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

FORM 10-K

(Mark One)

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

For the fiscal year ended May 31, 2026

OR

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

For the transition period from ______ to ______

Commission file number 001-31968

APPLIED DIGITAL CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**95-4863690**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3811 Turtle Creek Boulevard, Suite 2100, Dallas, Texas	**75219**
(Address of Principal Executive Offices)	(Zip Code)

(214) 427-1704

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	APLD	Nasdaq Global Select Market

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 Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

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 ☒

As of November 30, 2025, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $6.9 billion, based on the closing price of the registrant’s common stock on November 30, 2025, as reported on the Nasdaq Global Select Market. Shares of the registrant’s common stock held by each executive officer, director, and each other person who may be deemed to be an affiliate of the registrant, have been excluded from this computation. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had outstanding 291,469,112 shares of common stock as of July 28, 2026.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement for the 2026 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant’s fiscal year ended May 31, 2026, are incorporated by reference in Part III of this Form 10-K.

Table of Contents

Part I

FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. You can identify these forward-looking statements through our use of words such as "will," “may,” “can,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “seek,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “intend,” “target,” “potential” and other similar words and expressions of the future. Statements that contain these words and other statements that are forward-looking in nature should be read carefully because they discuss future expectations, contain projections of future results of operations or of financial positions, or state other “forward-looking” information.

These statements are based on our management’s beliefs and assumptions, which are based on currently available information. Our actual results, and the assumptions on which we relied, could prove materially different from our expectations. You are cautioned not to place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. There are a number of important factors that could cause our actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our ability to complete construction of our data center campuses;
- our dependence on principal customers, including our ability to execute leases with key customers;
- availability of financing to continue to grow our business;
- labor and other workforce shortages and challenges;
- power or other supply disruptions and equipment failures;
- the addition or loss of significant customers or material changes to our relationships with these customers;
- delays or denials of entitlements or permits, including zoning, siting, utility and other permits, or other delays resulting from requirements of public agencies and utility companