leadership in the blockchain ecosystem.

OUR BUSINESS

Blockchain Infrastructure

BTCS’s blockchain infrastructure operations underpin its participation in blockchain network consensus mechanisms and security. The Company operates a network of cloud-based validator nodes that perform essential roles in PoS and dPoS blockchain ecosystems. Validator nodes validate transactions (“attestation”) and propose new blocks for inclusion in the blockchain (“block proposal”). In return, BTCS earns native token rewards through these activities. These rewards are generated by staking (or “delegating”) BTCS’s own crypto assets and from supporting third-party delegations to BTCS nodes.

BTCS’s infrastructure currently supports a diverse range of PoS and dPoS blockchains, including Ethereum, Cosmos, Kava, Akash, Avalanche, and others as of December 31, 2024. The flexibility of BTCS’s validator operations positions the Company to adapt to emerging opportunities within the blockchain sector.

We primarily earn crypto assets through the operation of our non-custodial validator nodes, with the intention of enhancing our production of crypto assets in various blockchain networks. While we have no formal policy, our primary objective is to hold and re-stake these earned crypto assets for network security and additional production opportunities, we may, on occasion, sell a portion for cash to meet operational needs. Our primary cryptocurrency exchange is Kraken; however, we also have basic accounts with multiple alternative cryptocurrency exchanges and OTC desks. As of the filing date, we have no exclusive agreements with any cryptocurrency exchanges, nor do we maintain margin or other type accounts that could create additional liability for the Company. Our approach to our crypto asset holdings remains adaptable to evolving market conditions and operational requirements.

Details of the Company’s crypto asset held can be found under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Ethereum Block Building – Builder+

BTCS's Ethereum block-building operations, launched under the Builder+ brand in 2024, represent a core pillar of the Company's blockchain infrastructure strategy. Block-building is a critical function within Ethereum's proof-of-stake ecosystem, where Builders create and submit blocks to Validators for proposal, validation, and inclusion in the blockchain. A Builder selects and organizes transactions from Ethereum's transaction pool, known as the mempool, strategically assembling blocks to maximize the value of included transactions. Builders compete to purchase block space and have their blocks selected by Validators, who propose them to the network for consensus, resulting in the block's verification and addition to the blockchain.

Builder+ optimizes this process by leveraging advanced algorithms to construct high-value blocks. By analyzing the mempool, Builder+ identifies transactions with the highest gas fees and assembles them into blocks designed to maximize gross gas fee revenue. Builder+'s logic also aims to minimize the costs to acquire block space ("Validator Payments") required to secure block inclusion, ensuring an efficient and scalable approach. This has positioned Builder+ as a significant driver of BTCS's growth, enabling the Company to capture value from Ethereum's transaction fee market.

While Builder+ currently operates exclusively on Ethereum, it has been designed to expand to other blockchain networks, aligning with BTCS's long-term strategy of diversification. By combining cutting-edge technology with its blockchain infrastructure expertise, BTCS seeks to capture an increasing share of the Ethereum Builder market. The platform's 2024 performance demonstrated its potential as a scalable revenue driver, and BTCS believes Builder+ will play a key role in its future growth.

Staking-as-a-Service - NodeOps

Through BTCS's blockchain infrastructure operations, we validate transactions on behalf of those who delegate their crypto holdings (or "stake") to BTCS-operated validator nodes (referred to as "Staking as a Service" or "StaaS") on dPoS blockchains.

Delegation is a non-custodial process that allows token holders ("Delegators") to maintain control of their private keys and revoke their delegation at any time (subject to the rules of a particular blockchain). There is no transfer of ownership, often referred to as "private keys", of any Delegator's crypto assets as part of the Delegation process. Delegation provides a method for token holders to designate to a validator node operator the ministerial task of running a validator node while still participating in the network consensus mechanism and earning rewards.

StaaS providers are operators of computer infrastructure and validation software that allow them and their Delegators to stake certain native crypto assets utilizing a dPoS consensus protocol. dPoS protocols provide for the validation of transactions on the related network as well as a "sybil resistance" mechanism to help secure the network.

The nodes comprising a blockchain network use a protocol (or set of rules) to reach an agreement as to whether a given transaction proposed by a user of the network is valid under the rules of the protocol and should be added to the ledger (such agreement being referred to as "consensus"). Protocols typically group transactions into blocks that can only be added to the common ledger when validated by a sufficient percentage of a dispersed network of unrelated computers or servers called "nodes" in the network. A complete record (or "blockchain") is maintained on the ledger by adding these groups (or "blocks") of transactions to the chain, and the nodes constantly automatically monitor the blocks to ensure record accuracy.

dPoS networks rely on validators who own native crypto assets and operate nodes for the network to confirm the validity of the transactions comprising each block to be added to the network ledger. The dPoS protocol software run by the relevant network nodes generally determines the validator node for each block at random, though each blockchain may have differing selection criteria. To be eligible to validate transactions and to write new blocks to the chain, validators are required to "stake" the relevant native crypto assets whereby validators commit value (in the form of the native crypto asset) to the underlying network and lock their native crypto assets, preventing them from otherwise transacting with those native crypto assets while they are staked. The dPoS mechanism is a sybil-resistance tool (fights against attacks on nodes) that incentivizes validators to confirm transactions that conform to the rules of the protocol at the risk of losing their staked crypto assets ("slashing"). Validators utilizing their native crypto assets to participate in dPoS protocols secure the relevant network and receive staking rewards for doing so.

As a non-custodial Validator operator and StaaS provider, BTCS charges a validator node fee ("Validator Fee"), which is calculated as a percentage of the crypto asset rewards earned on crypto assets delegated to its node, creating the opportunity for potential scalable revenue and business growth with limited additional costs. This fee is broadcast by the Validator to the network and publicly available. Both the crypto reward paid to the Delegator and the crypto fee paid to the Validator are distributed by the blockchain network. These Validator Fees in the dPoS network encourage validators to participate in the network and thereby help to secure and decentralize the network.

A StaaS provider maintains a ministerial role in validating transactions on a given dPoS network on behalf of its Delegators by: (1) arranging transactions using open-source software to stake the relevant crypto assets; (2) monitoring the nodes it is operating to ensure the computers remain online to validate transactions; and (3) verifying transactions on the network when required.

As a StaaS provider, BTCS does not take custody of or pool Delegator crypto assets or Delegator crypto rewards (i.e. BTCS does not take possession of users' private keys or cryptocurrency assets) at any time during the delegation process. The rewards earned on delegated crypto assets are sent directly to Delegators by the respective blockchain network and are never in BTCS's possession. Therefore, BTCS does not obtain custody or facilitate transfers of any third-party crypto assets in its role as a Validator or StaaS provider.

ChainQ

BTCS has developed ChainQ, an AI-powered blockchain data and analytics platform designed to increase transparency and accessibility in the blockchain ecosystem. Currently in beta, ChainQ indexes public blockchain data from BTCS's operations, providing an intuitive platform for users to explore and analyze on-chain activity.

StakeSeeker Discontinuation

As of December 27, 2024, BTCS discontinued its StakeSeeker platform to focus its resources on Builder+ and validator node operations.

Custody and Key Storage

BTCS prioritizes the secure custody of its crypto assets. The Company primarily stores its assets in cold wallets, which are offline and encrypted, ensuring maximum protection against potential breaches. BTCS aims to maintain less than 0.1% of its crypto assets on crypto exchanges at any given time, except during necessary transfers between wallets and exchanges to support purchase or sale activities. Occasionally, we may use hot wallets or move crypto assets to exchanges for operational or transactional requirements. Additionally, we regularly transfer crypto assets to more secure cold wallets when appropriate. As of December 31, 2024, 98% of BTCS's crypto assets were held in cold storage wallets and the remaining crypto assets were held in other storage wallets, including hot wallets.

The Company currently does not maintain any insurance policies that provide coverage for potential losses of crypto assets in cases of theft, lost keys, or any other events that might lead to the loss of private keys or crypto assets held within our secure digital wallets.

Our cold wallet private keys are protected through multiple redundant security measures, industry-standard key sharding protocols, encryption, and geographically distributed offline encrypted key storage in secured facilities and restricted access protocols. We believe this multi-layered approach ensures the utmost security for our crypto assets.

Our approach of prioritizing the self-custody of our crypto assets minimizes exposure to risks associated with centralized platforms and third-party failures.

INDUSTRY AND MARKET OVERVIEW (CRYPTO ASSET AND BLOCKCHAIN TECHNOLOGIES)

Blockchain and Cryptocurrencies

Blockchain technology is a decentralized, encrypted ledger system designed to securely store and verify data without the need for intermediaries. It has been widely adopted across industries due to its ability to enhance transparency, security, and efficiency in processes that traditionally relied on centralized systems. Blockchain technology underpins crypto assets, a class of digital assets that includes cryptocurrencies, which can function as a medium of exchange, store of value, or unit of account, as well as enable non-financial applications such as smart contracts, tokenized assets, and decentralized applications (dApps).

The global adoption of blockchain technology has grown significantly in recent years, fueled by advancements in infrastructure, increasing institutional interest, and the development of next-generation use cases. Beyond cryptocurrencies, blockchain technology is being explored in sectors such as finance, healthcare, supply chain, governance, and digital identity management. These innovations have the potential to transform traditional industries, offering efficiencies and capabilities not achievable with legacy systems.

Cryptocurrencies and Proof-of-Stake Ecosystems

Cryptocurrencies operate on blockchain networks using cryptographic protocols to secure transactions and manage decentralized ledgers. These networks rely on nodes, which are computers participating in the network, to validate and record transactions. A distinguishing feature of cryptocurrencies is their ability to enable secure peer-to-peer transactions without requiring a trusted intermediary, such as a financial institution or government.

Unlike proof-of-work (“PoW”) networks, which require significant energy resources to validate transactions, PoS) and dPoS networks utilize an efficient consensus mechanism that relies on validators staking their crypto assets to secure the network. Validators, such as those operated by BTCS, play a critical role in maintaining the integrity of these networks by validating transactions and proposing new blocks for inclusion in the blockchain.

PoS ecosystems have gained substantial traction due to their energy efficiency, scalability, and ability to support diverse applications, including decentralized finance (DeFi), non-fungible tokens (NFTs), and other blockchain-based innovations. Ethereum’s transition to PoS in 2022 further solidified its position as a leading blockchain for smart contracts and decentralized applications. This evolution has also driven the development of new roles within the ecosystem, such as Builders, who optimize and propose blocks for on-chain validation, creating new opportunities for revenue generation.

Advantages and Risks of Crypto Assets

Crypto assets offer numerous advantages over traditional fiat currencies and legacy systems, including:

- Fraud deterrence, as digital assets cannot be counterfeited or arbitrarily reversed by a sender.
- Immediate settlement of transactions without intermediaries.
- Lower transaction fees and reduced counterparty risk.
- Enhanced security through cryptographic protocols, preventing double spending and identity theft.
- Accessibility to anyone with internet access, fostering financial inclusion.
- Decentralized governance, removing reliance on central authorities.

However, these advantages come with unique risks and challenges. The sector remains highly volatile, with market prices subject to significant fluctuations. Regulatory uncertainty, evolving legal frameworks, and the nascent stage of the technology introduce risks to businesses operating within this environment. Additionally, scalability and interoperability remain critical areas for improvement to meet growing demand.

Current State of the Blockchain Industry and Market Outlook

As of the end of 2024, the blockchain and cryptocurrency industry continued to mature, with increased institutional participation, technological advancements, and regulatory scrutiny shaping its trajectory. The adoption of PoS networks has accelerated, driven by the demand for sustainable and scalable blockchain infrastructure. Innovations such as Ethereum’s ecosystem of Builders, Relays, and Validators have created new opportunities for value creation, aligning with BTCS’s core operations.

In the future, the industry is expected to see continued integration of blockchain technology across traditional industries, advancements in Layer 2 scaling solutions, and broader adoption of decentralized finance and tokenized assets. Layer 2 solutions are designed to improve the efficiency of blockchain networks by processing transactions off the main blockchain (Layer 1) while still benefiting from its security. This helps reduce congestion and lower transaction costs, making blockchain applications more scalable.

BTCS is strategically positioned to benefit from these trends through its focus on blockchain infrastructure, especially regarding Ethereum block-building and validator node operations, ensuring its ability to capitalize on the evolving market landscape.

Business Profile and Risks

Operating within the blockchain and crypto asset industry exposes BTCS to unique risks and challenges associated with an emerging and rapidly evolving sector. The prices of crypto assets have experienced significant volatility, often driven by speculative activity, evolving technology, and shifting regulatory landscapes. This volatility may reflect “bubble-like” dynamics, where prices are influenced by rapidly changing investor sentiment, media coverage, or manipulation, rather than fundamental factors.

Additionally, the blockchain and crypto asset sector operates within an environment of regulatory uncertainty, with potential changes in laws or enforcement actions posing risks to businesses across the ecosystem. Fraudulent actors, technological vulnerabilities, and scalability limitations further contribute to the inherent risks of this untested strategic direction.

BTCS acknowledges these risks and remains committed to mitigating them through disciplined operational practices, robust technology infrastructure, and proactive engagement with emerging regulatory frameworks. Despite these challenges, the Company believes that its focus on blockchain infrastructure, including Ethereum block-building and validator node operations, positions it to capitalize on the transformative potential of blockchain technology while navigating the associated risks.

Government Oversight

Blockchain networks are a relatively new technological innovation and the regulatory schemes to which crypto assets and their blockchain networks are or may be subject, including both the interpretation and applicability of existing laws and regulations and the potential establishment of new laws and regulations, have not been fully explored or developed.

President Trump's administration's approach to the regulatory environment for cryptocurrency and blockchain is expected to usher in significant changes, characterized by a more favorable stance towards these emerging technologies. With the appointment of a crypto-friendly chairman at the SEC and the establishment of a dedicated AI and Crypto Czar, the administration has indicated a commitment to fostering innovation and reducing regulatory burdens. This shift may lead to a reconsideration of existing regulations and potentially introduce new frameworks that support the growth of blockchain networks and crypto assets. However, while these changes are promising, the exact nature and extent of the regulatory adjustments remain uncertain, necessitating ongoing vigilance and adaptation by industry participants to comply with evolving legal requirements.

Throughout 2024 and early 2025, then Chairman Gensler maintained an aggressive regulatory stance toward cryptocurrency businesses, continuing his position that most cryptocurrency entrepreneurs operate outside regulatory compliance. Prior to President Trump taking office, actions taken by the SEC, including enforcement actions brought against crypto asset companies with a focus on custodial staking, demonstrate the SEC's position that many, if not most, crypto assets may be securities and therefore reflect the reality that we could face increased government regulation and oversight as our industry and government treatment of the crypto assets on which our operations are based continue to evolve. The SEC Enforcement Division has taken action against crypto asset focused enterprises, and if the interpretations of federal securities laws are further expanded to apply to the Company, it would adversely affect the Company's future acquisition of crypto assets by limiting the amount of crypto asset securities ("Digital Securities") it may acquire, potentially limiting or precluding the use of its blockchain infrastructure and other operations, and creating increased compliance and legal costs. We continue to monitor legislative matters related to our industry.

Because of the foregoing or other regulatory developments, in the future, before we acquire or transact in crypto assets, we may be required to examine how they were originally offered to determine if they were offered as an investment contract or other type of security. Because of legal uncertainties, careful examination of the results of our compliance review will be required by experienced securities counsel, and we cannot guarantee that such review will conclusively determine the proper classification of any particular crypto asset. Because we must stay under the requirement under Investment Company Act of 1940 (the "1940 Act") that no more than 40% of our assets (excluding cash items) constitute investment securities to avoid being deemed an investment company, we will limit the amount of Digital Securities we acquire.

The Company may acquire additional crypto assets and continues to develop and expand upon its Builder+ operations and ChainQ platform to enable it to offer a wider range of functions and availability for use with a greater variety of crypto assets. The Company currently owns and plans to expand its crypto asset holdings, both through staking its existing crypto asset holdings on PoS blockchain networks and potentially through other means. To avoid being inadvertently classified as an investment company under the 1940 Act, we actively focus, in consultation with legal counsel, on ensuring that our ownership of assets that are not considered securities under the 1940 Act always exceed 60% of our total assets, excluding cash items. As a matter of practice, the Company typically targets maintaining in excess of 60% of the Company's total assets (excluding cash and government securities) in Ethereum, though this target may be adjusted based on market conditions and regulatory developments. Therefore, to the extent the SEC identified all other crypto assets held by the Company excluding Ethereum as securities, the Company would still not meet the definition of an "investment company" under Section 3(a)(1)(C) of the 1940 Act. By doing so, we can avoid being subject to the regulatory requirements and oversight that apply to investment companies.

The Company has conducted a detailed legal analysis which has led us to determine that certain crypto assets that are identified as securities by the SEC should not materially impact our business, financial condition, and results of operations, though this determination is subject to change based on evolving regulatory guidance and enforcement actions. Provided, however, if over 40% of our assets are considered securities, excluding cash, we may be considered a 1940 Act company (see *Risk Factors* on page 14 herein). Further, the aforementioned assessments are risk-based judgments and not a legal standard or determination binding on any regulatory body or court. To the extent a regulatory body or court finds that our conclusions are incorrect, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

In addition to the securities laws and investment company considerations, as our business model and operations continue to evolve, including, Builder+, and ChainQ, we are subject to and must comply with an expanding framework of laws and regulations, including comprehensive data privacy laws (such as the American Data Privacy Protection Act, as amended), enhanced cybersecurity requirements, consumer protection standards, and evolving financial services regulations. For example, to the extent we collect, analyze, distribute, or otherwise use data concerning individuals or entities and their holdings and transactions, we are subject to various data privacy and security laws and regulations in the United States and other jurisdictions, including but not limited to the American Data Privacy Protection Act, state privacy laws, and international regulations such as GDPR, which impose specific requirements on the handling of personal data. In general, these laws require disclosure and preventative measures designed to protect users from unauthorized access or disclosure of their personal information, and impose fines and sanctions for failure to comply with their requirements. On the other hand, because transactions in crypto assets often provide a reasonable degree of anonymity, they are susceptible to misuse for criminal activities, such as money laundering. This misuse, or the perception of such misuse (even if untrue), could lead to greater regulatory oversight of crypto platforms and operations such as ours, and there is the possibility that regulators could close crypto platforms or other crypto asset-related technology and infrastructure with little or no notice or opportunity for challenge, and prevent users of custodial platforms from accessing or retrieving crypto assets held on or connected to such platforms or infrastructure. For example, lawmakers and regulators have in recent years expressed views that government oversight is needed, including with a view to curtailing the use of crypto asset use for malign and illegal activities.

The regulatory landscape for crypto assets continues to evolve rapidly across different jurisdictions, and we may become subject to new laws and regulations that could materially affect our business operations, compliance obligations, and financial performance. For a comprehensive discussion of the risks that existing and future regulations pose to our business, including specific regulatory developments that may materially affect our operations, see *Risk Factors* beginning on page 14 of this Annual Report.

COMPETITION

BTCS operates in a highly competitive and rapidly evolving industry, facing challenges from various companies and sectors, each leveraging different strengths to compete in blockchain infrastructure, data analytics, and staking services. The competitive landscape is broad and includes the following key areas:

- **Exchange-Based Companies:** Cryptocurrency exchanges offering both custodial and non-custodial staking solutions, as well as blockchain infrastructure and data analytics services, present significant competition. Exchanges often benefit from extensive customer bases, allowing them to integrate staking services seamlessly and expand into blockchain infrastructure operations. Their substantial financial and technical resources further enable them to enhance existing offerings and enter new markets.

- **Crypto Asset-Focused Companies and Node Operators:** Companies specializing in crypto asset staking and validator node operations directly compete with BTCS's non-custodial staking services. Key competitors in this space include Blockdaemon, Allnodes, Kiln, Everstake, Figment, P2P, Foundry, Stakin, and Stakefish. These competitors typically operate at scale and leverage established networks to attract Delegators and strengthen their market position.

- **Ethereum Block Builders and Relay Providers:** The Ethereum block-building ecosystem is highly competitive, with Builders and relay providers vying for market share. Builder+ faces competition from established Builders such as Beaverbuild, Titan Builder, Rsync, Flashbots, and others. These competitors may possess more extensive infrastructure, data access, and operational efficiencies, providing them with an advantage in the race to optimize block construction.

- **Analytic Services Providers:** Companies offering crypto asset portfolio management and on-chain analytics, such as CoinTracker, Koinly, CoinLedger, and Rotki, compete with analytics platforms like ChainQ. These competitors often focus on ease of use and advanced data aggregation, appealing to a wide range of users.

- **On-Chain Blockchain Data Providers:** Companies like Chainalysis and Elliptic provide accessible on-chain data and insights for crypto assets, directly competing in the space of blockchain analytics and data services. Their established brand recognition and user-friendly tools position them as strong rivals.

- **Traditional Financial Service and Data Analytics Firms:** Established financial institutions and data analytics firms serving traditional markets pose a potential threat as they expand into crypto asset custody, staking, and analytics. Leveraging extensive resources, market presence, and expertise, these firms could quickly develop competitive offerings in the blockchain space.

- **New Entrants and Industry Consolidation:** The potential for new entrants, as well as consolidation through mergers and alliances, presents ongoing competitive challenges. Consolidation can strengthen the positions of existing competitors by pooling resources and broadening capabilities.

Many of BTCS's current and potential competitors benefit from significant advantages, including greater financial resources, longer operational histories, larger teams, established brand recognition, and broader user bases. These competitors are also often privately held, enabling them to operate without the regulatory and reporting burdens associated with being a publicly traded company. This allows them to deploy resources more flexibly and develop solutions more rapidly than BTCS.

Despite these challenges, BTCS's strategic focus on Ethereum block-building and blockchain infrastructure provides opportunities to differentiate its offerings. By leveraging its expertise in proof-of-stake ecosystems, innovative Builder+ operations, and a non-custodial staking model, BTCS aims to navigate the competitive landscape and capture value in the rapidly growing blockchain industry.

ASSETS

The Company's primary assets consist of its crypto assets and cash as well as its human capital and intellectual property noted below.

INTELLECTUAL PROPERTY AND TRADE SECRETS

BTCS relies on proprietary technology and intellectual property, which are critical to its blockchain infrastructure operations and strategic initiatives. These include the development efforts and operation of validator nodes, block builders through Builder+, and ChainQ, as well as the Company's proprietary tools and systems that enable efficient and secure operations.

The Company protects its intellectual property and trade secrets through a combination of trademark, domain name, and trade secret laws, alongside confidentiality and licensing agreements with employees, contractors, consultants, and other third parties. These measures safeguard BTCS's proprietary technology, internal processes, and brand equity, enabling the Company to maintain its competitive edge in blockchain infrastructure and Ethereum block-building.

HUMAN CAPITAL / EMPLOYEES

As of December 31, 2024, we had seven employees, all of whom work full-time, none of which are covered by a collective bargaining agreement. We engage third-party contractors and consultants on an as-needed basis.

We are a remote-first Company. We believe that allowing our employees to work in the location that best suits them provides us access to a larger talent pool and a sustained advantage in hiring and retaining employees and consultants in the United States and worldwide.

Human capital management is critical to our ongoing business success, which requires investing in our people. Our aim is to create a highly engaged and motivated workforce where employees are inspired by leadership, engaged in purpose-driven, meaningful work, and have opportunities for growth and development. We are committed to creating and maintaining a work environment in which employees are treated with respect and dignity. We value our diverse employees, and provide career and professional development opportunities that foster the success of our Company.

We are committed to the principles of equal employment and complying with all federal, state, and local laws providing equal employment opportunities, and all other employment laws and regulations. It is our intent to maintain a work environment that is free of harassment, discrimination, or retaliation because of age, race, color, national origin, ancestry, religion, sex, sexual orientation (including transgender status, gender identity or expression), pregnancy (including childbirth, lactation, and related medical conditions), physical or mental disability, genetic information (including testing and characteristics), veteran status, uniformed servicemember status, or any other status protected by federal, state, or local laws. We are dedicated to the fulfillment of this policy in regard to all aspects of employment, including but not limited to recruiting, hiring, placement, transfer, training, promotion, rates of pay, and other compensation, termination, and all other terms, conditions, and privileges of employment.

Our Compensation Committee is also actively involved in reviewing and approving executive compensation, and succession plans so that we have leadership in place with the requisite skills and experience to deliver results the right way. We offer fair, competitive compensation and benefits appropriate for a company of our size that supports our employees. While we do not offer health benefits, we do offer 401(k) plans with 100% matching of employees' contributions subject to IRS limitations.

GROWTH STRATEGY

BTCS aims to grow revenue and margins by scaling Ethereum block-building under Builder+ and expanding NodeOps. This strategy focuses on three key objectives: (1) enhancing its technology stack, (2) increasing Builder+ order flow, and (3) gaining more control over block space. These initiatives are essential for strengthening BTCS's position in blockchain infrastructure and ensuring long-term success.

Enhancing the Technology Stack to Match or Surpass Competitors

As competition intensifies in block-building and validator operations, BTCS is prioritizing continuous improvements to its technology stack to optimize efficiency, scalability, and execution. Enhancing Builder+ requires refining block optimization algorithms, strengthening infrastructure resilience, and improving transaction execution speed to compete with leading Builders. Similarly, BTCS is investing in validator performance optimization within its NodeOps operations to maximize staking efficiency and network participation. By staying at the forefront of technological advancements, BTCS aims to improve margins and maintain a competitive edge in an evolving industry.

Boosting Order Flow to Builder+

Builder+ operates within a highly competitive environment where access to order flow directly impacts revenue generation and margins. BTCS is focused on expanding its role in Ethereum's transaction cycle by actively pursuing strategic partnerships, network integrations, and ecosystem participation that increase order flow to Builder+. By increasing the number of transactions processed, BTCS aims to enhance its ability to optimize block construction, capture more MEV opportunities, and improve overall Builder+ profitability.

Increasing Control Over Block Space

A crucial aspect of BTCS's strategy is expanding its influence over block space. Greater control over block production enables the Company to better optimize gas fee revenue, manage Validator Payments, and refine transaction selection strategies. BTCS plans to scale Builder+ block production, develop strategies to strengthen its position in the block-building ecosystem, and further integrate into the broader blockchain infrastructure. These efforts are designed to increase revenue and improve revenue predictability, transaction efficiency, and long-term sustainability.

BTCS is committed to executing these strategic initiatives in 2025 and beyond, positioning itself as a leader in blockchain infrastructure by leveraging its Builder+ operations, validator expertise, and continuous technological innovation.

CAPITALIZATION

The following table details the Company's capitalization as of March 17, 2025.

Class of Security	Shares of Common Stock as Converted
Common Stock Issued and Outstanding	20,087,981
Restricted Common Stock (Not Vested) (1)	1,299,801
Options to Purchase Common Stock (weighted average exercise price of $2.22)	2,729,568
Warrants to Purchase Common Stock (weighted average exercise price of $11.50)	712,500
Total Common Shares Diluted	**23,530,049**
Series V Preferred Stock (non-convertible)	14,934,937
Restricted Series V Preferred Stock (non-convertible) (2)	1,069,801

(1) As of March 17, 2025, a total of 1,170,834 shares of restricted common stock remain subject to forfeiture, contingent upon the achievement of specified market capitalization thresholds within the applicable performance measurement period. Of these, 316,668 shares are also subject to time-based vesting conditions, requiring continued service over the vesting period. Additionally, 128,967 shares are subject to time-based vesting conditions, requiring continued service over the vesting period. If these conditions are not satisfied, the applicable restricted shares will be forfeited and returned to the Company.

(2) As of March 17, 2025, a total of 1,020,834 shares of restricted Series V preferred stock remain subject to forfeiture, contingent upon the achievement of specified market capitalization thresholds within the applicable performance measurement period. Of these, 166,668 shares are also subject to time-based vesting conditions, requiring continued service over the vesting period. Additionally, 48,967 shares are subject to time-based vesting conditions, requiring continued service over the vesting period. If these conditions are not satisfied, the applicable restricted shares will be forfeited and returned to the Company.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including our liquidity, potential for Builder+ to drive revenue growth, our belief that our blockchain infrastructure efforts will form the core growth for our business, including but not limited to Builder+, and ChainQ, plans to expand our PoS operations, growth opportunities for the Company, our belief regarding blockchain, expected increase in our revenues and gross margins and future business plans. Forward-looking statements can be identified by words such as "anticipates," "intends," "may," "potential," "continues," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the *Risk Factors* below. Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies. However, our principal risk factors are described under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

We are subject to various cyber and other security threats, including attempts to gain unauthorized access to sensitive information and networks; virtual and cyber threats to our directors, officers, and employees; and threats to the security of our infrastructure and assets. To mitigate the threats to our business, we take a comprehensive approach to cybersecurity risk management. Our Board and our management oversee our risk management program, including the management of cybersecurity risks. We have established policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats, including those discussed in our *Risk Factors*, and have integrated these processes into our overall risk management systems and processes. We have devoted financial and personnel resources to implement and maintain security measures to meet regulatory requirements and stakeholder expectations, and we intend to continue to make investments as may be required to maintain the security of our data and cybersecurity infrastructure. While we cannot guarantee complete effectiveness of our cybersecurity measures despite our best efforts and continuous monitoring, we believe that the Company's sustained investment in people and technologies has contributed to a culture of continuous improvement that has put the Company in a position to protect against potential compromises.

As of the date of this report, we are not aware of any cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. We can provide no assurance that there will not be incidents in the future or that past or future attacks will not materially affect us, including our business strategy, results of operations, or financial condition.

Risk Management and Strategy

Our cybersecurity risk management program ("cybersecurity program") is designed and assessed by leveraging the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"), customized to align with our entity size, risk profile, and industry best practices. This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business. Our cybersecurity program is an integral part of our broader Enterprise Risk Management (ERM) framework and business continuity efforts. By incorporating cybersecurity into our overall risk assessment and management processes, we aim to address interconnected risks that could impact critical operations, systems, and assets. This alignment allows us to proactively evaluate and prioritize cybersecurity risks in the context of broader organizational objectives and resilience planning, ensuring a comprehensive approach to safeguarding the Company's infrastructure and stakeholders.

The key objectives for the Company's cybersecurity program are to implement and sustain effective security controls to stop intrusion attempts and to maintain and continuously improve its ability to respond to attacks and incidents. Success in achieving these objectives relies upon using quality technology solutions, cultivating and maintaining a team of skilled professionals, and continuously improving processes. Our cybersecurity program in particular focuses on the following key areas:

Risk Assessment: We conduct risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments are designed to identify reasonably foreseeable internal and external material cybersecurity risks to our critical systems, information, products, services, and our broader Company-wide IT environment, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks. Risk assessments take into account information from internal stakeholders, known information security vulnerabilities, and information from external sources, including reported security incidents that have impacted other companies, industry trends, and evaluations by third parties and consultants as needed. The results of our assessments are used to develop initiatives to enhance our security controls, make recommendations to improve processes, and inform a broader Company-wide risk assessment that is then periodically reported to our Board and Audit Committee.

Technical Safeguards: We regularly assess and deploy technical safeguards designed to protect our information systems from cybersecurity threats. Such safeguards are regularly evaluated and improved based on vulnerability assessments, cybersecurity threat intelligence, and incident response experience.

Incident Response and Recovery Planning: We have established a comprehensive incident response and recovery plan that guides our response in the event of a cybersecurity incident.

Vendor Risk Management: We have implemented a robust vendor risk management program, which is designed to identify and mitigate cybersecurity threats associated with our use of third-party service providers. Such providers are subject to security risk assessments at the time of onboarding, contract renewal, and upon detection of an increase in risk profile. We use a variety of inputs in such risk assessments, including information supplied by providers in response to questionnaires and meetings as well as information from third parties. In addition, we require our providers to meet appropriate security requirements, controls and responsibilities, and investigate security incidents that have impacted our third-party providers, as appropriate. We also obtain and review Systems and Organization Control ("SOC") reports from several of our key service providers.

Education and Awareness: Our policies require each of our employees to contribute to our data security efforts. We regularly remind employees and third-party contractors of the importance of handling and protecting data, including through privacy and security training to enhance employee awareness of how to detect and respond to cybersecurity threats. All employees and third-party contractors are directed to report to our senior management any irregular or suspicious activity that could indicate a cybersecurity threat or incident.

Governance

Our senior management team, led by our Chief Financial Officer and Chief Operating Officer, is responsible for assessing and managing our material risks from cybersecurity threats. Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence, and other information obtained from governmental, public, or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Our Audit Committee considers cybersecurity risks and other information technology risks as part of its risk oversight function and evaluates our risk assessment and management policies, including periodic discussions with our senior officers. In addition, management updates the Board of Directors, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. Our Audit Committee also meets at least quarterly with our independent registered accounting firm and communicates with them regarding any cybersecurity-related risks.

ITEM 2. PROPERTIES.

As of the date of this report, the Company did not have any owned or leased properties.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we are party to certain legal proceedings that arise in the ordinary course and are incidental to our business. As of the filing date of this report, to our knowledge, there are no material, active or pending legal proceedings against us.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET INFORMATION

Our Common Stock is listed and traded on the Nasdaq Stock Market under the symbol "BTCS". The last reported sale price of our Common Stock on March 17, 2025 was $1.91.

HOLDERS

As of March 17, 2025, there were 180 stockholders of record of our Common Stock, one of which is Cede & Co., a nominee for Depository Trust Company, or DTC. Shares of Common Stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC and are considered to be held of record by Cede & Co. as one stockholder.

RECENT SALES OF UNREGISTERED SECURITIES

In addition to those unregistered securities previously disclosed in reports filed with the SEC, during the year ended December 31, 2024, we issued securities without registration under the Securities Act of 1933 (the "Securities Act"), as described below.

Name or Class of Investor	Date of Sale	No. of Securities	Reason for Issuance
Non-Employee Directors (1)	March 31, 2024	14,206 shares of restricted stock	Compensation for services
Non-Employee Directors (1)	June 30, 2024	25,781 shares of restricted stock	Compensation for services
Non-Employee Directors (1)	September 30, 2024	32,328 shares of restricted stock	Compensation for services
Non-Executive Employees	December 12, 2024	12,500 shares of restricted stock	Performance awards
Non-Employee Directors (1)	December 31, 2024	15,183 shares of restricted stock	Compensation for services

(1) Exempt under Section 4(a)(2) of the Securities Act and Regulation 506(b) thereunder. The securities were issued to an accredited investor and there was no general solicitation.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our historical financial statements and the notes to those statements that appear elsewhere in this report. Certain statements in the discussion contain forward-looking statements based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under *Risk Factors* and elsewhere in this report. When we refer to the "Fiscal 2025", "Fiscal 2024" and the "Fiscal 2023" we are referring to the years ended December 31, 2025, December 31, 2024 and December 31, 2023, respectively.

COMPANY OVERVIEW

BTCS Inc., a Nasdaq-listed U.S.-based blockchain technology company, focuses on advancing blockchain infrastructure. With a primary emphasis on the Ethereum network, BTCS drives scalable growth through block-building and validator node operations, leveraging advanced technology and robust operational expertise.

<u>Blockchain Infrastructure</u>

BTCS's blockchain infrastructure center on supporting the validation of transactions and securing proof-of-stake ("PoS") and delegated proof-of-stake ("dPoS") blockchain networks. The Company manages a network of cloud-based validator nodes that perform essential network functions, including transaction validation ("attestation") activities and proposing new blocks. Through these activities, BTCS earns native token rewards by staking its own crypto assets on validator nodes operated by BTCS and third parties.

Our evaluation of blockchain networks involves comprehensive due diligence procedures, including assessments of blockchain quality, reward potential, and the technical challenges associated with running validator nodes. Criteria for assessing blockchain quality encompass factors such as i) market and on-chain statistics, ii) liquidity, iii) potential blockchain utility, iv) history and milestones, v) growth and development roadmap, vi) use cases, vii) community interest, viii) quality of documentation, ix) decentralization, and x) any other publicly available information. This process ensures BTCS focuses on high-potential blockchain networks while mitigating technical and operational risks.

<u>Ethereum Block Building – Builder+</u>

A central focus of BTCS's current operations is its Ethereum block-building initiatives under Builder+, which commenced operations in 2024. Through Builder+ we purchase block space and leverage advanced algorithmic processes to construct blocks for on-chain validation. The goal of Builder+ is to maximize gas fee revenue by optimizing the contents and structure of each block. The Company aims to maximize the value of gas fees earned by increasing the number of blocks we purchase while minimizing the payments to validators required for purchasing block space.

Builder+ has rapidly become a key driver of BTCS's revenue growth, leveraging its scalable and efficient technology to expand its operational footprint within the Ethereum ecosystem. While Builder+ currently operates exclusively on Ethereum, its flexible design enables potential adaptation to other blockchain networks, aligning with BTCS's vision to diversify its infrastructure operations over time.

Staking-as-a-Service – NodeOps

BTCS operates a non-custodial Staking-as-a-Service (“StaaS”) business model that enables crypto asset holders to participate in network consensus mechanisms by staking and delegating to BTCS-operated validator nodes. As a non-custodial validator operator, the Company receives a percentage of a crypto asset holders’ staking rewards generated as a validator node fee, for our ministerial role in hosting the validator node. This creates an opportunity for scalable revenue and business growth with limited additional costs. The Company’s StaaS strategy provides a more accessible and cost-effective alternative for crypto asset holders to participate in blockchain networks’ consensus mechanisms, promoting the growth and adoption of blockchain technology.

A StaaS provider maintains a ministerial role in validating transactions on a given dPoS network on behalf of its Delegators by (1) using open-source software to stake the relevant crypto assets; (2) monitoring and maintaining the nodes it is operating to ensure the computers remain online to validate transactions; and (3) verifying transactions on the network when required.

As a non-custodial StaaS provider, we do not hold or take possession of any Delegator funds, crypto assets, or crypto asset rewards at any point during the staking or delegation process. Delegation does not involve the transfer of crypto asset ownership to a Validator. During the process of staking, delegated crypto assets remain in the Delegator’s digital wallets. The blockchain network calculates rewards earned, which are then distributed directly to the Delegator’s wallet. The blockchain network does not distribute any of the Delegator’s earned crypto rewards to BTCS. At no point does the Validator gain access, control, or custody of the original staked crypto assets or the earned crypto rewards through staking to its node. Therefore, the Company does not have any exposure to the custodial risks that a crypto exchange would have related to excessive redemptions or withdrawals of crypto assets, suspension of redemptions, or withdrawals. Further, we do not issue or hold crypto assets on behalf of third parties and have no exposure to the risks an exchange would have with respect to loans, rehypothecation, or margin.

The following table details the blockchain networks on which BTCS operates nodes that support third-party delegations as part of our staking-as-a-service operations, including the amount of third-party crypto assets delegated to our non-custodial validator nodes, as of December 31, 2024.

Blockchain Network	Validator Fee Percentage %	Delegated Crypto Assets (Native Tokens)	Delegated Crypto Assets ($USD)
Cosmos	5%	94,000 ATOM	$ 580,248
Akash	5%	172,000 AKT	$ 479,121
Kava	5%	20,000 KAVA	$ 8,947
Avalanche	5%	300 AVAX	$ 10,665
Total			**$ 1,078,981**

Supporting Platforms: ChainQ

To complement our core blockchain infrastructure, BTCS has developed “ChainQ,” an AI-powered blockchain data and analytics platform designed to increase accessibility and transparency within the blockchain ecosystem. Currently in beta, ChainQ simplifies on-chain data access and analysis for cryptocurrency holders, delivering deeper insights into blockchain activity. By indexing public data from our blockchain infrastructure operations, ChainQ provides an intuitive platform for exploring on-chain data.

As of December 27, 2024, BTCS has discontinued its StakeSeeker platform to focus on Builder+ and NodeOps, reflecting the Company’s strategic emphasis on scalable blockchain infrastructure.

CRYPTO ASSETS

The tables below detail BTCS's quarterly crypto assets holdings as of the end of each fiscal quarter from the fourth quarter of Fiscal 2023 through the end of Fiscal 2024.

Crypto Assets Held at the End of the Following Calendar Quarters:

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	7,815	7,868	7,935	7,978	9,060
Cosmos (ATOM)	270,098	281,264	293,886	307,489	322,547
Solana (SOL)	7,845	7,964	6,821	6,936	7,038
Avalanche (AVAX)	17,842	17,842	18,510	18,510	19,085
Axie Infinity (AXS)	60,552	65,932	71,704	77,500	83,546
NEAR Protocol (NEAR)	80,267	80,981	82,867	84,748	86,650
Akash (AKT)	119,071	123,646	129,891	136,042	142,090
Kusama (KSM)	7,313	7,796	8,074	8,362	8,440
Kava (KAVA)	345,394	351,685	358,318	365,364	372,126
Polkadot (DOT)	8,650	9,010	9,386	9,784	9,904
Rocket Pool (RPL)	-	-	-	584	599
Polygon (POL fka MATIC)	506,010	512,241	518,554	525,405	-
Cardano (ADA)	265,254	266,543	268,582	270,264	-
Mina (MINA)	90,017	92,897	95,777	96,497	-
Tezos (XTZ)	26,174	26,492	26,845	27,440	-
Evmos (EVMOS)	345,777	357,203	364,037	367,358	-
Band Protocol (BAND)	992	992	992	992	-
Oasis Network (ROSE)	2,647,629	2,663,766	-	-	-

Fair Market Value of Crypto Assets at the End of the Following Calendar Quarters:

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	17,829,264	28,700,380	27,235,107	20,767,299	30,198,638
Cosmos (ATOM)	2,860,870	3,455,299	1,975,032	1,452,240	1,995,181
Solana (SOL)	796,327	1,613,543	999,138	1,058,786	1,329,855
Avalanche (AVAX)	687,713	964,888	542,525	513,465	678,454
Axie Infinity (AXS)	535,546	726,572	434,956	390,911	517,820
NEAR Protocol (NEAR)	293,204	591,162	438,780	448,572	424,934
Akash (AKT)	291,574	592,956	466,154	376,836	396,659
Kusama (KSM)	329,353	377,395	191,929	167,245	277,773
Kava (KAVA)	301,429	374,932	158,376	131,275	164,889
Polkadot (DOT)	70,879	86,858	58,218	43,406	65,701
Rocket Pool (RPL)	-	-	-	6,702	6,779
Polygon (POL fka MATIC)	491,138	514,187	290,027	208,271	-
Cardano (ADA)	157,615	173,350	105,270	100,930	-
Mina (MINA)	122,007	115,192	51,720	53,749	-
Tezos (XTZ)	26,379	37,118	21,296	19,309	-
Evmos (EVMOS)	43,886	28,612	11,249	7,310	-
Band Protocol (BAND)	2,174	2,223	1,221	1,216	-
Oasis Network (ROSE)	363,571	366,108	-	-	-
Total	**25,202,929**	**38,720,775**	**32,980,998**	**25,747,522**	**36,056,683**
QoQ Change	53%	54%	-15%	-22%	40%
YoY Change	101%	101%	70%	56%	43%

Prices of Crypto Assets at the End of the Following Calendar Quarters:*

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	$ 2,281	$ 3,648	$ 3,432	$ 2,603	$ 3,333
Cosmos (ATOM)	10.59	12.28	6.72	4.72	6.19
Solana (SOL)	102	203	146	153	189
Avalanche (AVAX)	38.54	54.08	29.31	27.74	35.55
Axie Infinity (AXS)	8.84	11.02	6.07	5.04	6.20
NEAR Protocol (NEAR)	3.65	7.30	5.30	5.29	4.90
Akash (AKT)	2.45	4.80	3.59	2.77	2.79
Kusama (KSM)	45.04	48.41	23.77	20.00	32.91
Kava (KAVA)	0.87	1.07	0.44	0.36	0.44
Polkadot (DOT)	8.19	9.64	6.20	4.44	6.63
Rocket Pool (RPL)	-	-	-	11.47	11.32
Polygon (POL fka MATIC)	0.97	1.00	0.56	0.40	-
Cardano (ADA)	0.59	0.65	0.39	0.37	-
Mina (MINA)	1.36	1.24	0.54	0.56	-
Tezos (XTZ)	1.01	1.40	0.79	0.70	-
Evmos (EVMOS)	0.13	0.08	0.03	0.02	-
Band Protocol (BAND)	2.19	2.24	1.23	1.23	-
Oasis Network (ROSE)	0.14	0.14	-	-	-

* The prices have been rounded to the nearest whole dollar for prices above $100

The tables below detail BTCS's quarterly crypto assets earned during each of the following quarters:

Crypto Asset Rewards

Crypto assets earned from blockchain infrastructure staking activities through NodeOps

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	67	65	72	65	59
Cosmos (ATOM)	13,314	11,166	12,565	13,603	15,175
Axie Infinity (AXS) *	4,967	5,381	5,772	5,796	6,048
Akash (AKT)	3,337	4,575	6,246	6,151	5,771
Solana (SOL) *	93	119	139	97	64
Avalanche (AVAX)	18	-	668	-	569
NEAR Protocol (NEAR) *	1,200	714	1,886	1,881	1,960
Kava (KAVA)	17,532	6,292	6,632	7,046	7,174
Kusama (KSM)	67	10	279	288	75
Polygon (POL fka MATIC) *	6,462	6,230	6,314	6,851	1,575
Polkadot (DOT) *	366	360	376	398	110
Rocket Pool (RPL)	-	-	-	-	14
Tezos (XTZ) *	414	318	354	594	88
Mina (MINA)	5,760	2,880	2,880	720	-
Oasis Network (ROSE)	21,029	16,137	10,431	-	-
Cardano (ADA) *	503	1,289	2,039	1,683	-
Evmos (EVMOS) *	30,084	11,426	6,834	3,321	-

* All or a portion of revenue earned from staking to third-party validator nodes

Crypto assets earned from Ethereum block-building through Builder+

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	-	11	23	152	700

Fair Market Value of Crypto Asset Rewards Earned Recognized as Revenue

The following table summarizes the revenues earned from the Company's operations by revenue segment during the following calendar quarters:

Revenue by Segment

	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Total revenue from blockchain infrastructure staking activities through NodeOps	$ 326,125	$ 418,353	$ 485,340	$ 334,654	$ 381,958
Total revenue from Ethereum block-building through Builder+	-	33,033	75,852	404,503	1,939,825
Total revenue	**$ 326,125**	**$ 451,386**	**$ 561,192**	**$ 739,157**	**$ 2,321,783**

The tables below detail the fair market value of BTCS's quarterly crypto assets earned as revenue in each respective segment during the following calendar quarters:

Revenue from blockchain infrastructure staking activities through NodeOps

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	$ 131,903	$ 188,078	$ 241,588	$ 180,487	$ 182,289
Cosmos (ATOM)	116,726	121,074	104,580	69,534	95,552
Axie Infinity (AXS) *	34,595	48,322	36,379	29,236	37,711
Akash (AKT)	5,341	18,746	26,740	17,763	18,043
Solana (SOL) *	3,620	15,372	21,353	14,414	11,071
Avalanche (AVAX)	714	-	18,491	-	20,764
NEAR Protocol (NEAR) *	1,834	4,422	12,500	8,802	10,733
Kava (KAVA)	13,033	5,252	4,305	2,508	3,198
Kusama (KSM)	1,193	474	8,108	5,782	1,382
Polygon (POL fka MATIC) *	5,143	5,731	3,758	2,716	523
Polkadot (DOT) *	1,999	2,957	2,619	1,980	465
Rocket Pool (RPL)	-	-	-	-	170
Tezos (XTZ) *	337	368	338	419	57
Mina (MINA)	4,818	3,646	2,439	319	-
Oasis Network (ROSE)	1,688	2,218	1,036	-	-
Cardano (ADA) *	252	753	837	628	-
Evmos (EVMOS) *	2,929	940	269	66	-
Total revenue from blockchain infrastructure staking activities through NodeOps	**$ 326,125**	**$ 418,353**	**$ 485,340**	**$ 334,654**	**$ 381,958**

* All or a portion of revenue earned from staking to third-party validator nodes

Revenue from Ethereum block-building through Builder+

Asset	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Ethereum (ETH)	$ -	$ 33,033	$ 75,852	$ 404,503	$ 1,939,825
Total revenue from Ethereum block-building through Builder+	**$ -**	**$ 33,033**	**$ 75,852**	**$ 404,503**	**$ 1,939,825**

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

The following tables reflect our operating results for the years ended December 31, 2024 and 2023:

	For the Year Ended December 31,		$ Change	% Change
	2024	2023	2024	2024
Revenues				
Blockchain infrastructure revenues (net of fees)	$ 4,073,518	$ 1,339,628	$ 2,733,890	204%
Total revenues	4,073,518	1,339,628	2,733,890	204%
Cost of revenues				
Blockchain infrastructure costs	3,127,509	359,778	$ 2,767,731	769%
Gross profit	946,009	979,850	(33,841)	(3)%
Operating expenses:				
General and administrative	1,672,276	1,450,724	$ 221,552	15%
Research and development	755,813	687,288	68,525	10%
Compensation and related expenses	6,598,348	2,542,336	4,056,012	160%
Marketing	80,993	12,153	68,840	566%
Realized (gains) losses on crypto asset transactions	767,375	604,269	163,106	27%
Total operating expenses	9,874,805	5,296,770	4,578,035	86%
Other income (expenses):				
Change in unrealized appreciation (depreciation) on crypto assets	7,683,772	12,135,648	$ (4,451,876)	(37)%
Change in fair value of warrant liabilities	(54,150)	-	(54,150)	100%
Other income	28,000	-	28,000	100%
Total other income (expenses)	7,657,622	12,135,648	(4,478,026)	(37)%
Net income (loss)	**$ (1,271,174)**	**$ 7,818,728**	**$ (9,089,902)**	**(116)%**

Revenues

For the year ended December 31, 2024, revenue increased to approximately $4,073,000 compared to approximately $1,340,000 in 2023, primarily driven by the expansion of Builder+ operations. Builder+ contributed approximately $2,453,000 in revenue in 2024, while NodeOps revenue grew to approximately $1,620,000.

The significant increase in revenue during Fiscal 2024 was primarily due to the launch and scaling of BTCS's Ethereum block-building operations under Builder+, which resulted in a substantial increase in block rewards earned. Additionally, higher market prices for crypto assets during Fiscal 2024 contributed to the increased fair value of crypto asset rewards earned from both staking (NodeOps) and block-building (Builder+). While we anticipate continued growth in the number of block rewards and staking rewards earned, crypto asset market volatility may impact the fair value of rewards earned and recognized in future periods.

Cost of Revenues

Cost of revenues increased during Fiscal 2024, primarily due to higher Validator Payments made for purchasing block space as part of our Ethereum block-building activities under Builder+. Validator Payments totaled approximately $2,766,000 in 2024. These increased costs were partially offset by efficiency improvements in web service hosting fees related to NodeOps, which were reduced from approximately $325,000 in 2023 to approximately $142,000 in 2024. Cloud and server hosting costs related to Builder+ totaled approximately $125,000 in 2024.

As we continue to expand block-building operations and increase block production, we expect cost of revenues to rise correspondingly. However, costs may grow at a greater rate than revenue in Fiscal 2025, likely reducing gross margins.

Operating Expenses

General and Administrative Expenses

General and administrative expenses increased during Fiscal 2024, primarily due to:

- **Audit Fees:** Increased by approximately $130,000, driven by a broader audit scope resulting from heightened operational complexity and services related to our Form S-3 registration during Fiscal 2024.
- **Proxy Service Fees:** Increased by approximately $120,000 related to our 2024 annual meeting and solicitation of shareholder vote.
- **Order flow fees:** Increase by approximately $104,000, attributed to purchases of order flow to support Ethereum block production as part of Builder+.

These increases were partially offset by a $119,000 reduction in legal fees, which were elevated in Fiscal 2023 due to services related to the Series V Preferred Distribution and its related listing on the Upstream Exchange.

We anticipate that audit fees may continue to rise due to expanding operational scope, while legal and proxy-related expenses are expected to decline in Fiscal 2025. Additionally, we anticipate future increases in order flow expenditures as we scale our block-building operations.

Research and Development Expenses

Research and development expenses increased during Fiscal 2024 as resources shifted from the beta release of our StakeSeeker platform in Fiscal 2023 to the launch of Builder+ operations and continued development of ChainQ, which launched in July 2024. We expect research and development costs to either increase or remain consistent, with a focus on cost management for third-party development services.

Compensation and Related Expenses

Compensation and related expenses increased significantly in Fiscal 2024, primarily due to higher equity-based compensation expenses, which totaled approximately $5,340,000, compared to approximately $1,643,000 for Fiscal 2023.

A substantial portion of the equity-based compensation expense relates to performance bonus accruals for Fiscal 2024. These accruals primarily increased due to the Company's exceeding the maximum revenue performance milestone of $3,712,500 during the year, triggering equity-based awards under employee incentive plans.

While the total bonus amounts for officers approved for Fiscal 2024 were approximately $1,917,000 (as disclosed in Note 7 – *Executive Compensation*), the portion allocated to incentive stock options was recognized at a higher GAAP expense, as required under U.S. GAAP. The stock-based compensation charges for the options component were determined using the Black-Scholes valuation model, resulting in a higher accrued amount.

As part of the payment of accrued bonus compensation for the year ended December 31, 2024, the Company issued 1,312,068 options to employees and officers. The fair value of the options was estimated at approximately $2,872,000 using the Black-Scholes valuation model.

Additionally, the increase in equity-based compensation expenses includes approximately $380,000 in payroll taxes primarily driven by costs related to the net settlement of shares issued upon the vesting of certain RSUs as well as increased salaries in Fiscal 2024.

Looking ahead, we anticipate compensation expenses may decrease as the balance of unamortized stock-based compensation related to prior grants, as well as the balance of unvested RSUs, declines. However, equity-based incentives remain a key component of our compensation strategy, and future fluctuations in expense levels may occur based on the timing and structure of future grants.

Marketing Costs

Marketing expenses rose during Fiscal 2024 due to additional ad campaigns executed. We anticipate similar to more significant increases in advertising spend in Fiscal 2025.

Realized Losses on Crypto Asset Transactions

Realized losses on crypto asset transactions increased during Fiscal 2024 due to Validator Payments for block-building and sales of crypto assets to fund operations. The Company may realize additional gains or losses in the future depending on the sale of crypto assets to meet operational and cash needs as well as market conditions.

Other Income (Expense)

Changes in other income for Fiscal 2024 were primarily attributed to the recognition of unrealized appreciation on crypto assets due to favorable market conditions. However, the unrealized appreciation in Fiscal 2024 was lower compared to Fiscal 2023, which experienced greater increases in crypto asset market values. Changes in unrealized appreciation or depreciation of crypto assets are directly influenced by crypto market volatility, which can be challenging for management to predict. This volatility can significantly impact other income in future reporting periods.

Net Income (Loss)

The decline in net income for Fiscal 2024 compared to Fiscal 2023 is primarily due to smaller increases in the fair value of crypto assets during Fiscal 2024. Additionally, increased compensation expenses, including larger performance bonus accruals related to revenue milestones, contributed to the decline. Net income or loss may continue to fluctuate significantly due to crypto asset market volatility, impacting changes in fair value during future periods.

LIQUIDITY AND CAPITAL RESOURCES

ATM Financing

On September 14, 2021, the Company entered into an At-The-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC, as agent ("H.C. Wainwright"), pursuant to which the Company may offer and sell, from time-to-time, shares of its Common Stock through H.C. Wainwright. Initially, the aggregate offering price of shares issuable under the ATM Agreement was $98,767,500.

On October 4, 2024, the Company's new Form S-3 registration statement became effective, increasing the total amount of securities that may be offered and sold under the prospectus to $250,000,000.

From the period September 14, 2021 through March 17, 2025, the Company sold a total of 6,401,461 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately $24,230,000 at an average selling price of $3.79 per share, resulting in net proceeds of approximately $23,445,000 after deducting commissions and other transaction costs.

However, due to the SEC's baby shelf requirements, the Company is currently limited in its sales of Common Stock under the ATM Agreement to no more than one-third of its public float (calculated as the aggregate market value of outstanding Common Stock held by non-affiliates) during any 12-month period, provided that the amount of securities that may be sold under the Form S-3 may fluctuate based on changes in the Company's public float and stock price. As of March 17, 2025, the Company would be limited in its sale of shares under the ATM Agreement to approximately $13,747,000, subject to ongoing changes in the Company's public float and stock price.

Liquidity

The Company's consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and settlement of liabilities in the normal course of business.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At December 31, 2024, the Company had approximately $1,978,000 of cash and working capital of approximately $33,893,000.

As of March 17, 2025, the Company had approximately $261,000 of cash and cash equivalents and the fair market value of the Company's liquid crypto assets was approximately $21,440,000. The Company has no outstanding debt.

The Company believes that its existing cash and liquid crypto assets, in addition to the funds available to the Company from the issuance of additional stock through the ATM Agreement, provide sufficient liquidity to meet working capital requirements, anticipated capital expenditures and contractual obligations for at least the next twelve months from the filing date of this report. However, this belief is based on current market conditions, regulatory environment, and operational plans, all of which are subject to change.

Certain of our staked crypto assets may be locked up for varying durations, depending on the specific blockchain protocol, and we may be unable to unstake them in a timely manner to liquidate to the extent desired, which could materially impact our liquidity position. Additionally, technical issues, network congestion, or regulatory changes could further restrict our ability to access or liquidate these assets. Lock-up periods for our staked crypto assets range from several hours to six months. During times of instability in the cryptocurrency markets, the Company may not be able to sell its crypto assets at prices reflecting their perceived value or at all, which could result in substantial losses given the historical volatility of cryptocurrency prices. As a result, our crypto assets may not be able to serve as a source of liquidity for us to the same extent as cash and cash equivalents.

Cash Flows

Cash Used in Operating Activities

Cash used in operating activities was approximately $3,530,000 for Fiscal 2024, compared to approximately $3,562,000 for Fiscal 2023, reflecting consistent operating cash outflows year-over-year. Significant non-cash adjustments impacting operating cash flows included:

- **Positive Adjustments:**
  - Approximately $2,424,000 related to stock-based compensation, reflecting the issuance of equity-based awards to employees, including performance-based equity awards.
  - Approximately $2,766,000 related to Validator Payments made in ETH tokens as part of our Ethereum block-building operations.

- **Negative Adjustments:**
  - Approximately $7,684,000 in unrealized appreciation on crypto assets, driven by market value increases during Fiscal 2024.
  - Approximately $4,074,000 in revenue earned in native crypto assets, which does not result in immediate cash inflows.

We expect equity-based compensation to either increase or remain consistent with Fiscal 2024 levels, given its central role in our compensation strategy. Non-cash adjustments related to revenue earned in crypto assets and Validator Payments are anticipated to grow as our Ethereum block-building activities scale, though these factors are influenced by crypto market volatility.

Cash Used in Investing Activities

Cash used in investing activities was approximately $2,632,000 for Fiscal 2024, compared to cash provided by investing activities of $186,000 in Fiscal 2023. The primary driver of the outflows in Fiscal 2024 was the purchase of crypto assets, primarily Ethereum, to support and expand our blockchain infrastructure operations.

Fiscal 2023 investing activities included an atypically high volume of crypto asset sales, primarily from reallocating Ethereum rewards into other productive crypto assets for staking. Looking forward, we anticipate that purchasing activity will grow subject to additional financing or remain consistent.

Cash Provided by Financing Activities

Cash provided by financing activities was approximately $6,682,000 for Fiscal 2024 compared to approximately $2,688,000 for Fiscal 2023. The cash inflows from financing activities in Fiscal 2024 and Fiscal 2023 were entirely from proceeds of Common Stock sold pursuant to the ATM Agreement.

The Company anticipates continuing to raise proceeds through Common Stock sales under the ATM Agreement to fund operational needs. Future financing activities will remain aligned with our strategic priorities, including the scaling of block-building operations and ongoing blockchain infrastructure development.

Off Balance Sheet Transactions

As of December 31, 2024, there were no off-balance sheet arrangements and we were not a party to any off-balance sheet transactions. We have no guarantees or obligations other than those which arise out of normal business operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Accounting Treatment of Crypto Assets

Fair Value Measurement

The Company accounts for the fair value measurement for its crypto assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurement. ASC 820 defines fair value as the price that would be received for an asset in a current sale, assuming an orderly transaction between market participants on the measurement date. Market participants are considered to be independent, knowledgeable, and willing and able to transact. It requires the Company to assume that its crypto assets are sold in their principal market or, in the absence of a principal market, the most advantageous market.

Kraken serves as the principal market for the Company's crypto assets, being the Company's primary cryptocurrency exchange for both purchases and sales. Coinbase is designated as the secondary principal market. This determination results from a comprehensive evaluation considering various factors, including compliance, trading activity, and price stability.

The fair value of crypto assets is primarily determined based on pricing data obtained from Kraken, the Company's principal market. In the absence of Kraken data, pricing from Coinbase serves as a secondary source.

While Kraken is designated as the primary exchange, the Company retains flexibility to conduct cryptocurrency transactions on other exchanges where it maintains accounts. This flexibility allows the Company to adapt to changing market conditions and explore alternative platforms when necessary to ensure cost-effective execution and fair value measurement using the most advantageous market.

The selection of Kraken as the principal market reflects the Company's commitment to informed decision-making and achieving the most accurate representation of fair value for its crypto assets. Regular reviews ensure alignment with the Company's objectives and cryptocurrency market dynamics.

Accounting for Crypto Assets

The cost basis of the Company's crypto assets is initially recorded at their fair value using the last close price of the day in the UTC (Coordinated Universal Time) time zone on the date of receipt.

Crypto assets are measured at their respective fair market values at each reporting period end on the balance sheets and classified as either 'Staked Crypto Assets' or 'Crypto Assets' to distinguish their nature within the respective balances. Staked crypto assets are presented as current assets if their lock-up periods are less than 12 months, and as long-term other assets if the lock-up extends beyond one year. The majority of our crypto assets are staked, typically with lock-up periods of less than 21 days, and are considered current assets in accordance with ASC 210-10-20, Balance Sheet, due to the Company's ability to sell them in a liquid marketplace, as we have a reasonable expectation that they will be realized in cash or sold or consumed during the normal operating cycle of our business to support operations when needed.

The classification of purchases and sales in the consolidated statements of cash flows is determined based on the nature of the crypto assets, which can be categorized as 'productive' (i.e. acquired for purposes of staking) or 'non-productive' (e.g. bitcoin). Acquisitions of non-productive crypto assets are treated as operating activities, while acquisitions of productive crypto assets are classified as investing activities in accordance with ASC 230-10-20, Investing activities. Productive crypto assets staked with lock-up periods of less than 12 months are listed as current assets in the 'Staked Crypto Assets' line item on the balance sheet. Staked crypto assets with lock-up periods exceeding 12 months are categorized as long-term other assets. Non-productive crypto assets are included in the 'Crypto Assets' line item on the balance sheet.

Effective January 1, 2023, the Company has elected to early adopt ASU No. 2023-08, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets. The impacts of the change in accounting principle are discussed further in Note 3 - *Changes in Accounting Principle*.

The Company employs the specific identification method to determine the cost basis of our assets for the computation of gains and losses, in accordance with ASC 350-60-50-2a. This method involves identifying and using the actual cost of each individual asset sold or disposed of to calculate the gain or loss on its sale. Realized gains (losses) on sale of crypto assets are included in other income (expenses) in the consolidated statements of operations. The Company recorded realized losses on crypto assets of approximately $766,000 and $604,000 during the years ended December 31, 2024 and 2023, respectively.

Revenue Recognition

The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of the new 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:

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

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company generates revenue through 1) staking rewards generated from its blockchain infrastructure operations, and 2) gas fees earned from successful Ethereum block building through Builder+. These revenues are collectively termed 'Blockchain infrastructure revenues' in the consolidated statements of operations.

The transaction consideration the Company receives - the crypto asset awards and gas fees - are a non-cash consideration, which the Company measures at fair value on the date received.

Blockchain Infrastructure (NodeOps)

The Company engages in network-based smart contracts by running its own crypto asset validator nodes as well as by staking (or "delegating") crypto assets directly to both its own validator nodes and nodes run by third-party operators. Through these contracts, the Company provides crypto assets to stake to a node for the purpose of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary based on the rules of the respective blockchain and typically last from a few days to several weeks after it is cancelled (or "un-staked") by the delegator and requires that the staked crypto assets remain locked up during the duration of the smart contract.

In exchange for staking the crypto assets and validating transactions on blockchain networks, the Company is entitled to all of the fixed crypto asset awards earned from the network when delegating to the Company's own node and is entitled to a fractional share of the fixed crypto asset awards a third-party node operator receives (less crypto asset transaction fees payable to the node operator, which are immaterial and are recorded as a deduction from revenue), for successfully validating or adding a block to the blockchain. The Company's fractional share of awards received from delegating to a third-party validator node is proportionate to the crypto assets staked by the Company compared to the total crypto assets staked by all Delegators to that node at that time.

On certain blockchain networks on which the Company operates a validator node, the Company earns a validator node fee ("Validator Fee"), determined as a node operator's published percentage of the crypto asset rewards earned on crypto assets delegated to its node.

Token rewards earned from staking, as well as tokens earned as Validator Fees, are calculated and distributed directly to BTCS digital wallets by the blockchain networks as part of their consensus mechanisms.

The provision of validating blockchain transactions is an output of the Company's ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The satisfaction of the performance obligation for processing and validating blockchain transactions occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized.

Ethereum Block Building (Builder+)

The Company participates in the Ethereum blockchain network by engaging in the construction of blocks (“block building”) containing strategically bundled transactions from the Ethereum mempool and from searchers who connect to the Company’s endpoint with the intent of the Company’s builder proposing their transactions. Revenue recognition for these activities, conducted through Builder+, entails the recognition of gas fees (or “transaction fees”) earned in exchange for successfully constructing blocks of bundled transactions and having these blocks selected and proposed by a validator to the Ethereum network for validation and successfully finalized on the network.

These gas fees are earned as a direct result of the Company’s fulfillment of its performance obligations, which include the construction of blocks by bundling transactions to maximize the value of the included fees and the proposal of that block by a Validator. Each constructed block under a smart contract with the Ethereum network signifies a distinct performance obligation.

As part of the block construction and proposal process, the Company’s Builder purchases block space through a fixed non-negotiable fee paid to a Validator (a “Validator Payment”) embedded in each proposed block. The Validator Payment, predetermined by the Builder, is paid to Validators as compensation for selecting and proposing the Company’s block to the network for validation. The Validator Payment is intrinsically linked to the Company’s performance obligations and is disbursed in the block constructed by the Builder if the Builder’s block is both selected by a Validator and successfully proposed to, and finalized on, the Ethereum network; otherwise, our Validator Payment may be included in a subsequent block. The Validator Payment represents a direct and fixed pre-determined cost.

The satisfaction of the performance obligation occurs at a point in time when the constructed block is both proposed by a Validator and successfully finalized on the Ethereum network. At this juncture, the Company has fulfilled its obligations, and the gas fees associated with the transactions included in the block become available and are transferred to the Company’s digital wallet.

The Company recognizes revenue, reflecting the fair value of the total gas fees earned from the constructed block.

Cost of Revenues

The Company’s cost of revenues related to its blockchain infrastructure operations primarily includes direct production costs associated with transaction validation on the network, cloud-based server hosting expenses related to our validator nodes and Builders, and allocated employee salaries dedicated to node maintenance and support. Additionally, the cost of revenues encompasses Validator Payments made from our Builder to Validators as well as fees paid to third parties for their assistance in software maintenance and node operations. These costs directly related to the production of revenues are collectively termed ‘Blockchain infrastructure expenses’ in the consolidated statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 addresses all forms of share-based payment awards including shares issued under employee stock purchase plans and stock incentive shares. Under ASC 718, awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations.

Share-based payment awards exchanged for services are accounted for at the fair value of the award on the estimated grant date.

Options

Stock options issued under the Company's equity incentive plans are granted with an exercise price equal to 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 grant.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. For options granted prior to January 1, 2025, historical volatility was based on the most recent volatility of the stock price over a period equivalent to the expected term of the option. For the most recent options granted on January 1, 2025, historical volatility was determined using a two-year lookback period. Management selected this approach to better reflect the Company's current market conditions and exclude periods of non-representative volatility associated with significant changes in the Company's business, market conditions, and capital structure. The two-year lookback period balances capturing industry and market cycles with avoiding outdated and non-representative data.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term – The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on the expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

Expected Dividend – The Company has not historically declared or paid any cash dividends on its common shares and does not plan to pay any recurring cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in its valuation models.

Restricted Stock Units (RSUs)

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these RSUs to vest.

The Company estimates the fair value of market-based RSUs as of the grant date and expected derived term using a Monte Carlo simulation that incorporates pricing inputs covering the period from the grant date through the end of the derived service period.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the RSUs.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the RSUs.

Expected Term – The Company's expected term represents the weighted-average period that the Company's RSUs are expected to be outstanding. The expected term is based on the stipulated 5-year period from the grant date until the market-based criteria are achieved. If the market-based criteria are not achieved within the five-year period from the grant date, the RSUs will not vest and shall expire.

Vesting Hurdle Price – The vesting hurdle prices are determined by taking the vesting Market Cap criteria divided by the shares outstanding as of the valuation dates.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 - *Changes in Accounting Principle* to the financial statements for a discussion of recent accounting standards and pronouncements.

INFLATION

We have experienced, and are experiencing, the impact of domestic and global inflationary pressures largely outside of our control. This inflationary pressure impacts our cost structure, leading to operational adjustments, and increasing the cost of retaining talent and certain professional costs, despite our continued focus on controlling our costs where possible. Management is unable to accurately predict when, or if, these national and global inflationary pressures will subside, or their long-term impacts on our business and results of operations. We are actively monitoring the situation and assessing potential mitigation strategies.

RISK FACTORS

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. The risks described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially adversely affect our business. If any of these risks actually occur, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our Common Stock could decline substantially and investors could lose all or part of their investment.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our common stock. Set forth below is a summary of the principal risks we face:

- We have a limited operating history, particularly with respect to our blockchain infrastructure solutions business, Builder+ and ChainQ operations.

- We have an evolving business model which we may be unable to develop, adapt or execute effectively, and we may be unable to manage our growth or implement our business plan as intended or at all.

- We are highly dependent on our executive officers, particularly Charles Allen, our Chairman and Chief Executive Officer, Michal Handerhan, our Chief Operating Officer, and Michael Prevoznik, our Chief Financial Officer, and the loss of the services of any of these individuals could materially harm our business.

- We may be subject to regulatory actions, private causes of actions due to our operations in the cryptocurrency industry, and regulatory or other adverse developments in the cryptocurrency industry could otherwise adversely affect us.

- Because of our involvement in staking of crypto assets through delegations as part of our StaaS strategy, we are subject to risks inherent in engaging in activities involving financial instruments owned by third-party users, notwithstanding the non-custodial nature of our operations management believes to constitute meaningful distinctions for regulatory, compliance and other purposes.

- A particular crypto asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty, and if we are unable to correctly characterize a crypto asset, we may be subject to regulatory scrutiny, investigations, fines, sanctions, penalties and other adverse consequences, including potentially becoming subject to the Investment Company Act of 1940 which would impose significant regulatory burdens and compliance costs.

- Crypto assets and our related activities are characterized by numerous other risks and uncertainties, including the possibility for adverse developments such as regulatory actions, bans or restrictions, declines in the price of, demand for or public perception of crypto assets, theft, fraud, hacking, manipulation or malicious coding, price volatility, the potential for one cryptocurrency to branch into two, variations among and the potential for adverse changes to blockchain algorithms, and other external forces beyond our control described more fully below.

- The future development and growth of cryptocurrencies is subject to a variety of factors that are difficult to predict and evaluate, and the market for the crypto assets we obtain and hold may not grow as we expect or the prices may decline, including due to political or economic crises or other factors which we neither predict nor control.

- The cryptocurrency space is subject to continuous regulatory uncertainty, and any adverse regulatory changes or other developments with respect to our operations or the crypto assets with which we transact may require us to alter our business model or suspend or cease some or all of our operations.

- Our focus on PoS blockchain networks exposes us to risk of loss due to features unique to those networks, including by virtue of being locked in by smart contracts such that we cannot liquidate a portion of the relevant crypto assets for a period of time during and after the staking process, during which the price or value of the crypto assets may depreciate.

- We are subject to various other risks and uncertainties relating to our StaaS and other elements of our business, including potential loss of revenue if we experience excessive removal of delegated crypto assets on our validator nodes, potential shifts in the block building landscape, and competitive forces for Ethereum and other crypto assets for which our services are offered, technical failures, bugs, or vulnerabilities in our block builder software, and our efforts with respect to new features and services which were recently launched or are still under development.

- Our stock price has in the past and may in the future be subject to significant volatility due to a variety of factors, many of which are beyond our control, including its potential connection to the price of one or more of the crypto assets with which we are or may become involved.

Risks Related to Our Company in General

We have a history of operating losses and expect to incur additional operating losses as we scale our business.

BTCS has operated as a publicly traded company for over a decade and commenced its blockchain infrastructure operations in 2021. While the Company continues to expand its business model, the blockchain and cryptocurrency industries remain highly dynamic and subject to rapid technological, regulatory, and market changes. As a result, there is uncertainty regarding the future profitability of our operations.

We incurred a net loss of $1.3 million for the year ended December 31, 2024, and we expect to incur additional losses in the near term as we invest in scaling our Ethereum block-building operations under Builder+ and expanding NodeOps validator operations. The amount and timing of future losses, and whether we will ultimately achieve sustained profitability, remain uncertain.

Our ability to achieve profitability depends on various factors, including successfully scaling our Builder+ operations, improving margins, securing greater order flow, and managing infrastructure costs efficiently. If we fail to execute our business plan effectively or encounter unexpected challenges in the regulatory, competitive, or technological landscape, our business, financial condition, and results of operations could be materially adversely affected.

We have an evolving business model which we may be unable to develop, adapt or execute effectively.

As crypto assets and blockchain technologies continue to develop and achieve wider adoption, we expect the associated services and products to evolve rapidly and potentially in unpredictable ways. The SEC has brought enforcement actions with respect to crypto assets and related activities, including custodial staking-as-a-service models, and the SEC and courts have issued further orders and guidance as the crypto asset industry continues to develop and evolve, as more particularly described later in these Risk Factors. These or future developments may force or cause us to potentially change our future business in order to comply fully with the federal securities laws as well as applicable state securities laws. As a result, to stay current with the industry, our business model may need to evolve in the future as well. From time to time we may modify aspects of our business model relating to our product mix and service offerings. Our goals related to investments into development efforts may not come to fruition, including due to adverse developments in regulatory, technological, competitive or other aspects that are beyond our control. As the crypto industry and technology surrounding it continues to develop, new market entrants offering the same, similar or alternative products and services to ours could arise, challenging our business model and market share. For example, disruptive technologies such as generative artificial intelligence (AI) may fundamentally alter the use of crypto assets and related infrastructure in unpredictable ways.

Because of the foregoing realities and uncertainties surrounding our business and industry, we may invest substantial resources towards developing additional ChainQ platform features, or new offerings such as Builder+, that ultimately fail to achieve the goals or benefits sought, or need to be suspended, due to competitive, regulatory, technological or other conditions or developments beyond our control. Further, any success we have achieved or may in the future achieve towards our goal could be stifled by these forces, particularly if we are unable to adequately or quickly adapt to them, which could render some or all of our offerings obsolete. We cannot offer any assurance that our current business plan or any other modifications or undertakings with respect thereto will be successful or will not result in harm to the business. In addition, we may not be able to manage our growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. If we are unable to effectively develop, execute and adjust our business plan, or successfully manage our growth, you could lose some or all of your investment.

The loss of our executive officers could have a material adverse effect on us.

Our success depends on the continued services of our executive officers who have extensive technological and market knowledge and long-standing industry relationships. In particular, we have relied and will continue to rely on Charles Allen, our Chairman and Chief Executive Officer, Michal Handerhan, our Chief Operating Officer, and Michael Prevoznik, our Chief Financial Officer, to continue and grow our operations and execute our business plan. Our reputation among and our relationships with key cryptocurrency industry leaders are the direct result of a significant investment of time and effort by these individuals to build our credibility in a highly specialized industry. The loss of services of any of our executive officers could materially and adversely affect our business and growth opportunities, including by damaging our relationships with key leaders in the crypto asset industry, disrupting our operations, and impairing our ability to execute our business strategy.

Financial institutions may refuse to provide banking services to businesses engaged in cryptocurrency-related activities, and broader financial sector instability could materially and adversely affect us and our industry.

Companies operating in the cryptocurrency sector, including blockchain infrastructure providers like BTCS, have historically faced challenges in securing and maintaining banking relationships. Some financial institutions remain hesitant to provide services to businesses engaged in crypto asset activities due to regulatory uncertainty, compliance concerns, and perceived risks associated with digital assets. This reluctance could limit our ability to access essential banking services, process transactions, or efficiently convert crypto assets to fiat currency. If financial institutions restrict or discontinue banking services for crypto-related businesses, it could disrupt our operations and negatively impact our liquidity and financial position.

Additionally, broader financial instability, market volatility, or changes in banking regulations that restrict financial institutions from servicing cryptocurrency-related businesses could have adverse consequences for BTCS and the broader industry. Increased scrutiny from regulators, de-risking by banks, or policy shifts that limit financial sector engagement with digital assets could create barriers to capital access, slow industry growth, and harm public perception of cryptocurrencies as a legitimate financial system.

If we are unable to obtain or maintain adequate banking relationships, we may experience delays in financial transactions, incur increased costs, or face operational inefficiencies that could materially and adversely affect our business, financial condition, and results of operations.

Risks Related to Crypto Assets

General Risks Related to Crypto Assets

Market Volatility and Adoption Risks

The prices of crypto assets are highly volatile, and significant declines in their value may adversely affect our business and financial condition.

The value of crypto assets is subject to extreme volatility due to various factors, including but not limited to: (i) market demand, (ii) regulatory developments, (iii) macroeconomic trends and monetary policies, and (iv) technological advancements and security vulnerabilities, and (v) market manipulation risks. Significant price declines in crypto assets can adversely affect our ability to generate revenue from staking and other blockchain infrastructure operations, as these activities are directly dependent on the valuations of the underlying assets. Additionally, prolonged periods of price volatility or declines may reduce market confidence, decrease participation in staking and validator services, and impact our financial condition. If the value of the crypto assets we stake or own decreases significantly, it could materially and adversely affect our business, results of operations, and prospects.

The price of crypto assets may be affected by the sale of such crypto assets by other vehicles investing in crypto assets or tracking cryptocurrency markets.

The global market for crypto assets is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which certain cryptocurrencies are mined or minted permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in crypto assets or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for crypto assets, large redemptions of the securities of those vehicles and the subsequent sale of crypto assets by such vehicles could negatively affect crypto asset prices and therefore affect the value of our crypto assets. Such events could have a material adverse effect on an investment in us.

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

Crypto assets that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers; requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The laxer a distributed ledger platform is about vetting issuers of cryptocurrency assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of the ledger due to a control event. These factors may decrease liquidity or volume or may otherwise increase volatility or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could adversely affect an investment in us.

Political or economic crises may motivate large-scale sales of crypto assets, which could result in a reduction in crypto asset values and adversely affect an investment in us.

Geopolitical or economic crises may motivate large-scale sales of crypto assets, which could rapidly decrease the price of crypto assets. Such events include recessions, rising inflation, tariffs, social, political and economic risks, conflicts, acts of war and sanctions and other restrictive actions by the United States and/or other countries. For example, market analysts have indicated that in some cases, such as during large scale adverse economic events, trading and market prices of cryptocurrencies such as Bitcoin and Ethereum have correlated to some extent with the movement of equity markets, regardless of the stock or asset class. As an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in crypto assets as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, crypto assets such and Ethereum, which is relatively new, is subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of crypto assets either globally or locally. Large-scale sales of crypto assets would result in a reduction in crypto asset values and could adversely affect an investment in us.

Regulatory and Legal Risks

Regulatory changes or actions may alter the nature of an investment in us or restrict the use of cryptocurrencies in a manner that adversely affects our business, prospects, or operations.

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies; certain governments have deemed them illegal, and others have allowed their use and trade without restriction, while some jurisdictions, such as the United States, subject the mining, ownership and exchange of cryptocurrencies to extensive, and in some cases overlapping, unclear and evolving regulatory requirements.

In January 2025, U.S. President Donald Trump issued an executive order forming a presidential working group to establish a clear regulatory framework for digital assets, and leaders in both houses of the U.S. Congress have announced a bicameral working group with the objective of passing legislation to provide regulatory clarity for the industry. Committees in both houses of the U.S. Congress have held hearings to ensure fair access to financial services, including for companies operating in the digital asset space. Additionally, in early March 2025, President Trump announced the creation of a U.S. strategic crypto reserve, which will include Bitcoin Ethereum, Solana, XRP, and Cardano. This marks a shift from his previous stance of establishing a Bitcoin-only reserve.

While these ongoing regulatory developments appear to be positive, and we anticipate greater regulatory certainty in the future, given the difficulty of predicting the outcomes of ongoing and future regulatory actions and legislative developments, it is possible that future developments could have a material adverse effect on our business, prospects, or operations.

A particular crypto asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty, with a growing number of regulators taking the position that certain crypto assets are securities and bringing enforcement actions accordingly, and if we are unable to properly characterize a crypto asset or comply with the applicable regulatory requirements, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

The SEC and its staff have taken the position that certain crypto assets fall within the definition of a "security" under the U.S. federal securities laws. Legal tests to determine whether a crypto asset is a security have been established by the U.S. Supreme Court case law and the SEC has issued reports, orders, and statements that provide guidance on when a crypto asset may be a security for purposes of the U.S. federal securities laws. The process of determining whether a specific crypto asset qualifies as a security involves a nuanced analysis open to interpretation, making the outcome uncertain and challenging to predict.

Despite regulatory developments in this field, some ambiguity persists, as the identification of crypto assets as securities or otherwise can be a complex matter.

Moreover, based upon decided federal court cases, it appears that the federal courts of appeals, and possibly the U.S. Supreme Court, may ultimately settle unresolved legal issues with respect to the identification of certain crypto assets as securities.

In separate SEC complaints, the SEC has alleged several crypto assets we hold, specifically Cardano, Tezos, Solana, Cosmos, Polygon, Axie Infinity, and NEAR Protocol are securities. Based on our current legal analysis, while the SEC's identification of certain crypto assets held by us as securities could have a material adverse impact on our business, this conclusion is subject to significant uncertainty given the rapidly evolving regulatory landscape, financial condition, and results of operations. However, if our conclusions or any part thereof turn out to be incorrect, or new adverse regulatory developments occur, we could be adversely impacted and/or be forced to modify or cease certain aspects of our current and planned operations and business.

In February 2023, the SEC charged Kraken with failing to register the offer and sale of its staking-as-a-service program, whereby investors transferred crypto assets to Kraken for staking in exchange for advertised annual investment returns. Kraken settled this action by agreeing to cease its custodial staking business and to pay $30 million in disgorgement, prejudgment interest, and civil penalties. While there are material distinctions between Kraken's staking model and ours, including the fact that we do not take custody of or exert control over the crypto assets that are staked using our platform, the SEC could disagree with our assessment and seek to enforce the federal securities laws and regulations against our operations. If we become subject to regulatory scrutiny or enforcement actions by securities regulators, it could result in expensive litigation and penalties and cessation of the allegedly noncompliant operations, which would materially adversely harm us, including due to our recent shift of focus to our non-custodial staking-as-a-service business and the costs and efforts deployed towards its development. These or additional developments that may arise underscore the risks in our business, particularly its reliance on the use of crypto assets and staking of users' crypto asset holdings.

Further, certain crypto assets may be deemed to be a "security" under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of crypto assets as "securities." As a result of the foregoing recent and potential developments, we may be forced to, or voluntarily elect to, limit, suspend or cease our staking services operations or certain aspects thereof in order to comply with applicable laws and regulations and avoid the regulatory scrutiny and adverse consequences that could result.

While we do not currently, nor do we plan to, offer, sell, trade, and clear crypto assets or take custody of crypto assets as part of any potential staking-as-a-service operations we may undertake, crypto assets we stake and validate transactions for could be deemed to be a "security" under applicable laws. This could be the case even if we conclude that our activities are compliant with these laws and regulations. Our blockchain infrastructure operations which entails securing blockchains by validating blockchain transactions (most analogous to Bitcoin mining) could be construed as facilitating transactions in crypto assets; as such we could be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to determine that a blockchain we secure is a "security" under applicable laws. Because our platform is not registered or licensed with the SEC or foreign authorities as a broker-dealer, national securities exchange, or ATS (or foreign equivalents), and we do not seek to register or rely on an exemption from such registration or license to secure blockchains. We recognize that the application of securities laws to the specific facts and circumstances of crypto assets is a complex and often unpredictable process and subject to change, and staking and securing a blockchain, while similar to Bitcoin mining, does not guarantee any conclusion under the U.S. federal securities laws, particularly given that each crypto asset and blockchain network is unique. Therefore, if we do conclude that a particular crypto asset is not a security on advice of our legal counsel, and the SEC or other government agencies or courts disagree with this assessment, we could be held liable for violation of securities laws. In addition, new laws may be implemented that prevent or hinder us from operating in the manner we currently conduct our business or plan to conduct our business, in which case our business may be materially harmed.

Further, if any crypto asset is deemed to be a security under any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such crypto asset. For instance, the networks on which such crypto assets are utilized may be required to be regulated as securities intermediaries, and subject to applicable rules, which could effectively render the network impracticable for its existing purposes. Further, it could draw negative publicity and a decline in the general acceptance of the crypto asset. Also, such a development may make it difficult for such supported crypto assets to be traded, cleared, and custodied as compared to other crypto assets that are not considered to be securities. These events could, among things, result in a decline in the market prices for the crypto assets on which our operations rely, and thereby reduce the demand for our solutions and the revenue generated therefrom. To the extent we hold crypto assets allegedly identified as securities by the SEC, it could have a material adverse effect on our business and our stock price.

Because crypto assets may be determined to be Digital Securities, we may inadvertently violate the 1940 Act and incur large losses as a result and potentially be required to register as an investment company. This would have a material adverse effect on an investment in us.

We hold and plan to acquire a portfolio of crypto assets including Ethereum and other crypto assets, each of which may be subject to different and evolving regulatory treatment that could materially impact our ability to continue holding or transacting in such assets. There is an increased regulatory examination of crypto assets and Digital Securities. This has led to regulatory and enforcement activities. As described elsewhere in these Risk Factors, the SEC and certain state regulators have in recent years begun to take a more definitive and aggressive stance indicating that crypto assets and related activities, including custodial staking-based services, entail the offer and sale of securities subject to applicable securities laws and regulations. We cannot be certain as to how future regulatory developments will impact the treatment of Ethereum and other crypto assets, or our operations as they relate to such crypto assets or in general, under the law.

Under the 1940 Act, a company may be deemed an investment company under if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on a consolidated basis. Crypto assets we may own in the future may be determined to be Digital Securities by the SEC or a court. Additionally, one or more states may conclude Ethereum, or other crypto assets held by us in the future are securities under state securities laws which would require registration under state laws including merit review laws. For example, California defines the term "investment contract" more strictly than the SEC.

Future legislation, SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which Ethereum and other crypto assets owned by us are treated for classification and clearing purposes.

If a crypto asset we hold were later determined to be a Digital Security, we could inadvertently become an investment company, as defined by the 1940 Act, if the value of the Digital Securities we owned exceeded 40% of our assets excluding cash. We are subject to the following risks:

- the SEC or a court may conclude that Ethereum, or other crypto assets we later acquire to be securities, notwithstanding differing conclusions we may draw on advice of counsel;
- based on legal advice, we may acquire other crypto assets which we have been advised are not securities but later are held to be securities; and
- we may knowingly acquire crypto assets that are securities and acquire minority investments in businesses which investments are securities.

In the event that the crypto assets held by us exceed 40% of our total assets, exclusive of cash, we may inadvertently become an investment company.

In order to limit our acquisition of Digital Securities to stay within the 40% threshold, we will examine the manner in which a crypto asset was initially marketed, the economic reality of the instrument, and apply the Howey test factors to determine if it may be deemed a Digital Security subject to federal and state securities laws. Even if we conclude that a particular crypto asset is not a security under the 1940 Act, certain states take a stricter view which means the crypto asset may have violated applicable state securities laws.

Should the total value of securities which we hold exceed more than 40% of our assets (exclusive of cash) SEC Rule 3a-2 under the 1940 Act allows an issuer to prevent itself from being deemed an investment company if it reduces its holdings of securities to less than 40% of its assets (exclusive of cash) and does not go above the 40% threshold more than once every three years. Accordingly, if changes in the classification of crypto assets causes us to exceed the 40% threshold, we may experience large losses when we liquidate Digital Securities as a result of continued volatility.

The 40% requirement may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

To the extent that crypto assets held by us are deemed by the SEC or a state legislator to fall within the definition of a security, we may be required to register and comply with additional regulation under the Investment Company Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. Such additional registrations: i) would result in extraordinary, non-recurring expenses, ii) would be time consuming and restrictive, iii) would require a restructuring of our operations, and iv) would result in significant constraints in the kind of business we could do as a registered investment company, thereby materially and adversely impacting an investment in us. Further, if our examination of a crypto asset is incorrect, we may incur regulatory penalties and private investor liabilities since Section 5 of the Securities Act imposes strict liability for unregistered securities offerings, regardless of intent, and state securities laws generally impose liability for negligent misrepresentations.

In order to comply with the 1940 Act, we anticipate having increased management time and legal expenses in order to analyze which crypto assets are securities and periodically analyze our total holdings to ensure that we do not maintain more than 40% of our total assets (exclusive of cash) as securities. If our view that the crypto assets we hold are not securities is challenged by the SEC and courts uphold the challenge, we may inadvertently violate the 1940 Act and incur substantial legal fees in defending our position. The cost of such compliance would result in the Company incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations.

If the SEC concludes that NodeOps our non-custodial staking business involves the offer and sale of a security in violation of Section 5 of the Securities Act of 1933 and the courts conclude the SEC is correct, we will be required to cease our staking as a service business and seek another business opportunity and may be subject to monetary and other penalties.

The SEC has been successful in litigating against certain companies and individuals who have offered and sold various cryptocurrencies in violation of the registration provisions of the Securities Act of 1933 (the “Securities Act”) and the anti-fraud provisions of the Securities Act and the Securities Exchange Act of 1934 (the “Exchange Act”). While we believe that our non-custodial staking business does not involve the offer or sale of a security, we do not know if the SEC will agree or whether if we seek relief from the courts, we will be successful. If we are also found to have offered and sold securities in violation of the Securities Act and the Exchange Act, the SEC could sue us for acting as an unregistered dealer. Further, as discussed in the risk factor noted above, we may inadvertently violate the 1940 Act.

Whether we voluntarily cease our current business or litigate and lose, we would be required to find another business opportunity whether through an acquisition or otherwise. We may also have to pay a civil monetary penalty if the SEC sues us and is successful or as a condition of any settlement.

Current interpretations require the regulation of Bitcoin, Ethereum, and other crypto assets under the CEA by the CFTC, we may be required to register and comply with such regulations. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses to us. We may also decide to cease certain operations. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

Current and future legislation, CFTC and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which Ethereum, and other crypto assets we own are treated for classification and clearing purposes. In particular, derivatives on these assets are not excluded from the definition of “commodity future” by the CFTC. We cannot be certain as to how future regulatory developments will impact the treatment of Bitcoin, Ethereum, and other crypto assets under the law.

Bitcoin and Ethereum have been deemed to fall within the definition of a commodity and, we may be required to register and comply with additional regulation under the CEA, including additional periodic report and disclosure standards and requirements. Moreover, we may be required to register as a commodity pool operator and to register us as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

Our interactions with a blockchain may expose us to SDN or blocked persons or cause us to violate provisions of law that did not contemplate distributed ledger technology.

The Office of Financial Assets Control of the U.S. Department of Treasury requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals ("SDN") list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions, to the extent validation constitutes a transaction, with persons named on OFAC's SDN list. While we do not believe validation constitutes a transaction, we can provide no assurances that regulators will agree with our interpretation. By way of example our Ethereum validator nodes only use block builders which remove wallet addresses found on the SDN list and Builder+ also screens out these SDN wallet addresses. Our Company's policy prohibits any transactions with such SDN individuals, but we may not be adequately capable of determining the ultimate identity of the individual who delegate to our nodes. Additionally, the U.S Department of Treasury recently has added sanctions that prevent U.S. persons from using cryptocurrencies to circumnavigate financial sanctions placed on Russia.

Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such digital ledgers contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our Common Stock.

If federal or state legislatures or agencies initiate or release tax determinations that change the classification of Bitcoin, Ethereum or other crypto assets as property for tax purposes (in the context of when such crypto assets are held as an investment), such determination could have a negative tax consequence on our Company or our shareholders.

Current IRS guidance indicates that crypto assets such as Ethereum should be treated and taxed as property, and that transactions involving the payment of Ethereum for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for any circumstance where the ownership of an Ethereum passes from one person to another, usually by means of Ethereum transactions (including off-blockchain transactions), it preserves the right to apply capital gains treatment to those transactions which may have adversely affect an investment in our Company.

To the extent that a foreign jurisdiction with a significant share of the market of crypto asset users imposes onerous tax burdens crypto users, or imposes sales or value added tax on purchases and sales of crypto assets for fiat currency, such actions could result in decreased demand for crypto assets in such jurisdiction, which could impact the price of crypto assets and negatively impact an investment in our Company.

Technology and Ecosystem Risks

The further development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies, which represent a rapidly changing industry, are subject to a variety of factors that are difficult to evaluate.

The use of crypto assets to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs cryptocurrency assets based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of cryptocurrencies as a means of payment has not, and may never, occur. The growth of the cryptocurrency industry in general, and the use of crypto assets in particular, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency industry include but are not limited to:

- continued worldwide growth in the adoption and use of crypto assets as a medium of exchange;
- government and quasi-government regulation of crypto assets and their use, or restrictions on or regulation of access to and operation of the crypto assets systems;
- the maintenance and development of the open-source software protocol of cryptocurrency networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies and digital forms of fiat currencies;
- general economic conditions and the regulatory environment relating to crypto assets; and
- the impact of regulators focusing on crypto assets and Digital Securities and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the Ethereum network or other blockchains networks we have exposure to could adversely affect an investment in us.

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

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

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

Crypto exchanges are relatively new and therefore may be more exposed to fraud and failure than established, regulated exchanges for other products. To the extent that large crypto exchanges representing a substantial portion of the crypto asset volume are involved in fraud or experience security failures or other operational issues, such exchanges' failures may result in a reduction in the price of crypto assets and adversely affect an investment in us.

A number of crypto exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that make larger exchanges more stable, larger exchanges are more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). A lack of stability in an exchange market and the closure or temporary shutdown of larger crypto exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in crypto assets overall and result in greater volatility in crypto asset values. These potential consequences of an exchange's failure could adversely affect an investment in us.

Operational Risks Specific to BTCS's Crypto Asset Activities

Business Model Dependence and Revenue Risks

Because our blockchain infrastructure business is dependent on the value of the crypto assets we stake to obtain blockchain rewards, and because those rewards are paid out in the form of the blockchain's native crypto assets, low market values and/or continued or long-term declines in crypto asset prices will materially and adversely affect our results of operations.

Our reliance on staking, which continues to increase as we continue to expand our non-custodial staking-as-a-service business, means that if the market values of the crypto assets we stake declines, the revenue we generate from staking will diminish. This is because the rewards for staking a given crypto asset are paid out in more of that same crypto asset. Therefore, if the market price for the crypto asset declines while staking is ongoing, unless the price later recovers, the rewards we receive may not cover the decline in value of the assets, potentially resulting in significant losses to our staking operations. If this trend continues, our operating results and financial condition will be materially adversely affected.

Builder+, ChainQ , and our blockchain infrastructure operations including Company owned and run validator nodes on PoS blockchains, are subject to concentration risks due to reliance on a limited number of infrastructure providers.

The development and operation of the Company's validator nodes for non-custodial staking, as well as the Builder+ block-builders and the development of ChainQ, are hosted on a combination of cloud computing infrastructure provided by Amazon Web Services ("AWS") and bare metal servers operated by a separate service provider, Latitude. While this diversification mitigates some concentration risks, significant portions of our proprietary technology and operations remain reliant on AWS and Latitude, which subjects us to cyber security and operational risks specific to these providers.

We have limited control over the services provided by AWS and Latitude, including their safety and security measures. If either provider fails to maintain the continuous functionality or security of their networks and related hardware, our ability to operate could be compromised. For example, some PoS networks impose slashing penalties if a validator node is offline for an extended period, resulting in the loss of crypto assets staked for validation purposes. If validator nodes hosted on either AWS or bare metal servers experience outages or other disruptions, we may face significant losses, including slashing penalties, claims from Delegators, reputational harm, and loss of customer relationships.

Any adverse developments affecting AWS or our bare metal server provider, including service outages, cyberattacks, or operational failures, could materially and adversely affect our ability to generate revenue, harm our reputation, and negatively impact our business, financial condition, and results of operations.

Crypto assets staked on proof-of-stake blockchains are locked in smart contracts and may not be accessible and liquid.

Crypto assets that utilize PoS consensus mechanisms are locked in smart contracts while staked, which limits the liquidity of the underlying crypto asset. This is because under PoS network protocols, in order to participate in the staking process validators such as us are required to enter into smart contracts which, among other things, require the validator to continue to keep a specified number of the crypto assets owned by the validator "locked-up" in the network for a specified period of time before they can again be transferred by such validator. This lock-up period often extends beyond the time at which the transaction is validated. We currently stake certain of our crypto assets and operate nodes on blockchain networks through our blockchain infrastructure services business. During times of high volatility or downturns, we may be unable to liquidate certain crypto assets to the extent desired. As such we may experience large losses when and if we are able to liquidate our crypto assets as a result of continued volatility. Further if we are unable to liquidate our crypto assets we could suffer material financial losses, which would adversely impact our business.

Our staking-as-a-service business is dependent on consumer investment in crypto assets, and economic downturns or excessive removal of delegated crypto assets could materially and adversely impact our business.

Our non-custodial staking-as-a-service business strategy depends on consumers purchasing crypto assets, holding them long-term, and staking them to our validator nodes. Economic downturns or a recession could significantly reduce delegation traffic to our nodes as consumers may reduce spending on investments or non-essential items such as crypto assets. Similarly, a decline in the popularity or public perception of crypto assets could yield a similar result. Crypto markets and stock prices have experienced substantial volatility in recent years, and in adverse market conditions, consumers may elect to sell their crypto assets or decline to increase their holdings, rather than hold and stake them to our nodes.

Additionally, we may experience loss of revenue from the excessive removal of delegated crypto assets from our validator nodes, whether due to economic factors, declining market confidence, or changes in consumer preferences. Such removal would result in a loss of associated revenue, which could materially and adversely impact our financial condition. Prolonged or recurring recessionary conditions, turbulent market conditions, or a significant loss of delegated assets could harm our business, results of operations, and prospects.

Technology and Performance Risks

We may suffer losses due to staking, delegating, and other related services.

Crypto assets which utilize PoS consensus mechanisms enable holders to earn rewards by operating nodes and participating in decentralized governance, bookkeeping and transaction confirmation activities on their underlying blockchain networks. We stake certain of our crypto assets and operate nodes on blockchain networks through our blockchain infrastructure operations. Most PoS networks require crypto assets to be transferred into smart contracts on the underlying blockchain networks not under our or anyone's control. If our validators, any third-party service providers, or smart contracts fail to behave as expected, suffer cybersecurity attacks, experience security issues, or encounter other problems, our crypto assets may be irretrievably lost. In addition, most PoS blockchain networks dictate requirements for participation in the relevant decentralized governance activity, and may impose penalties, or "slashing," if the relevant activities are not performed correctly, such as if the node operator acts maliciously on the network, "double signs" any transactions, or experience extended downtimes. Slashing penalties can apply due to prolonged inactivity on a blockchain network and inadvertent errors such as computing or hardware issues, as well as more serious behavior such as intentional malfeasance. If we are slashed by an underlying blockchain network, our crypto assets may be confiscated, withdrawn, or burnt by the network, resulting in permanent and irrecoverable losses that could materially impact our financial position. Any penalties or slashing events could damage our brand and reputation, cause us to suffer financial losses, and adversely impact our business.

Our business faces significant scaling obstacles due to its dependence on crypto assets and related infrastructure.

Crypto assets on which our current and planned operations depend face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling of crypto assets is essential to the widespread acceptance of crypto assets as a means of payment or other uses that stakeholders have in the past cited in demonstrating interest in crypto assets. Many crypto asset networks, including those with which we are or may become involved in our operations, face significant scaling challenges. For example, crypto assets are limited with respect to how many transactions can occur per second. Participants in the crypto asset ecosystem debate potential approaches to increasing the average number of transactions per second that a network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single validator's block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of crypto asset transactions will be effective.

If adoption of crypto assets as a means of payment or other uses does not occur on the schedule or scale anticipated or at all, the demand for crypto assets may stagnate or decrease, which could adversely affect future prices of crypto assets we hold or otherwise rely upon in our operations, and our results of operations and financial condition, which could have a material adverse effect on our business or the market price for our securities.

Our business operations involve running validator nodes for blockchain networks, including those associated with third-party staking ecosystems. This presents several risks that could materially affect our financial condition, results of operations, and business prospects.

Operating validator nodes for third-party staking ecosystems presents significant risks, particularly around the security of staked tokens and governance uncertainties. Staked tokens are locked in smart contracts, and vulnerabilities in the blockchain protocol or smart contract code could result in loss or slashing of tokens. Additionally, many staking ecosystems operate under decentralized autonomous organizations (DAOs), where governance decisions—such as fee changes, validator selection criteria, or protocol upgrades—can be unpredictable and influenced by participants with concentrated voting power. Adverse governance outcomes or misalignment with DAO strategies could negatively impact the economic viability of our validator operations. Furthermore, any controversy or operational failures associated with third-party providers could harm our reputation, even if we are not directly involved. Finally, protocol updates or changes may require rapid technical adaptations, and failure to do so could result in penalties, operational disruptions, or removal from the validator set. Despite our efforts to mitigate these risks through security measures and governance monitoring, these challenges could materially affect our operations, the security of our crypto assets, our financial results, and the price of our stock. The inherent vulnerabilities in blockchain protocols or smart contract codes could lead to potential loss of staked tokens, while unpredictable governance decisions by decentralized autonomous organizations could impact our strategic alignment and economic viability. Consequently, any adverse outcomes or operational failures could have a material adverse effect on our company.

Shifts in the Ethereum block-building landscape and market could increase the difficulty of remaining competitive and increase costs.

Our Ethereum block builder, Builder+, faces competition from existing and potential entrants in the expanding market. New and existing competitors may emerge with superior algorithms or strategies, potentially eroding our current market share, potential growth, and revenue generation potential. Moreover, changes in the Ethereum ecosystem, including network upgrades or shifts to alternative networks, may impact the demand for our services. Staying competitive requires continuous innovation and adaptation to market dynamics, which may necessitate additional investments and resources.

Our obligations to comply with the laws, rules, regulations, and policies of a variety of jurisdictions is uncertain and untested, and we are subject to uncertainty with respect to our Ethereum block building and non-custodial staking-as-a-service businesses and we may be subject to investigations and enforcement actions by U.S. and non-U.S. regulators and governmental authorities.

In addition to the securities laws and regulations discussed elsewhere in these Risk Factors, laws regulating financial services, the internet, mobile technologies, digital, and related technologies inside and outside of the U.S. may impose obligations on us, as well as broader liability. For example, we are required to comply with laws and regulations related to sanctions and export controls enforced by U.S. Department of Treasury's Office of Foreign Assets Control, or OFAC, and U.S. anti-money laundering and counter-terrorist financing laws and regulations, enforced by FinCEN and certain state financial services regulators. U.S. sanctions laws and regulations generally restrict dealings by persons subject to U.S. jurisdiction with certain governments, countries, or territories that are the target of comprehensive sanctions, currently the Crimea Region of Ukraine, Russian Federation, Cuba, Iran, North Korea, Syria, and Venezuela as well as with persons identified on certain prohibited lists. In May 2019, FinCEN issued guidance on the application of FinCEN regulations to certain business models. While the guidance directly addressed Bitcoin mining, it did not address securing PoS blockchains, which, while similar to Bitcoin mining, has technical nuanced differences that could potentially alter the analysis. As such, there can be no guarantee that securing (staking) on PoS blockchain networks will be viewed as compliant, notwithstanding the May 2019 FinCEN guidance. In particular, the nature of blockchains make it technically impossible in all circumstances to prevent or identify transactions with particular persons or addresses. Our Builder+ block builder software is equipped with a filtering mechanism that screens transactions initiated by wallet addresses listed on OFAC's Specially Designated Nationals And Blocked Persons (SDN) list, ensuring transactions from identified wallets are not included in the blocks we propose to validators. We actively monitor sanctioned jurisdictions to ensure that appropriate restrictions are maintained. If, notwithstanding these efforts, our current or planned activities are found to constitute "facilitating" or assisting the actions of non-U.S. persons that would be prohibited for U.S. persons to perform directly due to U.S. sanctions, despite the fact we don't take custody of staked crypto assets nor pay delegator crypto rewards, it could result in material negative consequences for us, including costs related to government investigations, harsh financial penalties, and harm to our reputation. The impact on us related to these matters could be substantial. We've sought and are seeking additional legal guidance on what, if any, controls and procedures need to be put in place and whether our activities could constitute facilitation of any illicit activities under the current regulatory framework.

Regulators worldwide frequently study each other's approaches to the regulation of the digital economy. Consequently, developments in any jurisdiction may influence other jurisdictions. New developments in one jurisdiction may be extended to additional services and other jurisdictions. In addition, digital economies themselves are subject to rapid and unpredictable change so that regulators could decide warrants updates or additions to existing regulatory regimes. As a result, the risks created by any new law or regulation in one jurisdiction are magnified by the potential that they may be replicated, affecting our business in another place. Conversely, if regulations diverge worldwide, we may face difficulty adjusting aspects of our business.

The complexity of U.S. federal and state and international regulatory and enforcement regimes, coupled with the evolving global regulatory environment, could result in a single event prompting a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brands and business, and adversely affect our operating results and financial condition. Due to the uncertain application of existing laws and regulations, it may be that, despite our planned regulatory and legal analysis that certain products and services are currently unregulated, such products or services may indeed be subject to financial regulation, licensing, or authorization obligations that we have not obtained or with which we have not complied. As a result, we are at a heightened risk of litigation, regulatory, and legal scrutiny which could lead to sanctions, cease, and desist orders, or other penalties and censures which could significantly and adversely affect our continued operations and financial condition.

We may experience losses resulting from technical failures, bugs, or vulnerabilities in our block builder software.

Our Ethereum block-building process heavily relies on advanced algorithms and technology. Technical failures, bugs, or vulnerabilities in our block builder software could lead to significant operational disruptions and potential financial losses that may be substantial and could materially impact our business. While we implement extensive testing and security measures, we cannot guarantee that all technical vulnerabilities will be detected and remediated before causing harm. Furthermore, the security of our operation is paramount, as vulnerabilities in smart contracts, blockchain infrastructure, or the Ethereum network could result in security breaches, data breaches, and financial harm to our clients and us. Ensuring the ongoing scalability and efficiency of our algorithms requires continuous investment in research and development.

Malicious actors gaining 50% or greater control of a cryptocurrency network could manipulate the blockchain, leading to significant adverse effects on the network and indirectly on our business.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power or staked assets dedicated to either mining or staking a cryptocurrency, it may be able to alter blockchains on which transactions of cryptocurrency reside and rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though depending on blockchain may not generate new units or transactions using such control. The malicious actor could “double-spend” its own cryptocurrency (i.e., spend the same crypto asset in more than one transaction) and prevent the confirmation of other users’ transactions for as long as it maintained control. To the extent that such malicious actor or botnet does not yield its control of the processing power or staked assets on the network, or the cryptocurrency community does not reject the fraudulent blocks as malicious, reversing any changes made to blockchains may not be possible. The foregoing description is not the only means by which the entirety of blockchains or cryptocurrencies may be compromised but is only an example and may differ from blockchain to blockchain.

The possible crossing of the 50% threshold indicates a greater risk that a single validator could exert authority over the validation of network transactions. To the extent that a blockchain ecosystem including other validators do not act to ensure greater decentralization of validator voting power, the feasibility of a malicious actor obtaining control will increase because the botnet or malicious actor could compromise more than 50% voting power and thereby gain control of blockchain, whereas if the blockchain remains decentralized it is inherently more difficult for the botnet of malicious actor to aggregate enough voting power to gain control of the blockchain, may adversely affect an investment in our Common Stock. Such lack of controls and responses to such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Ethereum or other crypto assets we acquire or hold, and harm investors.

Security Risks Related to Our Crypto Asset Holdings

Our crypto assets may be subject to loss, damage, theft or restriction on access.

There is a risk that part or all of our crypto assets could be lost, stolen, destroyed or become inaccessible. Our crypto assets are an appealing target to hackers or malware distributors seeking to destroy, damage, or steal our crypto assets, and we have experienced attempts to breach our security measures in the past. To minimize the risk of loss, damage and theft, security breaches, and unauthorized access we primarily hold our crypto assets in various cryptocurrency digital wallets utilizing industry-standard multi-signature security protocols and cold storage solutions, and hold minimal amounts (less than 1% of total holdings) at regulated exchanges. Nevertheless, the digital wallets and exchanges we utilize may not be impenetrable and may not be free from defect or immune to acts of God, and any loss due to a security breach, software defect or act of God will be borne by us. Any of these events may adversely affect our operations and, consequently, an investment in us.

To the extent that any of our crypto assets are held by crypto exchanges, we may face heightened risks from cybersecurity attacks and the financial stability of the exchanges.

All crypto assets not held in a Company's controlled digital wallet are held at crypto exchanges and subject to the risks encountered by those exchanges including DdoS Attacks, other malicious hacking, a sale of the exchange, loss of the crypto assets by the exchange, security breaches, and unauthorized access of our account by hackers. The Company may not maintain a custodian agreement with the exchanges with which it holds its crypto assets, and such exchanges do not provide insurance and may lack the resources to protect against hacking and theft. Less than 0.1% of the Company's crypto assets are typically stored at exchanges; however, this may increase at or around the sales or purchase of crypto assets. We may be materially and adversely affected if the exchanges suffer cyberattacks or incur financial problems.

The loss or destruction of a private key required to access a crypto asset may be irreversible. Our loss of access to our private keys could adversely affect an investment in our Company.

Crypto assets are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the crypto assets are held. We are required by the operation of the crypto asset network to publish the public key relating to a digital wallet in use by us when it first verifies a spending transaction from that digital wallet and disseminates such information into the network. We safeguard and keep private the private keys relating to our crypto assets not held at exchanges by utilizing key sharing and multi-signature storage techniques; to the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, we will be unable to access the crypto assets held by it and the private key will not be capable of being restored by the network. Any loss of private keys relating to digital wallets used to store our crypto assets could adversely affect an investment in us.

Security threats to us could result in a loss of Company's crypto assets.

Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm our business operations or result in loss of our Ethereum and other crypto assets. Any breach of our infrastructure could result in damage to our reputation which could adversely affect an investment in us. Furthermore, we believe that, as our assets continue to grow, it may become a more appealing target for security threats such as hackers and malware.

The security system and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of ours, or otherwise, and, as a result, an unauthorized party may obtain access to our, private keys, data, or Ethereum. Additionally, outside parties may attempt to fraudulently induce employees of ours to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security system occurs, the market perception of the effectiveness of our security system could be harmed, which could adversely affect an investment in us. In the event of a security breach, we may be forced to cease operations, or suffer a reduction in assets, the occurrence of each of which could adversely affect an investment in us.

Incorrect or fraudulent crypto asset transactions may be irreversible.

Crypto asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of crypto assets or a theft of crypto assets generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our crypto assets could be transferred from us in incorrect amounts or to unauthorized third parties. To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our crypto assets through error or theft, we will be unable to revert or otherwise recover incorrectly transferred crypto assets. To the extent that we are unable to seek redress for such error or theft, such loss could adversely affect an investment in us.

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

The crypto assets held by us are not insured through any government program or private insurance policy. Any loss of our crypto assets, whether through security breaches, technical failures, or other causes, would not be covered by insurance and could result in permanent and unrecoverable losses that could adversely affect our operations and, consequently, an investment in us.

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

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

Risks Related to Our Development Efforts

There is substantial doubt that we will be able to fully develop or commercialize our ChainQ platform as intended.

We are continuing to develop our ChainQ platform with the ultimate goal of creating an advanced blockchain infrastructure tool to enhance user accessibility and operational efficiency. We may not successfully fully develop this platform as planned, in a cost-efficient manner, to the extent sought or at all. If we fail to develop a comprehensive platform for ChainQ as intended, it could have a material adverse effect on our business, especially to the extent that we allocate significant capital, labor, and other resources to this endeavor rather than focusing on other business opportunities which may prove to have been more lucrative in hindsight.

Even if we do successfully develop our platform and bring it to the marketplace, there is no guarantee that we will attract enough users to generate revenue or become profitable. Our competitors, most of whom have greater capital and human resources than we do, may develop technologies that are superior to our platform or commercialize comparable technologies before us, in which case our ability to attract users and generate revenue therefrom could be rendered unlikely or even impossible. If we fail to obtain users for our platform or find an alternative means of commercializing our platform to recoup our investment therein, it will have a material adverse effect on our financial condition. Finally, even if we do fully develop the platform and attract users, events outside of our control such as regulatory actions against us or crypto assets on which our platform depend, or economic downturns, could force us to cease operating our platform or render it obsolete. If we fail to fully develop and commercialize our platform in a timely and effective manner, your investment in us could lose some or all of its value.

Even if we develop and commercialize our ChainQ platform, we may not be able to generate material revenues.

The continued development of ChainQ will require significant time and capital. Even if we do develop this platform and acquire a sufficient number of users to generate revenue, we cannot guarantee the revenue would be material or sufficient to justify the costs we anticipate incurring to develop the platform. While we are pursuing the development of additional features to make our platform more useful and attractive to consumers involved in blockchain technology, we may fail to develop these features effectively in an efficient manner, or within a timeframe that enables us to be or remain competitive. Our ability to capitalize on any platform we do develop will depend on a variety of factors and uncertainties beyond our control, including the competition we face and similar or superior services that may already exist by the time we begin marketing our platform, the volatile nature of the blockchain industry generally and the unknown demand for the services we plan to offer through our platform as it is currently envisioned, regulatory developments that have arisen or may arise in the future, and the advancement of new technologies which could arise in the future and render our platform partially or completely obsolete. If any of these or other risks come to fruition to prevent our platform from generating material revenue to justify its costs of production, it would have a material adverse effect on our business.

The development of our ChainQ platform will depend on the successful efforts of our employees.

Our platform development efforts are completely dependent on our infrastructure. We use internally developed systems for the platforms. Any future difficulties in developing aspects of our platforms may cause delays in bringing our platforms to market. If our data stored on AWS as well as bare metal servers, and the backups thereof, are compromised, our platform and prospects could be harmed. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, the occurrence of any of which could lead to interruptions, delays, loss of critical data, or the inability to launch our platform. The occurrence of any of the foregoing risks could materially harm our business.

We are subject to cyber security risks and may incur delays in platform development in an effort to minimize those risks and to respond to cyber incidents.

ChainQ is and will continue to be dependent on the secure operation of our website and systems as well as the operation of the Internet generally. The platform involves processing and storage of sensitive data, and security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. A number of large Internet companies have suffered security breaches, some of which have involved intentional attacks. From time to time, we and many other internet businesses also may be subject to a denial-of-service attacks wherein attackers attempt to block customers' access to our website. If we are unable to avert a denial-of-service attack for any significant period, we could sustain delays in the development of the platform and when launched risk losing future users and have user dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our users, or exchanges we read data from in general or the communication infrastructure on which we depend. If an actual or perceived attack or breach of our security occurs, user perception of the effectiveness of our security measures could be harmed and we could lose our future user. Actual or anticipated attacks and risks may cause us to incur increasing costs, and delay development. A person who is able to circumvent our security measures might be able to misappropriate our or our users' proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation and platform. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business.

We may become subject to data privacy and data security laws and regulations by virtue of our ChainQ platform, which could force us to incur significant compliance costs and expose us to liabilities.

By virtue of our platform, including planned additional functions, we may become subject to the various local, state, federal, and international laws and regulations that apply to the collection, use, retention, protection, disclosure, transfer, and processing of personal data. These data protection and privacy laws and regulations and their applicability to our current and future operations and offerings are subject to uncertainty and continue to evolve in ways that could adversely impact our business. These laws could have a substantial impact on our operations, depending in large part on the location of our operations, users, employees and other stakeholders with which we are or become involved.

In the United States, state and federal lawmakers and regulatory authorities have increased their attention on the collection and use of user data. For example, California enacted the California Rights Privacy Act, or CPRA, which augmented the California Privacy Rights Act, became effective in 2020. The CPRA requires covered companies to, among other things, provide new disclosures to California users, and affords such users new privacy rights such as the ability to opt-out of certain sales of personal information and expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is collected, used, and shared. The CPRA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. Potential uncertainty surrounding the CPRA may increase our compliance costs and potential liability, particularly in the event of a data breach, and could have a material adverse effect on our business, including how we use personal information, our financial condition, the results of our operations or prospects. Since the CPRA was enacted, a growing number of states have enacted similar legislation designed to protect the personal information of consumers and penalize companies that fail to comply, and other states have also proposed similar legislation. The costs of compliance with, and other burdens imposed by, the CPRA, and similar laws may limit our prospective customer base or the use and adoption of our products and services and/or require us to incur substantial compliance costs, which could have an adverse impact on our business. Additionally, many foreign countries and governmental bodies in which our users may reside, have laws and regulations concerning the collection, use, processing, storage, and deletion of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations are often more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct, and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, require that certain types of data be retained on local servers within these jurisdictions, and, in some cases, obtain individuals' affirmative opt-in consent to collect and use personal information for certain purposes.

There is a risk that as we develop and offer our platform and other services, we may become subject to one or more of these data privacy and security laws. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection, and information security, including by deploying geo-blocking features to limit the jurisdictions from which our platform can be accessed, it is possible that our practices, offerings, or platform, or third parties on which we rely, could fail. For instance, the overall regulatory framework governing the application of privacy laws to blockchain technology is still highly undeveloped and likely to evolve. Further, given the pseudonymous nature of activities involving crypto assets, we face unique and substantial challenges in our compliance efforts that are not present in traditional financial services, including difficulties in identifying and verifying the identity of transaction participants, monitoring suspicious activities, and maintaining effective know-your-customer (KYC) procedures. Our failure, or the failure by our third-party providers or partners, to comply with applicable laws or regulations and to prevent unauthorized access to, or use or release of personal data, or the perception that any of the foregoing types of failure has occurred, even if unfounded, could subject us to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, potential severe criminal or civil sanctions, fines or damages, reputational harm, or expensive and time-consuming proceedings by governmental agencies and private claims and litigation, any of which could materially adversely affect our business, operating results, and financial condition.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing the ChainQ platform.

Our commercial success depends significantly on our ability to operate without infringing the patents and other intellectual property rights of third-parties, however, we may not always be able to determine that we are using or accessing protected information or software. For example, there could be issued patents of which we are not aware that our products infringe. There also could be patents that we believe we do not infringe, but that we may ultimately be found to infringe. Moreover, patent applications are in some cases maintained in secrecy until patents are issued. The publication of discoveries in scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. Because patents can take many years to issue, there may be currently pending applications of which we are unaware that may later result in issued patents that our products infringe.

Because of the foregoing, we may be subject to legal claims of alleged infringement of the intellectual property rights of third parties. We expect this risk to increase as we continue to develop and roll-out additional functions for the ChainQ platform in the future. The ready availability of damages, royalties and the potential for injunctive relief has increased the defense litigation costs of patent infringement claims, especially those asserted by third parties whose sole or primary business is to assert such claims. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, and the payment of damages or settlement amounts.

Accordingly, we could expend significant resources defending against patent infringement and other intellectual property right claims, which could require us to divert resources away from operations. Any damages we are required to pay or injunctions against our continued use of such intellectual property in resolution of such claims may cause a material adverse effect to our business and operations, which could adversely affect the trading price of our securities and harm our investors. Additionally, we may become subject to injunctions prohibiting us from using software or business processes we currently use or may need to use in the future or requiring us to obtain licenses from third parties when such licenses may not be available on financially feasible terms or terms acceptable to us or at all. In addition, we may not be able to obtain on favorable terms, or at all, licenses or other rights with respect to intellectual property we do not own in providing ecommerce services to other businesses and individuals under commercial agreements.

Risks Related to Our Public Company Reporting Requirements and Accounting Matters

We may need to implement additional finance and accounting systems, procedures and controls as we grow our business and organization and to satisfy new reporting requirements.

We are required to comply with a variety of reporting, accounting, and other rules and regulations. Compliance with existing requirements is expensive. We may need to implement additional finance and accounting systems, procedures, and controls to satisfy our reporting requirements and such further requirements may increase our costs and require additional management time and resources. For example, many crypto assets, including those on PoS blockchain networks with which we are or may become involved, demonstrate novel and unique accounting challenges, including due to smart contracts affecting the underlying crypto assets. Any deficiencies in our internal control over financial reporting, should they arise, could cause investors to lose confidence in our reported financial information, negatively affect the market price of our Common Stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, estimating valuation allowances and accrued liabilities (including allowances for returns, credit card chargebacks, doubtful accounts and obsolete and damaged inventory), internal use software and website development (acquired and developed internally), accounting for income taxes, valuation of long-lived and intangible assets and goodwill, stock-based compensation and loss contingencies, are highly complex and involve many subjective assumptions, estimates and judgments by our management. Additional complexities can arise with respect to crypto asset operations. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in Part II, Item 7 of this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve the identification of performance obligations in revenue recognition, evaluation of tax positions, and the valuation of stock-based awards and crypto assets we hold, among others. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of analysts and investors, resulting in a decline in the trading price of our Common Stock.

We are subject to the information and reporting requirements of the Exchange Act, and other federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act").

The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited reports to shareholders will cause our expenses to be higher than they would have been if we were privately held. It may be time-consuming, difficult and costly for us to develop, implement and maintain the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures.

Risks Related to our Common Stock

Our stock price may be volatile.

The market price of our Common Stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in our industry including changes which adversely affect crypto assets;
- adverse regulatory developments such as the recent actions brought by securities regulators on crypto assets activities;
- public announcements and corporate events;
- continued volatility in the price of crypto assets;
- our ability to obtain working capital financing;
- sales of our securities or those of other companies, or of crypto assets, due to external forces such as geopolitical turmoil, inflation, federal interest rate adjustments or other events;
- additions or departures of key personnel including our executive officers;
- sales of our Common Stock;
- exercise of our warrants and the subsequent sale of the underlying Common Stock;
- conversion of our convertible notes and the subsequent sale of the underlying Common Stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship; and
- economic and other external factors.

In addition, the securities markets have, from time-to-time, experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Common Stock. As a result, you may be unable to resell your shares at a desired price.

While we paid a cash dividend in 2022, and declared a Series V Preferred stock ("Series V") dividend in 2023, we do not expect to pay regular or recurring dividends in the future. Any return on investment may be limited to the value of our Common Stock.

While we declared and paid a cash dividend (which came with the option to be paid in Bitcoin if elected by the shareholder) payable to holders of our Common Stock as of March 17, 2022, and distributed Series V dividend to shareholders of our Common Stock of record as of May 12, 2023, we do not anticipate paying dividends on a regular or recurring basis for the foreseeable future.

Any future payment of dividends on our Common Stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our Common Stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

Our articles of incorporation allow for our Board to create new series of preferred stock without further approval by our shareholders, which could adversely affect the rights of the holders of our Common Stock.

Pursuant to our articles of incorporation, our Board has the authority to fix and determine the relative rights and preferences of preferred stock without further shareholder approval. Our Board also has the authority to issue preferred stock without further shareholder approval. As a result, our Board could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, provide holders of the preferred anti-dilution protection, the right to receive dividend payments before dividends are distributed to the holders of Common Stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our Common Stock. For example, we issued a total of 15,033,231 shares of Series V Preferred Stock, which has a 20% liquidation preference over our Common Stock and also has certain rights to dividend and distributions at the discretion of the Board. In addition, our Board could authorize the issuance of a series of preferred stock that has greater voting power than our Common Stock or that is convertible into our Common Stock, which could decrease the relative voting power of our Common Stock or result in dilution to our existing shareholders.

The Conversion of Series V Preferred Stock to Common Stock Could Result in Substantial Dilution and Cause Market Volatility

At the 2024 annual meeting, BTCS shareholders approved a proposal authorizing the Board of Directors, at its discretion, to convert each share of Series V Preferred Stock into one share of Common Stock. While the Board now has the authority to implement this conversion, it has not yet taken such action. If the Board decides to proceed with the conversion, the issuance of a substantial number of additional shares of Common Stock could result in significant dilution to existing common shareholders. As of December 31, 2024, there were 15,033,231 shares of Series V Preferred Stock outstanding. If all Series V shares are converted into Common Stock, the number of outstanding shares of our Common Stock would materially increase. Such an increase in our outstanding Common Stock could materially affect the market price of our shares and impact investor confidence. Additionally, the increase in the number of freely tradeable shares could create downward pressure on the stock price if investors decide to sell shares in response to the dilution or due to other market-related factors. Current and prospective investors may also perceive the conversion negatively, leading to increased volatility and reduced demand for our Common Stock. Furthermore, our ability to raise capital in the future through equity offerings may be affected by the potential overhang of additional shares.

Substantial future sales of our Common Stock by us or by our existing shareholders could cause our stock price to fall.

We have primarily financed our strategic growth through our ATM Agreement. Additional equity financings (in addition to the shares issued under the ATM Agreement) or other share issuances by us, including shares issued in connection with strategic alliances and corporate partnering transactions, could adversely affect the market price of our Common Stock. Sales by existing shareholders of a large number of shares of our Common Stock in the public market or the perception that additional sales could occur could cause the market price of our Common Stock to drop.

Additionally, if we were not eligible to sell shares under our existing Registration Statement on Form S-3, we would be prohibited from selling under the ATM Agreement and may need to raise capital under terms less friendly to the Company and cause more dilution to existing and future shareholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15(a)(1)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, management concluded that our disclosure controls and procedures were effective as of December 31, 2024.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective could provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2024, based on the framework in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 Internal Control-Integrated Framework"). Based on our evaluation under the 2013 Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On November 17, 2024, Charles Allen, our Chief Executive Officer, adopted a trading plan pursuant to Rule 10b5-1 under the Exchange Act (a "Rule 10b5-1 trading plan"), in accordance with the Company's insider trading policies and procedures. The plan was effective as of February 18, 2025 and is scheduled to terminate on October 15, 2027, unless terminated earlier in accordance with its terms. Under the plan, up to 1.75 million shares of the Company's common stock may be sold, subject to the terms and conditions of the plan.

On October 22, 2024, Michal Handerhan, our Chief Operating Officer, adopted a Rule 10b5-1 trading plan in accordance with the company's insider trading policies and procedures. The plan was effective as of March 5, 2025 and is scheduled to terminate on October 15, 2025, unless terminated earlier in accordance with its terms. Under the plan, up to 750,000 shares of the Company's common stock may be sold, subject to the terms and conditions of the plan.

No other officers, as defined in Rule 16a-1(f), or directors adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the last fiscal quarter.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2024.

Our Board has adopted a Code of Ethics applicable to all officers, directors, and employees, which is available on our website (http://www.btcs.com) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics and by posting such information on our website at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2024.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2024.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2024.

PART IV

ITEM 15. EXHIBITS

(a) Documents filed as part of the report.

(1) Consolidated Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Financial Statements are filed herewith in response to this Item.

(2) Consolidated Financial Statements Schedules. All schedules are omitted because they are not applicable or because the required information is contained in the consolidation financial statements or notes included in this report.

(3) Exhibits. See the Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description	Filed/ Furnished Herewith	Incorporated by Reference Form	Exhibit No.	Filing Date
1.1	At-The-Market Offering Agreement, dated September 14, 2021, by and between BTCS Inc. and H.C. Wainwright & Co., LLC		8-K	1.1	9/14/21
2.1	Articles of Merger		8-K/A	3.1	7/31/15
2.2	Agreement and Plan of Merger		8-K/A	3.2	7/31/15
3.1	Articles of Incorporation		10-K	3.1	3/31/11
3.1(a)	Amendment No. 1 To Articles of Incorporation		8-K	3.1	3/25/13
3.1(b)	Amendment No. 2 To Articles of Incorporation		8-K	3.1	2/5/14
3.1(c)	Certificate of Amendment filed February 13, 2017		8-K	3.1	2/16/17
3.1(d)	Amendment No. 3 To Articles of Incorporation		8-K	3.1	4/9/19
3.1(e)	Certificate of Change – Reverse Split		8-K	3.1	8/17/21
3.1(f)	Certificate of Designation – Series V		8-K	3.1	1/31/23
3.1(g)	Certificate of Amendment to the Series V Certificate of Designation		8-K	3.1	4/19/23
3.1(h)	Amendment No. 4 to Articles of Incorporation – Increase Authorized Capital		8-K	3.1	7/13/23
3.2	Amended and Restated Bylaws of BTCS Inc.		8-K	3.1	7/5/24
4.1	BTCS Inc. 2021 Equity Incentive Plan, as amended	(2)	10-Q	4.1	8/11/23
4.2	Description of Securities		10-K	4.2	3/21/24

10.1	Employment Agreement - Charles Allen	(2)	10-K	10.8	6/23/17
10.1(a)	Amendment to Employment Agreement - Charles Allen	(2)	10-K	10.15(a)	3/23/20
10.2	Employment Agreement - Michal Handerhan	(2)	10-K	10.9	6/23/17
10.2(a)	Amendment to Employment Agreement – Michal Handerhan	(2)	10-K	10.16(a)	3/23/20
10.3	Offer Letter – Michael Prevoznik	(2)	10-K	10.4	3/11/22
10.4	Offer Letter – Manish Paranjape	(2)	10-K	10.4	3/31/23
19.1	Insider Trading Policy		10-K	19.1	3/21/24
21.1	List of Subsidiaries	(1)			
23.1	Consent of RBSM LLP	(1)			
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	(1)			
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	(1)			
32	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(3)			
97.1	Clawback Policy		10-K	97.1	3/21/24
101.INS	Inline XBRL Instance Document	(1)			
101.SCH	Inline XBRL Taxonomy Extension Schema	(1)			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	(1)			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	(1)			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	(1)			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	(1)			
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	(1)			

* Exhibits and/or Schedules have been omitted. The Company hereby agrees to furnish to the SEC upon request any omitted information.

(1) Filed herein
(2) Indicates a management contract or compensatory plan.
(3) Furnished herein

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 20, 2025.

	BTCS INC.
Date: March 20, 2025	*/s/ Charles Allen* Charles W. Allen Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of BTCS Inc. and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles Allen Charles W. Allen	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors	March 20, 2025
/s/ Michael Prevoznik Michael Prevoznik	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 20, 2025
/s/ Michal Handerhan Michal Handerhan	Director	March 20, 2025
/s/ Melanie Pump Melanie Pump	Director	March 20, 2025
/s/ Charlie Lee Charlie Lee	Director	March 20, 2025
/s/ Ashley DeSimone Ashley DeSimone	Director	March 20, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
BTCS Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of BTCS Inc. (The "Company") as of December 31, 2024 and 2023 and the related statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company has changed its method of accounting for digital assets (crypto currencies) to fair value, with changes in fair value recognized in net income, effective as of January 1, 2023 due to the adoption of Accounting Standards Update ("ASU") No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08").

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Corporate Crypto Assets Held

Critical Audit Matter Description

Crypto assets are generally accessible only by the possessor of the unique private key relating to the digital wallet or node in which the crypto assets are held. Accordingly, private keys must be safeguarded and secured in order to prevent an unauthorized party from accessing the crypto assets within a digital wallet. The Company primarily holds crypto assets for its own use in wallets. The loss, theft, or otherwise compromise of access to the private keys required to access the crypto assets could adversely affect the Company's ability to access the crypto assets within its environment. This could result in loss of corporate crypto assets held.

We identified crypto assets held as a critical audit matter due to the nature and extent of audit effort required to obtain sufficient appropriate audit evidence to address the risks of material misstatement related to the existence and rights & obligations of crypto assets in storage. The nature and extent of audit effort required to address the matter includes significant involvement of more experienced engagement team members and discussions and consultations with subject matter experts related to the matter.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to crypto assets in storage included the following, among others:

a. We consulted with subject matter experts regarding our planned audit response to address certain risks of material misstatement of crypto assets in storage.
b. We noted the controls within the Company's private key management process including controls related to physical access, key generation, and segregation of duties across the processes.
c. We tested the effectiveness of management's reconciliation control of internal books and records to external blockchains.
d. We independently obtained evidence from public blockchains to test the existence of crypto asset balances.
e. We obtained evidence that management has control of the private keys required to access crypto assets held through observing the wallets signed in using selected private keys or through observing the movement of selected crypto asset transactions.
f. We evaluated the reliability of audit evidence obtained from public blockchains.

We applied auditor judgment in determining the nature and extent of audit evidence required, especially related to assessing the existence of the digital assets and whether the Company controls the digital assets. We evaluated the sufficiency and appropriateness of audit evidence obtained by assessing the results of procedures performed over the digital assets.

/s/ RBSM LLP
PCAOB ID 587
We have served as the Company's auditor since 2016.
Las Vegas, Nevada
March 20, 2025

BTCS Inc.
Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
Assets:		
Current assets:		
Cash and cash equivalents	$ 1,977,778	$ 1,458,327
Stablecoins	39,545	21,044
Crypto assets	646,539	302,783
Staked crypto assets	35,410,144	24,900,146
Prepaid expenses	63,934	62,461
Receivable for capital shares sold	-	291,440
Total current assets	38,137,940	27,036,201
Other assets:		
Investments, at value (Cost $100,000)	100,000	100,000
Property and equipment, net	7,449	10,490
Total other assets	107,449	110,490
Total Assets	**$ 38,245,389**	**$ 27,146,691**
Liabilities and Stockholders' Equity:		
Accounts payable and accrued expenses	$ 70,444	$ 55,058
Accrued compensation	3,907,091	712,092
Warrant liabilities	267,900	213,750
Total current liabilities	4,245,435	980,900
Stockholders' equity:		
Preferred stock: 20,000,000 shares authorized at $0.001 par value:		
Series V preferred stock: 15,033,231 and 14,567,829 shares issued and outstanding at December 31, 2024 and December 31, 2023, respectively	2,646,314	2,563,938
Common stock, 975,000,000 shares authorized at $0.001 par value, 18,717,743 and 15,320,281 shares issued and outstanding at December 31, 2024 and December 31, 2023, respectively	18,718	15,322
Additional paid-in capital	171,283,199	162,263,634
Accumulated deficit	(139,948,277)	(138,677,103)
Total stockholders' equity	33,999,954	26,165,791
Total Liabilities and Stockholders' Equity	**$ 38,245,389**	**$ 27,146,691**

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

BTCS Inc.
Consolidated Statements of Operations

	For the Year Ended December 31, 2024	2023
Revenues		
Blockchain infrastructure revenues (net of fees)	$ 4,073,518	$ 1,339,628
Total revenues	4,073,518	1,339,628
Cost of revenues		
Blockchain infrastructure costs	3,127,509	359,778
Gross profit	946,009	979,850
Operating expenses:		
General and administrative	1,672,276	1,450,724
Research and development	755,813	687,288
Compensation and related expenses	6,598,348	2,542,336
Marketing	80,993	12,153
Realized losses on crypto asset transactions	767,375	604,269
Total operating expenses	9,874,805	5,296,770
Other income (expenses):		
Change in unrealized appreciation on crypto assets	7,683,772	12,135,648
Change in fair value of warrant liabilities	(54,150)	-
Other income	28,000	-
Total other income (expenses)	7,657,622	12,135,648
Net income (loss)	**$ (1,271,174)**	**$ 7,818,728**
Basic net income (loss) per share attributable to common stockholders	**$ (0.08)**	**$ 0.55**
Diluted net income (loss) per share attributable to common stockholders	**$ (0.08)**	**$ 0.45**
Basic weighted average number of common shares outstanding	16,263,702	14,092,233
Diluted weighted average number of common shares outstanding, basic and diluted	16,263,702	17,546,339

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

BTCS Inc.
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2024 and 2023

	Series V Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance December 31, 2023	**14,567,829**	**$ 2,563,938**	**15,320,281**	**$ 15,322**	**$ 162,263,634**	**$ (138,677,103)**	**$ 26,165,791**
Issuance of common stock, net of offering cost / At-the-market offering	-	-	2,021,361	2,021	6,679,756	-	6,681,777
Stock-based compensation	465,402	82,376	1,376,101	1,375	2,339,809	-	2,423,560
Net income (loss)	-	-	-	-	-	(1,271,174)	(1,271,174)
Balance December 31, 2024	**15,033,231**(1)	**$ 2,646,314**	**18,717,743**(2)	**$ 18,718**	**$ 171,283,199**	**$ (139,948,277)**	**$ 33,999,954**

(1) Includes 98,294 restricted shares of Series V Preferred Stock held by employees that remain subject to forfeiture based on time-based vesting conditions. See Note 6 – *Stockholders' Equity (Deficit)* for further details.
(2) Includes 270,794 restricted shares of Common Stock held by employees that remain subject to forfeiture based on time-based vesting conditions. See Note 6 – *Stockholders' Equity (Deficit)* for further details.

	Series V Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance December 31, 2022, as adjusted	**-**	**$ -**	**13,107,149**	**$ 13,108**	**$ 160,800,263**	**$ (146,495,831)**(1)	**$ 14,317,540**(1)
Issuance of common stock, net of offering cost / At-the-market offering	-	-	1,707,621	1,708	2,686,086	-	2,687,794
Issuance of Series V preferred stock	14,542,803	2,559,533	-	-	(2,559,533)	-	-
Stock-based compensation	25,026	4,405	505,511	506	1,336,818	-	1,341,729
Net income (loss)	-	-	-	-	-	7,818,728	7,818,728
Balance December 31, 2023	**14,567,829**	**$ 2,563,938**	**15,320,281**	**$ 15,322**	**$ 162,263,634**	**$ (138,677,103)**	**$ 26,165,791**

(1) Includes an adjustment to the opening balance of $4,986,377 resulting from a change in accounting principle. See Note 3 – *Changes in Accounting Principle* for further details.

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

BTCS Inc.
Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
Net cash flows used from operating activities:		
Net income (loss)	$ (1,271,174)	$ 7,818,728
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	5,689	5,033
Stock-based compensation	2,423,560	1,341,729
Blockchain infrastructure revenue	(4,073,518)	(1,339,628)
Builder payments (non-cash)	2,765,731	-
Change in fair value of warrant liabilities	54,150	-
Realized losses on crypto assets transactions	767,375	604,269
Change in unrealized appreciation on crypto assets	(7,683,772)	(12,135,648)
Changes in operating assets and liabilities:		
Stablecoins	(18,501)	(21,044)
Prepaid expenses and other current assets	(1,473)	61,266
Receivable for capital shares sold	291,440	(291,440)
Accounts payable and accrued expenses	15,386	(21,669)
Accrued compensation	3,194,999	416,157
Net cash used in operating activities	(3,530,108)	(3,562,247)
Cash flows from investing activities:		
Purchase of productive crypto assets for validating	(3,531,550)	(1,804,482)
Sale of productive crypto assets	901,980	1,994,851
Purchase of property and equipment	(2,648)	(5,276)
Sale of property and equipment	-	904
Net cash provided by (used in) investing activities	(2,632,218)	185,997
Cash flow from financing activities:		
Net proceeds from issuance common stock/ At-the-market offering	6,681,777	2,687,794
Net cash provided by financing activities	6,681,777	2,687,794
Net (decrease)/increase in cash	519,451	(688,456)
Cash, beginning of period	1,458,327	2,146,783
Cash, end of period	$ 1,977,778	$ 1,458,327
Supplemental disclosure of non-cash financing and investing activities:		
Series V Preferred Stock Distribution	$ 82,376	$ 2,559,533

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

Note 1 - Organization and Description of Business and Recent Developments

BTCS Inc. (“BTCS” or the “Company”), a Nevada corporation listed on Nasdaq, is a U.S.-based blockchain technology company focused on blockchain infrastructure. The Company’s primary operations center on the Ethereum network, reflecting its strategic emphasis on Ethereum block-building (“Builder+”) and validator node operations (“NodeOps”) across various proof-of-stake (“PoS”) and delegated proof-of-stake (“dPoS”) networks.

BTCS operates non-custodial validator nodes (or “nodes”) that participate in blockchain network consensus by performing transaction validation (“attestation”) and block proposal services. The Company earns native token rewards by staking its PoS crypto assets (also referred to “cryptocurrencies”, “crypto”, “crypto assets”, “digital assets”, or “tokens”) to validator nodes operated by both BTCS and third-parties. Additionally, on certain dPoS networks, BTCS enables third-party crypto asset holders to delegate their assets to its validator nodes, earning validator node fees as a percentage of staking rewards generated from delegated crypto assets.

In 2024, BTCS launched its Builder+ operations, a core component of its blockchain infrastructure strategy. Builder+ leverages advanced algorithms to optimize the construction of Ethereum blocks for on-chain validation, focusing on maximizing gas fee revenue. Builder+ has become a central revenue driver for BTCS, positioning the Company as an integral participant in Ethereum’s transaction cycle.

In addition to its blockchain infrastructure operations, BTCS has developed ChainQ, an AI-powered blockchain data and analytics platform designed to enhance transparency and accessibility within the blockchain ecosystem. Currently in beta, ChainQ provides intuitive tools for exploring and analyzing on-chain data, leveraging insights from BTCS’s blockchain infrastructure activities.

As part of its strategic focus on Builder+ and Validator Node operations, BTCS discontinued support for its StakeSeeker platform on December 27, 2024.

The Company’s operations are subject to regulatory uncertainties, technological risks and market volatility inherent to blockchain technology and crypto assets. BTCS’s future success depends on the continued adoption of blockchain technology as well as the Company’s ability to scale its Ethereum block-building operations and expand its broader blockchain infrastructure operations.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"), and include the accounts of the Company and its subsidiaries. The Company's subsidiaries are entities in which the Company holds, directly or indirectly, more than 50% of the voting rights, or where it exercises control. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in prior period financial statements have been reclassified to conform to the current period's presentation. These reclassifications did not affect previously reported net income (loss), total assets, total liabilities, or equity, nor did they impact previously disclosed information.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of six months or less when purchased to be cash and cash equivalents. The Company maintains cash and cash equivalent balances at financial institutions that are insured by the FDIC. As of December 31, 2024 and 2023, the Company had approximately $1,978,000 and $1,458,000 in cash. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of December 31, 2024 and 2023, the Company had approximately $1,474,000 and $933,000 in excess of the FDIC insured limit, respectively.

Stablecoins

The Company holds stablecoins, such as USDT (Tether) and USDC (USD Coin), which are crypto assets that are pegged to the value of one U.S. dollar. Our stablecoins are typically held in secure digital wallets or on crypto asset exchanges. The Company acquires and holds stablecoins primarily to facilitate crypto asset transactions, including, but not limited to, payments to third-party vendors.

The Company accounts for its stablecoins as indefinite-lived intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. While not accounted for as cash or cash equivalents, these stablecoins are considered a liquidity resource.

Crypto Assets

<u>Fair Value Measurement</u>

The Company's accounts for the fair value measurement for its crypto assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. ASC 820 defines fair value as the price that would be received for an asset in a current sale, assuming an orderly transaction between market participants on the measurement date. Market participants are considered to be independent, knowledgeable, and willing and able to transact. It requires the Company to assume that its crypto assets are sold in their principal market or, in the absence of a principal market, the most advantageous market.

Kraken serves as the principal market for the Company's crypto assets, being the Company's primary cryptocurrency exchange for both purchases and sales. Coinbase is designated as the secondary principal market. This determination results from a comprehensive evaluation considering various factors, including compliance, trading activity, and price stability.

The fair value of crypto assets is primarily determined based on pricing data obtained from Kraken, the Company's principal market. In the absence of Kraken data, pricing from Coinbase serves as a secondary source.

While Kraken is designated as the primary exchange, the Company retains flexibility to conduct cryptocurrency transactions on other exchanges where it maintains accounts. This flexibility allows the Company to adapt to changing market conditions and explore alternative platforms when necessary to ensure cost-effective execution and fair value measurement using the most advantageous market.

The selection of Kraken as the principal market reflects the Company's commitment to informed decision-making and achieving the most accurate representation of fair value for its crypto assets. Regular reviews ensure alignment with the Company's objectives and cryptocurrency market dynamics.

Accounting for Crypto Assets

The cost basis of the Company's crypto assets is initially recorded at their fair value using the last close price of the day in the UTC (Coordinated Universal Time) time zone on the date of receipt.

Crypto assets are measured at their fair respective fair market values at each reporting period end on the balance sheets and classified as either 'Staked Crypto Assets' or 'Crypto Assets' to distinguish their nature within the respective balances. Staked crypto assets are presented as current assets if their lock-up periods are less than 12 months, and as long-term other assets if the lock-up extends beyond one year. The majority of our crypto assets are staked, typically with lock-up periods of less than 21 days, and are considered current assets in accordance with ASC 210-10-20, *Balance Sheet*, due to the Company's ability to sell them in a liquid marketplace, as we have a reasonable expectation that they will be realized in cash or sold or consumed during the normal operating cycle of our business to support operations when needed.

The classification of purchases and sales in the consolidated statements of cash flows is determined based on the nature of the crypto assets, which can be categorized as 'productive' (i.e. acquired for purposes of staking) or 'non-productive' (e.g. bitcoin). Acquisitions of non-productive crypto assets are treated as operating activities, while acquisitions of productive crypto assets are classified as investing activities in accordance with ASC 230-10-20, *Investing activities*. Productive crypto assets staked with lock-up periods of less than 12 months are listed as current assets in the 'Staked Crypto Assets' line item on the balance sheet. Staked crypto assets with lock-up periods exceeding 12 months are categorized as long-term other assets. Non-productive crypto assets are included in the 'Crypto Assets' line item on the balance sheet.

Effective January 1, 2023, the Company elected to early adopt ASU No. 2023-08, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets. The impacts of the change in accounting principle are discussed further in Note 3 – *Changes in Accounting Principle*.

The Company employs the specific identification method to determine the cost basis of our assets for the computation of gains and losses, in accordance with ASC 350-60-50-2a. This method involves identifying and using the actual cost of each individual asset sold or disposed of to calculate the gain or loss on its sale. Realized gains (losses) on sale of crypto assets are included in other income (expenses) in the consolidated statements of operations. The Company recorded realized losses on crypto assets of approximately $767,000 and $604,000 during the years ended December 31, 2024 and 2023, respectively.

Operating Segments

The Company's blockchain infrastructure operations include two primary revenue-generating activities: Ethereum block building ("Builder+") and validator node operations ("NodeOps").

The Company's Chief Operating Decision Maker ("CODM") is comprised of several members of its executive management team, including the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"), who are responsible for evaluating the Company's financial performance, managing operations, and allocating capital and resources.

The CODM regularly reviews discrete financial information related to Builder+ and NodeOps, assessing financial performance based on gross profit (loss), direct operating expenses, and key financial metrics. These financial reviews direct operational decisions and shape capital deployment strategies for each activity.

While the CODM evaluates Builder+ and NodeOps separately, these activities share common economic characteristics, infrastructure, and operational oversight and are therefore aggregated into a single operating segment under ASC 280, Segment Reporting.

Consistent with ASU 2023-07, the Company discloses significant segment expenses that are regularly provided to the CODM for decision-making purposes. See Note 12 – *Segment Information* for more information.

Revenue Recognition

The Company recognizes revenue under ASC 606*, Revenue from Contracts with Customers*. The core principle of the new 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:

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

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company generates revenue through 1) staking rewards generated from its blockchain infrastructure operations (NodeOps), and 2) gas fees earned from successful Ethereum block-building through Builder+. These revenues are collectively termed 'Blockchain infrastructure revenues' in the consolidated statements of operations.

The transaction consideration the Company receives - the crypto asset awards and gas fees - are a non-cash consideration, which the Company measures at fair value on the date received.

<u>Blockchain Infrastructure</u>

The Company engages in network-based smart contracts by running its own crypto asset validator nodes as well as by staking (or "delegating") crypto assets directly to both its own validator nodes and nodes run by third-party operators. Through these contracts, the Company provides crypto assets to stake to a node for the purpose of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary based on the rules of the respective blockchain and typically last from a few days to several weeks after it is cancelled (or "un-staked") by the delegator and requires that the crypto assets staked remain locked up during the duration of the smart contract.

In exchange for staking the crypto assets and validating transactions on blockchain networks, the Company is entitled to all of the fixed crypto asset award earned from the network when delegating to the Company's own node and is entitled to a fractional share of the fixed crypto asset award a third-party node operator receives (less crypto asset transaction fees payable to the node operator, which are immaterial and are recorded as a deduction from revenue), for successfully validating or adding a block to the blockchain. The Company's fractional share of awards received from delegating to a third-party validator node is proportionate to the crypto assets staked by the Company compared to the total crypto assets staked by all Delegators to that node at that time.

On certain blockchain networks on which the Company operates a validator node, the Company earns a validator node fee (“Validator Fee”), determined as a node operator’s published percentage of the crypto asset rewards earned on crypto assets delegated to its node.

Token rewards earned from staking, as well as tokens earned as Validator Fees, are calculated and distributed directly to BTCS digital wallets by the blockchain networks as part of their consensus mechanisms.

The provision of validating blockchain transactions is an output of the Company’s ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The satisfaction of the performance obligation for processing and validating blockchain transactions occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized.

Ethereum Block Building (Builder+)

The Company participates in the Ethereum blockchain network by engaging in the construction of blocks (“block building”) containing strategically bundled transactions from the Ethereum mempool and from searchers who connect to the Company’s endpoint with the intent of the Company’s builder proposing their transactions. Revenue recognition for these activities, conducted through Builder+, entails the recognition of gas fees (or “transaction fees”) earned in exchange for successfully constructing blocks of bundled transactions and having these blocks selected and proposed by a validator to the Ethereum network for validation and successfully finalized on the network.

These gas fees are earned as a direct result of the Company’s fulfillment of its performance obligations, which include the construction of blocks by bundling transactions to maximize the value of the included fees and the proposal of that block by a Validator. Each constructed block under a smart contract with the Ethereum network signifies a distinct performance obligation.

As part of the block construction and proposal process, the Company’s Builder purchases block space through a fixed non-negotiable fee paid to a Validator (a “Validator Payment”) embedded in each proposed block. The Validator Payment, predetermined by the Builder, is paid to Validators as compensation for selecting and proposing the Company’s block to the network for validation. The Validator Payment is intrinsically linked to the Company’s performance obligations and is disbursed in the block constructed by the Builder if our Builder’s block is both selected by a Validator and successfully proposed to, and finalized on, the Ethereum network; otherwise, our Validator Payment may be included in a subsequent block. The Validator Payment represents a direct and fixed pre-determined cost.

The satisfaction of the performance obligation occurs at a point in time when the constructed block is both proposed by a Validator and successfully finalized on the Ethereum network. At this juncture, the Company has fulfilled its obligations, and the gas fees associated with the transactions included in the block become available and are transferred to the Company’s digital wallet.

The Company recognizes revenue, reflecting the fair value of the total gas fees earned from the constructed block.

The following table summarizes the revenues earned from the Company's operations for the years ended December 31, 2024 and 2023:

	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
Revenues from blockchain infrastructure operations		
NodeOps	$ 1,620,305	$ 1,339,628
Builder+	2,453,213	-
Total revenues	**$ 4,073,518**	**$ 1,339,628**

The following table details the native token rewards and their respective fair market value recognized as revenue during the years ended December 31, 2024 and 2023. Revenues earned from blockchain infrastructure staking activities through NodeOps include token rewards earned from the delegation of cryptocurrency assets to third-party validator nodes as well as token rewards derived from BTCS-operated validator nodes, which include staking of the Company's crypto assets to BTCS nodes and Validator Fees earned from third parties asset delegations to our nodes. Revenues earned from Ethereum block-building through Builder+ includes block rewards generated by BTCS Builders.

Crypto assets earned from blockchain infrastructure staking activities through NodeOps

	For the Year Ended December 31,			
	2024		2023	
Asset	**Token Rewards**	**Revenue ($USD)**	**Token Rewards**	**Revenue ($USD)**
Ethereum (ETH)	261	$ 792,442	358	$ 639,357
Cosmos (ATOM)	52,509	$ 390,740	43,268	$ 408,964
Axie Infinity (AXS) *	22,997	$ 151,648	18,522	$ 127,691
Akash (AKT)	22,742	$ 81,292	11,666	$ 9,808
Solana (SOL) *	419	$ 62,210	474	$ 11,592
Avalanche (AVAX)	1,237	$ 39,255	664	$ 9,117
NEAR Protocol (NEAR) *	6,441	$ 36,457	5,494	$ 8,836
Kava (KAVA)	27,143	$ 15,263	53,435	$ 43,642
Kusama (KSM)	652	$ 15,746	820	$ 21,981
Polygon (POL fka MATIC) *	20,970	$ 12,728	24,878	$ 20,613
Polkadot (DOT) *	1,244	$ 8,021	1,371	$ 7,358
Rocket Pool (RPL) *	14	$ 170	-	$ -
Tezos (XTZ) *	1,353	$ 1,182	2,413	$ 2,326
Mina (MINA)	6,480	$ 6,404	15,840	$ 10,959
Oasis Network (ROSE)	26,567	$ 3,254	98,001	$ 5,802
Cardano (ADA) *	5,010	$ 2,218	2,394	$ 775
Evmos (EVMOS) *	21,581	$ 1,275	89,591	$ 10,807
Total earned from blockchain infrastructure staking activities through NodeOps		**$ 1,620,305**		**$ 1,339,628**

* All or a portion of revenue earned from staking to third-party validator nodes

Crypto assets earned from Ethereum block-building through Builder+

	For the Year Ended December 31,			
	2024		2023	
Asset	**Token Rewards**	**Revenue ($USD)**	**Token Rewards**	**Revenue ($USD)**
Ethereum (ETH)	886	$ 2,453,213	-	$ -
Total earned from Ethereum block building through Builder+	**886**	**$ 2,453,213**	**-**	**$ -**

Cost of Revenues

The Company's cost of revenues related to its blockchain infrastructure operations primarily includes direct production costs associated with transaction validation on the network, cloud-based server hosting expenses related to our validator nodes and Builders, and allocated employee salaries dedicated to node maintenance and support. Additionally, the cost of revenues encompasses Validator Payments made from our Builder to Validators as well as fees paid to third parties for their assistance in software maintenance and node operations. These costs directly related to the production of revenues are collectively termed 'Blockchain infrastructure expenses' in the consolidated statements of operations.

The following table further details the costs of revenues for the years ended December 31, 2024 and 2023:

	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
Cost of staking revenues	$ 186,669	$ 359,778
Cost of Builder+ revenues	2,940,840	-
Total cost of revenues	**$ 3,127,509**	**$ 359,778**

Internally Developed Software

Internally developed software consists of the core technology of the Company's StakeSeeker and ChainQ platforms. For internally developed software, the Company uses both its own employees as well as the services of external vendors and independent contractors. The Company accounts for computer software used in the business in accordance with ASC 985-20 and ASC 350.

ASC 985-20, *Software-Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed,* requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product. Some companies use a "tested working model" approach to establishing technological feasibility (i.e., beta version). Under this approach, software under development will pass the technological feasibility milestone when the Company has completed a version that contains essentially all the functionality and features of the final version and has tested the version to ensure that it works as expected.

ASC 350, *Intangibles-Goodwill and Other*, requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. Costs incurred during the preliminary project stage and the post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized as property, equipment and software. These costs generally consist of internal labor during configuration, coding, and testing activities. Capitalization begins when (i) the preliminary project stage is complete, (ii) management with the relevant authority authorizes and commits to the funding of the software project, and (iii) it is probable both that the project will be completed and that the software will be used to perform the function intended.

Property and Equipment

Property and equipment consist of computer, equipment and office furniture and fixtures, all of which are recorded at cost. Depreciation and amortization are recorded using the straight-line method over the respective useful lives of the assets ranging from three to five years. Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable.

Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP. This requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. The Company's significant estimates and assumptions include the recoverability and useful lives of indefinite life intangible assets, stock-based compensation, and the valuation allowance related to the Company's deferred tax assets. Certain of the Company's estimates, including the carrying amount of the indefinite life intangible assets, could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates and assumptions.

Income Taxes

The Company recognizes income taxes on an accrual basis based on tax positions taken or expected to be taken in its tax returns. A tax position is defined as a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not (i.e., likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. Tax positions that meet the more likely than not threshold are measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. A valuation allowance is established to reduce deferred tax assets if all, or some portion, of such assets will more than likely not be realized. Should they occur, the Company's policy is to classify interest and penalties related to tax positions as income tax expense. Since the Company's inception, no such interest or penalties have been incurred.

Accounting for Warrants

The Company accounts for the issuance of Common Stock purchase warrants issued in connection with the equity offerings in accordance with the provisions of ASC 815, *Derivatives and Hedging*. The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). In addition, Under ASC 815, registered Common Stock warrants that require the issuance of registered shares upon exercise and do not expressly preclude an implied right to cash settlement are accounted for as derivative liabilities. The Company classifies these derivative warrant liabilities on the balance sheets as a current liability.

The Company assessed the classification of Common Stock purchase warrants as of the date of each offering and determined that such instruments originally met the criteria for equity classification; however, as a result of the Company no longer being in control of whether the warrants may be cash settled, the instruments no longer qualify for equity classification. Accordingly, the Company classified the warrants as a liability at their fair value and adjusts the instruments to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until the warrants are exercised or expired, and any change in fair value is recognized as “change in the fair value of warrant liabilities” in the consolidated statements of operations. The fair value of the warrants has been estimated using a Black-Scholes valuation model (see Note 5- *Fair Value of Financial Assets and Liabilities*).

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*. ASC 718 addresses all forms of share-based payment awards including shares issued under employee stock purchase plans and stock incentive shares. Under ASC 718, awards result in a cost that is measured at fair value on the awards’ grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations.

Share-based payment awards exchanged for services are accounted for at the fair value of the award on the estimated grant date.

<u>Options</u>

Stock options issued under the Company’s equity incentive plans are granted with an exercise price equal to 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 grant.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. For options granted prior to January 1, 2025, historical volatility was based on the most recent volatility of the stock price over a period equivalent to the expected term of the option. For the most recent options granted on January 1, 2025, historical volatility was determined using a two-year lookback period. Management selected this approach to better reflect the Company’s current market conditions and exclude periods of non-representative volatility associated with significant changes in the Company’s business, market conditions, and capital structure. The two-year lookback period balances capturing industry and market cycles with avoiding outdated and non-representative data.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term – The Company’s expected term represents the weighted-average period that the Company’s stock options are expected to be outstanding. The expected term is based on the expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

Expected Dividend – The Company has not historically declared or paid any cash dividends on its common shares and does not plan to pay any recurring cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in its valuation models.

Restricted Stock Units ("RSUs")

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these RSUs to vest.

The Company estimates the fair value of market-based RSUs as of the grant date and expected derived term using a Monte Carlo simulation that incorporates pricing inputs covering the period from the grant date through the end of the derived service period.

Expected Volatility – The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the RSUs.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. treasury zero-coupon yield curve in effect at the time of grant for the expected term of the RSUs.

Expected Term – The Company's expected term represents the weighted-average period that the Company's RSUs are expected to be outstanding. The expected term is based on the stipulated 5-year period from the grant date until the market-based criteria are achieved. If the market-based criteria are not achieved within the five-year period from the grant date, the RSUs will not vest and shall expire.

Vesting Hurdle Price – The vesting hurdle prices are determined by taking the vesting Market Cap criteria divided by the shares outstanding as of the valuation dates

Dividends

Effective January 27, 2023, the Company's Board of Directors (the "Board") approved the issuance of a newly designated Series V Preferred Stock ("Series V") on a one-for-one basis to the Company's shareholders (including restricted stock unit holders and warrant holders who were entitled to such distribution). The distribution of Series V shares was approved and completed on June 2, 2023 to shareholders as of the record date of May 12, 2023. The Series V: (i) is non-convertible, (ii) has a 20% liquidation preference over the shares of common stock, (iii) is non-voting and (iv) has certain rights to dividends and distributions (at the discretion of the Board). A total of 14,542,803 shares of Series V Preferred Stock were distributed to shareholders on June 2, 2023. In June 2023, the Series V shares commenced trading on Upstream, a Merj Exchange market ("Upstream"). In November 2023, Upstream announced that it was no longer providing U.S. individuals with the ability to trade on Upstream. All Series V shares owned by U.S investors were returned to the transfer agent.

The Company will evaluate the appropriateness of potential future dividends as the Company continues to grow its operations.

Advertising Expense

Advertisement costs are expensed as incurred and included in marketing expenses. Advertising and marketing expenses amounted to approximately $81,000 and $12,000 for the years ended December 31, 2024 and 2023, respectively.

Net Income (Loss) per Share

Basic income (loss) per share is computed by dividing the net income or loss applicable to common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the Company's restricted stock units, options and warrants. Diluted loss per share excludes the shares issuable upon the conversion of preferred stock and warrants from the calculation of net loss per share if their effect would be anti-dilutive.

For the year ended December 31, 2024, diluted loss per share excludes all potential common shares, including restricted stock units, options, warrants, and other convertible instruments, as their inclusion would be anti-dilutive due to the net loss reported for the period.

For the year ended December 31, 2023, the Company reported net income. As a result, diluted net income per share included potential common shares that were dilutive during the period.

The following financial instruments were from the calculation of diluted loss per share for the year ended December 31, 2024, as their effect was anti-dilutive:

	As of December 31, 2024
Warrants to purchase common stock	712,500
Options	1,302,500
Non-vested restricted stock unit awards	1,140,971
Non-vested restricted common stock	232,552
Total	**3,388,523**

Recent Accounting Pronouncements

The Company continually assesses new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of such change to its Consolidated Financial Statements and assures that there are proper controls in place to ascertain that the Company's Consolidated Financial Statements properly reflect the change.

In December 2023, the FASB issued ASU 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60)* ("ASU 2023-08"), which is intended to improve the accounting for and disclosure of crypto assets. The ASU requires entities to subsequently measure crypto assets that meet specific criteria at fair value, with changes recognized in net income each reporting period. The ASU also the requires specific presentation of cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately into cash. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU No. 2023-08 effective January 1, 2023, which had a material impact to its financial statement and related disclosures, which are further discussed in Note 3 – *Changes in Accounting Principle*.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 is intended to enhance reportable segment disclosures by requiring disclosures of significant segment expenses regularly provided to the CODM, requiring disclosure of the title and position of the CODM and explanation of how the reported measures of segment profit and loss are used by the CODM in assessing segment performance and a location of resources. ASU 2023-07 is effective for the Company for annual periods beginning after December 31, 2023. The Company adopted ASU 2023-07 for the year ended December 31, 2024. As a result of the adoption, the Company expanded its disclosures in Note 12 – *Segment Information*, to present significant expenses that are included within cost of revenue, by reportable segment, which are presented to the CODM.

In December 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"). ASU 2024-03 requires, in the notes to the financial statements, disclosures of specified information about certain costs and expenses specified in the updated guidance. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact the updated guidance will have on its disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Note 3 - Changes in Accounting Principle

Effective January 1, 2023, the Company has elected to early adopt ASU No. 2023-08, resulting in a material change in accounting principle related to the Company's accounting treatment of crypto assets.

As a result of the adoption of ASU No. 2023-08, crypto assets are recorded at their fair market value on its balance sheet and changes in the fair market value of its crypto assets during reporting periods are recorded within its consolidated statements of operations as unrealized appreciation (depreciation). Prior to adopting ASU No. 2023-08, crypto assets were accounted for as intangible assets with an indefinite life in accordance with ASC 350, *Intangibles –Goodwill and Other*, carrying them at their impaired value and recognizing impairment losses during reporting periods. Adoption of the fair market value guidance contained within ASU No. 2023-08 eliminates the need to calculate impairment losses on crypto assets for the year of adoption and moving forward.

The Company elected to early adopt the guidance contained with ASU No. 2023-08 as we believe that the specified changes in financial reporting better reflect the economic realities of the Company's business model and the value of the crypto assets held, enhancing the transparency and accuracy of the consolidated financial statements.

The adoption of ASU No. 2023-08 required an adjustment to the Company's opening Retained Earnings balance as of January 1, 2023, to recognize the cumulative effect of initially applying the change in accounting principle to previous periods. The adjustment accounts for the difference between the December 31, 2022 ending book value of crypto assets and their respective fair market value, which amounted to approximately $4,986,000.

Note 4 – Crypto Assets

The following tables present the Company's crypto assets held as of December 31, 2024 and 2023:

	As of December 31, 2024		
Asset	**Tokens**	**Cost**	**Fair Market Value**
Ethereum (ETH)	9,060	$ 12,958,468	$ 30,198,638
Cosmos (ATOM)	322,547	5,234,713	1,995,181
Solana (SOL)	7,038	486,861	1,329,855
Avalanche (AVAX)	19,085	1,168,537	678,454
Axie Infinity (AXS)	83,546	2,065,637	517,820
NEAR Protocol (NEAR)	86,650	199,237	424,934
Akash (AKT)	142,090	127,448	396,659
Kusama (KSM)	8,440	1,442,829	277,773
Kava (KAVA)	372,126	1,104,360	164,889
Polkadot (DOT)	9,904	147,699	65,701
Rocket Pool (RPL)	599	6,715	6,779
Total as of December 31, 2024		**$ 24,942,504**	**$ 36,056,683**

	As of December 31, 2023		
Asset	**Tokens**	**Cost**	**Fair Market Value**
Ethereum (ETH)	7,815	$ 8,862,438	$ 17,829,264
Cosmos (Atom)	270,098	4,843,231	2,860,870
Solana (SOL)	7,845	535,109	796,327
Avalanche (Avax)	17,842	1,129,281	687,713
Axie Infinity (AXS)	60,552	1,913,988	535,546
Polygon (Matic)	506,010	848,606	491,138
Oasis Network (ROSE)	2,647,629	157,541	363,571
Kusama (KSM)	7,313	1,427,083	329,353
Kava (KAVA)	345,394	1,089,300	301,429
NEAR Protocol (NEAR)	80,267	162,780	293,204
Akash (AKT)	119,071	46,156	291,574
Cardano (ADA)	265,254	402,901	157,615
Mina (MINA)	90,017	63,539	122,007
Polkadot (DOT)	8,650	139,711	70,879
Evmos (EVMOS)	345,777	97,404	43,886
Tezos (XTZ)	26,174	73,318	26,379
Band Protocol (BAND)	992	1,500	2,174
Total December 31, 2023		**$ 21,793,886**	**$ 25,202,929**

The following table presents a roll forward of the Company's crypto asset activities for the years ended December 31, 2024 and 2023:

December 31, 2022 - Book Value	**$ 7,535,913**
Opening adjustment for change in accounting principle	4,986,377
Purchases of crypto assets	1,804,482
Rewards earned from blockchain infrastructure operations	1,339,628
Sales of crypto assets	(1,994,851)
Realized gains on sale of crypto assets	147,295
Realized losses on sale of crypto assets	(751,563)
Change in unrealized appreciation (depreciation) of crypto assets	12,135,648
December 31, 2023 - Fair Market Value	**$ 25,202,929**
Purchases of crypto assets	3,531,550
Rewards earned from blockchain infrastructure operations	4,073,518
Sales of crypto assets	(901,980)
Crypto payments	(2,765,731)
Realized gains on sale of crypto assets	405,633
Realized losses on sale of crypto assets	(1,173,008)
Change in unrealized appreciation (depreciation) of crypto assets	7,683,772
December 31, 2024 - Fair Market Value	**$ 36,056,683**

Note 5 - Fair Value of Financial Assets and Liabilities

The Company measures certain assets and liabilities at fair value. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability (i.e., an 'exit price') in the principal or most advantageous market in an orderly transaction between market participants at the measurement date.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.

Level 2 – Valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Financial instruments, including cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of December 31, 2024 and 2023:

	Fair Value Measured at December 31, 2024			
	Total at December 31, 2024	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets				
Crypto Assets	$ 36,056,683	$ 36,056,683	$ -	$ -
Investments	100,000	-	-	100,000
Total Assets	**$ 36,156,683**	**$ 36,056,683**	**$ -**	**$ 100,000**
Liabilities				
Warrant Liabilities	$ 267,900	$ -	$ -	$ 267,900

	Fair Value Measured at December 31, 2023			
	Total at December 31, 2023	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets				
Crypto Assets	$ 25,202,929	$ 25,202,929	$ -	$ -
Investments	100,000	-	-	100,000
Total Assets	**$ 25,302,929**	**$ 25,202,929**	**$ -**	**$ 100,000**
Liabilities				
Warrant Liabilities	$ 213,750	$ -	$ -	$ 213,750

The Company did not make any transfers between the levels of the fair value hierarchy during the years ended December 31, 2024 and 2023.

Level 3 Valuation Techniques

Level 3 financial assets consist of private equity investments for which there is no current public market for these securities such that the determination of fair value requires significant judgment or estimation. As of December 31, 2024, the Company's Level 3 investments were carried at original cost of the investments, with a value of $100,000. The Company has elected to apply the measurement alternative under ASC 321, *Investments—Equity Securities*, for these investments.

Level 3 financial liabilities consist of the warrant liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation.

Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

A significant decrease in the volatility or a significant decrease in the Company's stock price, in isolation, would result in a significantly lower fair value measurement. Changes in the values of the warrant liabilities are recorded in "change in fair value of warrant liabilities" in the Company's consolidated statements of operations.

On March 2, 2021, the Company entered into a securities purchase agreement (the "Offering") with certain purchasers pursuant to which the Company agreed to sell an aggregate of (i) 950,000 shares of Common Stock, and (ii) Common Stock warrants (the "Warrants") to purchase up to 712,500 shares of Common Stock for gross proceeds of $9.5 million in a private placement. The closing of the Offering occurred on March 4, 2021.

The Warrants require, at the option of the holder, a net-cash settlement following certain fundamental transactions (as defined in the Warrants) at the Company. At the time of issuance, the Company maintained control of certain fundamental transactions and as such the Warrants were initially classified in equity. As of December 31, 2024, the Company no longer maintained control of certain fundamental transactions as they did not control a majority of shareholder votes. As such, the Company may be required to cash settle the Warrants if a fundamental transaction occurs which is outside the Company's control. Accordingly, the Warrants are classified as liabilities. The Warrants have been recorded at their fair value using the Black-Scholes valuation model, and will be recorded at their respective fair value at each subsequent balance sheet date. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk-free rates, as well as volatility.

The Warrants require the issuance of registered shares upon exercise, do not expressly preclude an implied right to cash settlement and are therefore accounted for as derivative liabilities. The Company classifies these derivative warrant liabilities on the balance sheets as a current liability.

A summary of quantitative information with respect to the valuation methodology and significant unobservable inputs used for the Company's warrant liabilities that are categorized within Level 3 of the fair value hierarchy as of December 31, 2024 and 2023, is as follows:

	December 31, 2024	December 31, 2023
Risk-free rate of interest	4.16%	4.23%
Expected volatility	120.67%	108.19%
Expected life (in years)	1.17	2.18
Expected dividend yield	-	-

The risk-free interest rate was based on rates established by the Federal Reserve Bank. For the Warrants, the Company estimates expected volatility giving primary consideration to the historical volatility of its Common Stock. The general expected volatility is based on the standard deviation of the Company's underlying stock price's daily logarithmic returns. The expected life of the warrants was determined by the expiration date of the warrants. The expected dividend yield was based on the fact that the Company has not historically paid dividends on its Common Stock and does not expect to pay recurring dividends on its Common Stock in the future.

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial assets and liabilities for the years ended December 31, 2024 and 2023, that are measured at fair value on a recurring basis:

	Fair Value of Level 3 Financial Assets	
	December 31, 2024	December 31, 2023
Beginning balance	$ 100,000	$ 100,000
Purchases	-	-
Unrealized appreciation (depreciation)	-	-
Ending balance	$ 100,000	$ 100,000

	Fair Value of Level 3 Financial Liabilities	
	December 31, 2024	December 31, 2023
Beginning balance	$ 213,750	$ 213,750
Warrant liabilities classification	-	-
Fair value adjustment of warrant liabilities	54,150	-
Ending balance	$ 267,900	$ 213,750

Note 6 - Stockholders' Equity (Deficit)

Common Stock

The Company received shareholder approval on July 11, 2023 to amend our Articles of Incorporation to increase the number of authorized shares of common stock from 97,500,000 shares to 975,000,000. On July 12, 2023, the Company filed a Certificate of Amendment to the Articles of Incorporation to effectuate the increase of our authorized shares of common stock to 975,000,000.

At The Market Offering Agreement

On September 14, 2021, the Company entered into an At-The-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co., LLC, as agent ("H.C. Wainwright"), pursuant to which the Company may offer and sell, from time-to-time, shares of the Company's Common Stock through H.C. Wainwright, as agent. Initially, the aggregate offering price of shares issuable under the ATM Agreement was $98,767,500 (the "Shares").

On October 4, 2024, the Company's new Form S-3 registration statement became effective, increasing the total amount of securities that may be offered and sold under the prospectus to $250,000,000.

The Company will pay H.C. Wainwright a commission rate equal to 3.0% of the aggregate gross proceeds from each sale of Shares.

During the year ended December 31, 2024, the Company sold a total of 2,021,361 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately $6,905,000 at an average selling price of $3.42 per share, resulting in net proceeds of approximately $6,682,000 after deducting commissions and other transaction costs.

During the year ended December 31, 2023, the Company sold a total of 1,707,621 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately $2,790,000 at an average selling price of $1.63 per share, resulting in net proceeds of approximately $2,688,000 after deducting commissions and other transaction costs.

Share-based Payments

Board Compensation

Effective January 19, 2023, the Board approved the issuance of $50,000 of common stock to each independent director. The shares will be issued in four equal installments ($12,500 each) at the end of each calendar quarter beginning March 31st, subject to continued service on each applicable issuance date. The number of shares issuable will be based on the closing price of the Company's common stock on the last trading day prior to the end of the applicable calendar quarter. For the year ended December 31, 2024, 87,498 shares of common stock approximating $136,000 were issued to independent directors related to the quarterly approved issuances. For the year ended December 31, 2023, 122,124 shares of common stock approximating $150,000 were issued to independent directors related to the quarterly approved issuances.

Shares Issued in Lieu of Cash Compensation

On September 12, 2024, the Board approved a resolution to allow all employees, officers, and directors of the Company to elect to receive up to three months of their cash compensation in advance in the form of restricted common stock. This decision aimed to prevent disruptions in operations that could arise from the need to unstake and sell cryptocurrency to meet upcoming cash requirements. The approval of this equity compensation plan was in response to extensive delays (over 4 months) by the U.S. Securities and Exchange Commission in reviewing our responses to a comment letter that contained seven comments primarily comprised of future filing requests and immaterial comments. On September 13, 2024, in a collective effort to support the Company's operations and strategy, all employees, directors, and officers (collectively 9 individuals) accepted part of their compensation as equity. This resulted in the issuance of 380,399 restricted common stock shares approximating $430,000. Of the shares issued, 32,429 were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 347,970 shares.

Performance Bonus Payments

For the year ended December 31, 2024, 414,148 shares of common stock were issued to officers related to payment of 2023 accrued bonus compensation totaling approximately $675,000. Of the shares issued, 43,220 shares were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 370,928 shares.

For the year ended December 31, 2023, 410,317 shares of common stock were issued to officers related to payment of 2022 accrued bonus compensation totaling approximately $264,000. Of the shares issued, 55,604 shares were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 354,713 shares.

Bonus shares

On December 12, 2024, the Board of Directors approved the issuance of 12,500 shares of restricted common stock to a non-executive employee as a discretionary bonus. These shares will vest in equal installments over five years, with 2,500 shares vesting at the end of each calendar year, beginning December 31, 2025, and continuing through December 31, 2029.

Issuance of Restricted Stock to Service Providers

During the year ended December 31, 2023, the Company issued to one service provider a total of approximately 12,500 shares of restricted Common Stock, representing a total fair value of $59,000.

Preferred Stock

Series V

Effective January 27, 2023, the Board approved the issuance of a newly designated Series V Preferred Stock ("Series V") on a one-for-one basis to the Company's shareholders (including restricted stock unit holders and warrant holders). The distribution of Series V shares was approved and completed on June 2, 2023 to shareholders as of the record date of May 12, 2023. The Series V: (i) is non-convertible, (ii) has a 20% liquidation preference over the shares of common stock, (iii) is non-voting and (iv) has certain rights to dividends and distributions (at the discretion of the Board). A total of 14,542,803 shares of Series V Preferred Stock were distributed to shareholders on June 2, 2023.

The fair value of the Preferred stock as of the record date, May 12, 2023, amounted to approximately $2,560,000. The Company used a probability valuation model to determine the fair value of the preferred stock.

For the year ended December 31, 2023, an additional 25,026 shares of Series V were issued related to the vesting of eligible employee RSUs.

On September 6, 2024, at the 2024 Annual Meeting the Company's stockholders voted to approve an amendment to the Certificate of Designation of the Series V to provide the Board the discretion to convert each share of the Series V into one share of Common Stock. The Board has not filed an amendment to the Series V Certificate of Designation nor chosen to convert the Series V.

For the year ended December 31, 2024, the Company issued 465,402 additional shares of Series V Preferred Stock in connection with the vesting of employee RSUs. Of these, 367,108 shares were unrestricted, and 98,294 shares were restricted and remain subject to time-based vesting conditions. The restricted shares of Series V will vest over a period of one to three years, with full vesting expected by December 31, 2027.

2021 Equity Incentive Plan

The Company's 2021 Equity Incentive Plan (the "2021 Plan") was effective on January 1, 2021 and approved by shareholders on March 31, 2021 and amended on June 13, 2022. The Company received shareholder approval on July 11, 2023 to increase the authorized amount under the 2021 Plan from 7,000,000 shares to 12,000,000 shares.

Options

A summary of options activity under the Company's stock option plan for the years ended December 31, 2024 and 2023 are presented below:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Options outstanding as of December 31, 2022	1,150,000	$ 2.15	$ -	3.3
Employee options granted	85,000	1.29	-	5.0
Employee options forfeited	(35,000)	1.02	11,100	-
Options outstanding as of December 31, 2023	1,200,000	$ 2.12	$ 8,700	2.4
Options vested and exercisable as of December 31, 2023	1,145,000	$ 2.15	$ -	2.3

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Options outstanding as of December 31, 2023	1,200,000	$ 2.12	$ 8,700	2.4
Employee options granted	120,000	1.52	-	4.6
Employee options expired	(17,500)	10.30	-	-
Options outstanding as of December 31, 2024	1,302,500	$ 1.96	$ 804,300	1.7
Options vested and exercisable as of December 31, 2024	1,141,250	$ 2.02	$ 649,125	1.3

The following weighted-average assumptions were used to estimate the fair value of options granted during the years ended December 31, 2024 and 2023, using the Black-Scholes model:

	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
Exercise price	$ 1.52	$ 1.29
Term (years)	5.00	5.00
Expected stock price volatility	141.86%	151.32%
Risk-free rate of interest	4.50%	3.97%

These assumptions are consistent with the methods described in Note 2 – *Summary of Significant Accounting Policies*.

RSUs

On December 29, 2023, upon recommendation of the Compensation Committee, the Board approved the grant of 50,000 RSUs to each of its executive officers (Messrs. Allen, Handerhan, Prevoznik and Paranjape), effective January 1, 2024. The RSUs granted vest annually over a 5-year period (10,000 per year) with the first vesting date of December 31, 2024 and each subsequent vesting on the one-year anniversary of the first vesting date, subject to continued employment on each applicable vesting date.

On January 12, 2024, Messrs. Allen and Handerhan forfeited their respective 50,000 RSUs for personal reasons, effective January 1, 2024. Subsequently, effective January 12, 2024, the Board approved the grant of 50,000 additional RSUs to Mr. Prevoznik and Mr. Paranjape, each, which vest annually over a 5-year period (10,000 per year) with the first vesting date of December 31, 2024 and each subsequent vesting on the one-year anniversary of the first vesting date, subject to continued employment on each applicable vesting date.

Long-Term Incentive Plan (LTI) RSUs

On January 2, 2022, the Board approved grants of RSUs (“LTI RSUs”) under the Company’s Long-Term Incentive Plan (“LTI”) to executive officers. These RSUs were initially subject to vesting upon achievement of market capitalization thresholds of $100 million, $150 million, $200 million, and $400 million, sustained for 30 consecutive days. On February 22, 2022, upon the appointment of the Chief Technology Officer, additional LTI RSUs were granted under the same terms.

Effective January 1, 2023, the Board approved an amendment to the LTI plan, reducing the market capitalization thresholds to $50 million, $100 million, $150 million, and $300 million. The modification resulted in an increase in fair value of $83,000, which was added to unrecognized compensation expense in accordance with ASC 718 – *Share-Based Compensation*.

The fair value of market-based LTI RSUs is estimated using a Monte Carlo simulation. The following assumptions were used to determine fair value as of the January 1, 2023, modification date:

	January 1, 2023 (Modification)
Vesting Hurdle Price	$ 3.81 - $30.52
Term (years)	4.00
Expected stock price volatility	97.30%
Risk-free rate of interest	4.10%

For awards vesting upon the achievement of a service condition, compensation cost measured on the grant date will be recognized on a straight-line basis over the vesting period. Stock-based compensation expense for the market-based restricted stock units with explicit service conditions is recognized on a straight-line basis over the longer of the derived service period or the explicit service period, regardless of whether the market condition is satisfied. However, in the event that the explicit service period is not met, previously recognized compensation cost would be reversed. Market-based restricted stock units subject to market-based performance targets require achievement of the performance target as well as a service condition in order for these LTI RSUs to vest.

On December 12, 2024, the Company achieved the $50 million market capitalization threshold, triggering the vesting of certain performance-based LTI RSUs granted to the Company’s executive officers. As a result of meeting this threshold, 342,082 shares of common stock and 342,082 shares of Series V preferred stock vested and were issued to executive officers. Of the common stock, 45,479 shares of common stock were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 296,603 shares of common stock.

In addition, 38,242 restricted shares of common stock and 38,242 restricted shares of Series V were issued as a result of achieving the performance milestone under the LTI plan. These restricted shares remain subject to time-based vesting conditions and will vest over a two-year period, with full vesting expected by December 31, 2026.

Accelerated Vesting of RSUs and Conversion to Restricted Common Stock

On December 12, 2024, the Board approved a resolution allowing recipients of RSUs with time-based vesting criteria to elect to accelerate vesting and convert their RSUs into restricted shares of Common Stock. The restricted shares issued under this resolution remain subject to the original time-based vesting schedules of the RSUs. Additionally, the Board approved a resolution to accelerate the vesting of RSUs that were originally scheduled to vest on December 31, 2024 without restriction. This action was taken to reduce the administrative burden on the Company and align the vesting date with the issuance of other accelerated RSUs.

Effective December 12, 2024, the vesting of 220,052 RSUs was accelerated and converted into restricted shares of Common Stock issued to executive officers. As a portion of these RSUs was eligible for the Series V share dividend, an additional 60,052 restricted shares of Series V preferred stock were issued. These restricted shares retained their original time-based vesting schedules, ranging from one to five years.

Additionally, 65,026 shares of unrestricted Common Stock and, due to dividend eligibility, 25,026 unrestricted shares of Series V preferred stock were issued as a result of the Board-approved accelerated vesting of outstanding RSUs originally scheduled to vest on December 31, 2024.

Of the total issuances related to the accelerated vesting of RSUs on December 12, 2024, 62,718 unrestricted shares were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 2,308 shares of unrestricted Common Stock.

The following table summarizes restricted Common Stock activity under the 2021 Plan for the years ended December 31, 2024 and 2023:

	Number of Restricted Shares of Common Stock
Outstanding and nonvested as of December 31, 2023	-
Converted from restricted stock units	220,052
Granted	12,500
Outstanding and nonvested as of December 31, 2024	232,552

RSU Activity Summary

The following table summarizes RSU activity under the 2021 Plan for the years ended December 31, 2024 and 2023:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2022	1,590,553	$ 3.34
Granted	50,000	0.63
Vested	(34,180)	3.55
Nonvested as of December 31, 2023	1,606,373	$ 3.25
Granted	300,000	1.71
Vested	(445,350)	3.13
Vested and converted to restricted common shares	(220,052)	2.04
Forfeited	(100,000)	1.63
Nonvested as of December 31, 2024	1,140,971	$ 3.27

Stock-based Compensation

Stock-based compensation expenses are recorded as a part of general and administrative expenses, compensation expenses and cost of revenues. Stock-based compensation expenses for the years ended December 31, 2024 and 2023 were as follows:

	For the Year Ended December 31,	
	2024	2023
Employee stock option awards	$ 2,973,503	$ 11,726
Employee restricted stock unit awards	1,188,963	956,526
Employee stock-based salary payments and bonus awards	1,176,679	675,061
Non-employee restricted stock awards	165,011	195,784
	$ 5,504,156	**$ 1,839,097**

Stock Purchase Warrants

The following is a summary of warrant activity for the years ended December 31, 2024 and 2023:

	Number of Warrants
Outstanding as of December 31, 2022	912,500
Expiration of warrants	(200,000)
Outstanding as of December 31, 2023	712,500
Expiration of warrants	-
Outstanding as of December 31, 2024	712,500

Note 7 – Executive Compensation

Employment Agreements

Charles W. Allen – Chief Executive Officer and Director

On June 22, 2017, we entered into an employment agreement with Charles Allen (the “Allen Employment Agreement”), whereby Mr. Allen agreed to serve as our Chief Executive Officer and Chief Financial Officer for a period of two (2) years, subject to renewal, in consideration for an annual salary of $245,000. Additionally, under the terms of the Allen Employment Agreement, Mr. Allen shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Allen shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Allen for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive $500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional $500 per month to cover expenses in connection with their office space needs.

On February 6, 2019 we amended the Allen Employment Agreement whereby the annual salary was increased to $345,000 per year effective January 1, 2019, subject to a 4.5% annual increase each subsequent year to adjust for inflation. All other terms of the Allen Employment Agreement remained unchanged including the Annual Increase. For the year ended December 31, 2024, Mr. Allen’s annual base salary was $429,933.

Michal Handerhan – Chief Operating Officer and Director

On June 22, 2017, we entered into an employment agreement with Michal Handerhan (the “Handerhan Employment Agreement”), whereby Mr. Handerhan agreed to serve as our Chief Operating Officer and Secretary for a period of two (2) years, subject to renewal, in consideration for an annual salary of $190,000. Additionally, under the terms of the Handerhan Employment Agreement, Mr. Handerhan shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Handerhan shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Handerhan for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive $500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional $500 per month to cover expenses in connection with their office space needs.

On February 6, 2019 we amended the Handerhan Employment Agreement whereby the annual salary was increased to $215,000 per year effective on January 1, 2019, subject to a 4.5% annual increase each subsequent year to adjust for inflation. All other terms of the Handerhan Employment Agreement remained unchanged, including the Annual Increase.

On January 19, 2022, the Board approved a salary increase for Michael Handerhan to $275,000, effective January 1, 2022. For the year ended December 31, 2024 Mr. Handerhan’s annual base salary was $300,307.

Michael Prevoznik – Chief Financial Officer

On December 1, 2021 we entered into an employment agreement with Michael Prevoznik (the “Prevoznik Employment Agreement”), whereby Mr. Prevoznik agreed to serve as our Chief Financial Officer in consideration for an annual salary of $175,000. Additionally, under the terms of the Prevoznik Employment Agreement, Mr. Prevoznik shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Prevoznik shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Prevoznik for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive $500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional $500 per month to cover expenses in connection with their office space needs.

On June 1, 2022, the Board approved a salary increase for Michael Prevoznik to $225,000, effective June 1, 2022.

On December 9, 2022, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Prevoznik’s annual base salary, effective January 1, 2023.

On January 12, 2024, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Prevoznik’s annual base salary, effective January 1, 2024.

For the year ended December 31, 2024 Mr. Prevoznik’s annual base salary was $245,706.

On January 1, 2025, the Board approved a salary increase for Michael Prevoznik to $260,000, effective January 1, 2025.

Manish Paranjape – Chief Technology Officer

On February 22, 2022 we entered into an employment agreement with Manish Paranjape (the “Paranjape Employment Agreement”), whereby Mr. Paranjape agreed to serve as our Chief Technology Officer in consideration for an annual salary of $225,000. Additionally, under the terms of the Paranjape Employment Agreement, Mr. Paranjape shall be eligible for an annual bonus if we meet certain criteria, as established by the Board. Mr. Paranjape shall be entitled to participate in all benefits plans we provide to our senior executives. We shall reimburse Mr. Paranjape for all reasonable expenses incurred in the course of his employment. The Company shall pay the Executive $500 per month to cover telephone and internet expenses. If the Company does not provide office space to the Executive the Company will pay the Executive an additional $500 per month to cover expenses in connection with their office space needs.

On December 9, 2022, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Paranjape’s annual base salary, effective January 1, 2023.

On January 12, 2024, upon recommendation of the Compensation Committee of the Board approved a 4.5% inflationary increase in Mr. Paranjape’s annual base salary, effective January 1, 2024.

For the year ended December 31, 2024 Mr. Paranjape’s annual base salary was $245,706.

On February 3, 2025, Mr. Paranjape resigned as Chief Technology Officer of BTCS Inc.

Termination/Severance Provisions

The terms of the Allen Employment Agreement and Handerhan Employment Agreement (collectively the "Employment Agreements") provide each of Messrs. Allen and Handerhan (the "Executives") certain, severance and change of control benefits if the Executive resigns from the Company for good reason or the Company terminates him other than for cause. In such circumstances, the Executive would be entitled to a lump sum payment equal to (i) the Executive's then-current base salary, and (ii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Executive was a participant. In addition, the severance benefit for the Executives the employment agreements include the Company continuing to pay for medical and life insurance coverage for up to one year following termination. If, within eighteen months following a change of control (as defined below), the Executive's employment is terminated by the Company without cause or he resigns from the Company for good reason, the Executive will receive certain severance compensation. In such circumstances, the cash benefit to the Executive will be a lump sum payment equal to two times (i) his then-current base salary and (ii) his prior year cash bonus and incentive compensation. Upon the occurrence of a change of control, irrespective of whether his employment with the Company terminates, each Executive's stock options and equity-based awards will immediately vest.

A "change of control" for purposes of the Employment Agreements means any of the following: (i) the sale or partial sale of the Company to an un-affiliated person or entity or group of un-affiliated persons or entities pursuant to which such party or parties acquire shares of capital stock of the Company representing at least twenty five (25%) of the fully diluted capital stock (including warrants, convertible notes, and preferred stock on an as converted basis) of the Company; (ii) the sale of the Company to an un-affiliated person or entity or group of such persons or entities pursuant to which such party or parties acquire all or substantially all of the Company's assets determined on a consolidated basis, or (iii) Incumbent Directors (Mr. Allen and Mr. Handerhan) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board of the Company.

Additionally, pursuant to the terms of the Employment Agreements, we have entered into an indemnification agreement with each executive officer.

Clawback Policy

On November 17, 2023, our Board adopted a clawback policy in accordance with the rules of the Nasdaq Stock Exchange, to recoup "excess" incentive compensation, if any, earned by current and former executive officers during a three year look back period in the event of a financial restatement due to material noncompliance with any financial reporting requirement under the securities laws (with no fault required).

Bonuses

2023 Bonuses

On May 11, 2023, upon recommendation of the Compensation Committee, the Board approved a performance-based Annual Cash Incentive Plan ("ACIP") for fiscal year 2023. Under the ACIP, executives were eligible to receive bonuses of up to 64% to 128% of their base salary, contingent on achieving key performance milestones established by the Board. Bonuses were payable in cash and/or equity, at the sole discretion of the Board, and based on the closing price of the Company's Common Stock on December 31, 2023.

On December 29, 2023, the Board approved aggregate payouts of $705,061 for fiscal year 2023 performances allocated as follows:

Executive	Bonuses for the Year Ended December 31, 2023
Charles Allen - CEO	$ 354,849
Michal Handerhan - COO	151,164
Michael Prevoznik - CFO	101,399
Manish Paranjape - CTO	97,649
Total Performance Bonuses Earned	**$ 705,061**

Of the total performance bonuses earned by Officers for fiscal year 2023, $30,000 was paid in cash, with the remainder awarded in 414,148 shares of restricted Common Stock.

2024 Bonuses

On April 11, 2024, the Board approved the ACIP for fiscal year 2024, increasing the potential bonus range to 163% to 195% of base salary. As in prior years, bonuses were contingent on achieving performance milestones established by the Board and payable in cash, incentive stock options, and/or restricted shares of Common Stock, at the sole discretion of the Board, and based on the closing price of the Company's Common Stock on December 31, 2024.

On January 1, 2025, the Board approved aggregate payouts of $1,916,909 for fiscal year 2024 performance, allocated as follows:

	Bonuses for the Year Ended December 31, 2024
Charles Allen - CEO	$ 739,324
Michal Handerhan - COO	473,381
Michael Prevoznik - CFO	352,102
Manish Paranjape - CTO	352,102
Total Performance Bonuses Earned	**$ 1,916,909**

Of the total performance bonuses earned by Officers for fiscal year 2024, approximately $200,000 was paid in cash, with the remainder awarded in 319,930 shares of restricted Common Stock and 1,234,795 incentive stock options. The equity awards disclosed here pertain only to Officers, whereas Footnote 6 – *Stockholders' Equity* includes total equity awards granted to both Officers and other employees.

Note 8 – Accrued Expenses

As of December 31, 2024 and 2023, the Company had accrued expenses consisting of the following:

	December 31, 2024	December 31, 2023
Accrued compensation	$ 3,907,091	$ 712,092
Accounts payable and accrued expenses	70,444	55,058
	$ 3,977,535	**$ 767,150**

Accrued compensation and related expenses include approximately $3,907,000 and $710,000 related to performance bonus accruals as of December 31, 2024 and 2023, respectively.

The accrued compensation balance for 2024 reflects stock-based compensation expenses associated with the performance bonuses approved by the Board on January 1, 2025 as well as discretionary bonuses accrued for non-officer employees. While the total bonus amounts for officers approved for fiscal year 2024 were $1,916,909 (as disclosed in Note 7 – *Executive Compensatio*n), the portion allocated to incentive stock options was recognized at a higher expense for accounting purposes, as required under U.S. GAAP. The stock-based compensation charges for the options component were determined using the Black-Scholes valuation model, resulting in a higher accrued amount.

Note 9 – Employee Benefit Plans

The Company maintains defined contribution benefit plans under Section 401(k) of the Internal Revenue Code covering substantially all qualified employees of the Company (the "401(k) Plan"). Under the 401(k) Plan, the Company may make discretionary contributions of up to 100% of employee contributions. For the years ended December 31, 2024 and 2023, the Company made contributions to the 401(k) Plan of $109,000 and $95,000, respectively.

Note 10 – Liquidity

The Company follows "*Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*". The Company's consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements, the Company has historically incurred a net loss and has an accumulated deficit of approximately $139,948,000 as of December 31, 2024, and net cash used in operating activities of approximately $3,530,000 for the reporting period then ended. The Company is implementing its business plan and generating revenue; however, the Company's cash position and liquid crypto assets are sufficient to support its daily operations over the next twelve months.

Note 11 - Income Taxes

The Company had no income tax expense due to operating losses incurred for the years ended December 31, 2024 and 2023.

The tax effects of temporary differences and tax loss and credit carry forwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2024 and 2023 are comprised of the following:

	As of December 31,	
	2024	**2023**
Deferred tax assets:		
Federal net-operating loss carryforward	$ 4,319,838	$ 3,488,995
State net-operating loss carryforward	845,420	592,038
Other (non-qualified stock options)	-	15,997
R&D Capitalization Sec 174	166,015	-
Total deferred tax assets	5,331,273	4,097,030
Deferred tax liabilities:		
Unrealized gains on crypto assets	2,337,619	715,899
Total deferred tax liabilities	2,337,619	715,899
Valuation allowance	(2,993,654)	(3,381,131)
Deferred tax assets, net	$ -	$ -

At December 31, 2024, the Company had net operating loss ("NOL") carry forwards for federal and state tax purposes of approximately $33,665,000 which begins to expire in 2034. The 20-year carryforward period has been replaced with an indefinite carryforward period for these NOLs generated in tax years beginning after December 31, 2017 and future years.

Accordingly, the amount of Federal NOLs that were generated in the tax year December 31, 2014 in the amount of $1,290,156 will expire after December 31, 2034. The amount of NOLs that were generated in the tax year December 31, 2015 in the amount of $1,545,343 will expire after December 31, 2035. The amount of NOLs that were generated in the tax year December 31, 2016 in the amount of $794,762 will expire after December 31, 2036. The amount of NOLs that were generated in the tax year December 31, 2017 in the amount of $1,084,564 will expire after December 31, 2037. The NOLs generated in the tax years December 31, 2018 in the amounts of $11,899,437 and onwards will have an indefinite life per current U.S. federal income tax legislation.

Prior to the February 5, 2014 merger, the Company had generated net operating losses, which the Company's preliminary analysis indicates would be subject to significant limitations pursuant to Internal Revenue Code Section 382. The Company has not completed its IRC Section 382 Valuation, as required and the NOL's because of potential change of ownerships might be completely worthless.

Therefore, Management of the Company has recorded a full valuation reserve, since it is more likely than not that no benefit will be realized for the deferred tax assets.

As of December 31, 2024, the Company had a deferred tax liability related to the unrealized gains on its crypto assets amounting to approximately $2,338,000. The final tax impact could significantly differ from current estimates due to future market fluctuations and changes in tax laws.

Therefore, Management of the Company has recorded a full valuation reserve, since it is more likely than not that no benefit will be realized for the deferred tax assets.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which those temporary differences become deductible. Management evaluates the scheduled reversal of deferred tax liabilities, projected future taxable income, and available tax planning strategies in making this assessment.

As a result of the deferred tax liability arising from unrealized crypto gains, the valuation allowance was partially reduced by approximately $387,000 as of December 31, 2024. However, due to the Company's continued history of operating losses and lack of clear evidence of sustained profitability, a full release of the valuation allowance remains unjustified at this time.

The expected tax expense (benefit) based on the U.S. federal statutory rate is reconciled with actual tax expense (benefit) as follows:

	For the years ended December 31,	
	2024	**2023**
Statutory Federal Income Tax Rate	(21.00)%	(21.00)%
State Taxes, Net of Federal Tax Benefit	(6.46)%	(6.48)%
Federal tax rate change	0.00%	0.00%
Other	27.46%	27.48%
Change in Valuation Allowance	(0.00)%	(0.00)%
Income Taxes Provision (Benefit)	-%	-%

The Company has not identified any uncertain tax positions requiring a reserve as of December 31, 2024 and 2023.

Note 12 – Segment Information

The Company operates as a single reportable segment focused on blockchain infrastructure, which consists of two primary revenue-generating activities: Validator Node Operations (“NodeOps”) and Ethereum Block Building (“Builder+”). NodeOps includes revenue generated from staking rewards earned by BTCS’s own proof-of-stake crypto assets, as well as validator fees collected from third-party delegations. Builder+ generates revenue from gas fees embedded in successfully finalized Ethereum blocks constructed by the Builder.

Gross profit (loss) is the primary segment performance measure reviewed by the CODM for operational and capital allocation decisions.

The following tables present segment revenue and gross profit (loss), including the significant expense items reviewed by the CODM, for the years ended December 31, 2024 and 2023:

	For the Year Ended December 31, 2024		
	NodeOps	Builder+	Total
Revenues from blockchain infrastructure operations	$ 1,620,305	$ 2,453,213	$ 4,073,518
Less: Cost of Revenues			
Validator Payments	-	2,765,735	2,765,735
Cloud and server hosting costs	142,187	125,149	267,336
Compensation costs	30,372	48,770	79,142
Third-party contractor support costs	14,110	1,186	15,296
Gross profit (loss)	**$ 1,433,636**	**$ (487,627)**	**$ 946,009**

	For the Year Ended December 31, 2023		
	NodeOps	Builder+	Total
Revenues from blockchain infrastructure operations	$ 1,339,628	$ -	$ 1,339,628
Less: Cost of Revenues			
Validator Payments	-	-	-
Cloud and server hosting costs	324,644	-	324,644
Compensation costs	24,857	-	24,857
Third-party contractor support costs	10,277	-	10,277
Gross profit (loss)	**$ 979,850**	**$ -**	**$ 979,850**

The following table reconciles total segment gross profit to consolidated net income (loss):

	For the Year Ended December 31,	
	2024	2023
Gross profit	946,009	979,850
Total operating expenses	(9,874,805)	(5,296,770)
Other income (expense)	7,657,622	12,135,648
Net income (loss)	**$ (1,271,174)**	**$ 7,818,728**

Note 13 - Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the consolidated financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements other than disclosed.

ATM Sales

During the period from January 1, 2025 to March 17, 2025, the Company sold a total of 33,352 shares of Common Stock under the ATM Agreement for aggregate total gross proceeds of approximately $69,000 at an average selling price of $2.08 per share, resulting in net proceeds of approximately $67,000 after deducting commissions and other transaction costs.

Payment of 2024 Performance Bonuses

On January 1, 2025, the Company issued 329,110 shares of common stock to officers and employees as part of the payment of accrued bonus compensation for the year ended December 31, 2024. The total fair value of the shares issued was approximately $813,000 based on the Company’s closing stock price on the issuance date. Of the shares issued, 33,731 shares were returned to net settle the issuance and pay related taxes, resulting in a net share issuance of 295,379 shares of common stock.

In addition to the stock issuance, the Company paid approximately $221,000 in cash bonuses to officers and employees, consistent with the terms of the 2024 Annual Incentive Plan.

As part of the payment of accrued bonus compensation for the year ended December 31, 2024, the Company also issued 1,312,068 options to employees and officers. The options were granted under the Company’s 2021 Equity Incentive Plan with an expiration term of 7 years.

The fair value of the options was estimated at approximately $2,872,000 using the Black-Scholes valuation model with the following assumptions:

Assumption	Value
Exercise Price	$ 2.47
Expected Stock Price Volatility	113.88%
Risk-Free Interest Rate	4.16%
Expiration Term (Years)	7.00
Dividend Yield	0.00%

The total compensation expense associated with the 2024 performance bonuses was accrued as of December 31, 2024, in accordance with ASC 718 – Share-Based Compensation and ASC 710 – Compensation. The settlement of the bonuses in 2025 via a combination of cash, shares, and options aligns with the terms of the 2024 Annual Incentive Plan. There is no additional financial impact in 2025 related to the settlement, as the full expense was recognized in 2024.

LTI RSU Issuance

On January 1, 2025, the Board approved the grant of 150,000 RSUs under the Company's Long-Term Incentive Plan ("LTI") to a non-officer employee. These RSUs are subject to both market capitalization and time-based vesting conditions.

The RSUs vest in three equal tranches of 50,000 RSUs each, based on the Company achieving and sustaining specific market capitalization thresholds for 30 consecutive days on or before December 31, 2026, as follows:

Market Cap Vesting Thresholds		
$ 100 million	**$ 150 million**	**$ 300 million**
50,000	50,000	50,000

Any RSUs for which the market capitalization condition is not met by December 31, 2026, will expire.

For any tranche in which the market capitalization condition is achieved, the RSUs remain subject to a time-based vesting schedule, with 20% of eligible RSUs vesting annually over five years, beginning on each December 31, 2025 through 2029, provided the grantee remains in continuous service through each vesting date.

The fair value of these market-based RSUs was determined using a Monte Carlo simulation. The following assumptions were used to determine fair value as of the grant date, January 1, 2025:

	January 1, 2025
Vesting Hurdle Price	$ 5.26 - $15.79
Term (years)	2.00
Expected stock price volatility	92.70%
Risk-free rate of interest	4.25%

The Company will recognize compensation expense for these RSUs over the requisite service period, subject to acceleration upon meeting the market capitalization criteria.

Accelerated Vesting of RSUs and Conversion to Restricted Common Stock

On January 13, 2025, the vesting of 1,170,834 RSUs was accelerated and converted into restricted shares of Common Stock issued to executive officers and employees. As a portion of these RSUs was eligible for the Series V share dividend, an additional 1,020,834 restricted shares of Series V preferred stock were issued.

The newly issued restricted shares of Common Stock and Series V preferred stock retain their original market capitalization-based vesting conditions, as well as their time-based vesting schedules, which range from one to five years.

Exhibit 21.1

SUBSIDIARIES OF BTCS INC.

Name of Subsidiary	Jurisdiction of Organization
BTCS Labs Inc.	NV

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of BTCS, Inc. on Form S-3 (File Nos. 333-277065) and Form S-1 (File No. 333-252511) of our report dated March 20, 2025, with respect to our audits of the financial statements of BTCS, Inc., as of December 31, 2024 and 2023 and for each of the years in the two-year period ended December 31, 2024, which report is included in this Annual Report on Form 10-K of BTCS, Inc., for the year ended December 31, 2024.

/s/ RBSM LLP
RBSM LLP
Las Vegas, Nevada
March 20, 2025

Exhibit 31.1

CERTIFICATION

I, Charles Allen, certify that:

1. I have reviewed this annual report on Form 10-K of BTCS Inc. (the “Company”);

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 consolidated 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 Company as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of Company’s Board of Directors:

   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 Company’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 Company’s internal control over financial reporting.

Date: March 20, 2025

/s/ Charles Allen
Charles W. Allen
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Prevoznik, certify that:

1. I have reviewed this annual report on Form 10-K of BTCS Inc. (the "Company");

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 consolidated 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 Company as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's Board of Directors:

   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 Company'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 Company's internal control over financial reporting.

Date: March 20, 2025

/s/ Michael Prevoznik
Michael Prevoznik
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

In connection with the Annual Report of BTCS Inc. (the “Company”) on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles Allen, Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2025

/s/ Charles Allen
Charles W. Allen
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to BTCS Inc. and will be retained by BTCS Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the Annual Report of BTCS Inc. (the “Company”) on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Prevoznik, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2025

/s/ Michael Prevoznik
Michael Prevoznik
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to BTCS Inc. and will be retained by BTCS Inc. and furnished to the Securities and Exchange Commission or its staff upon request.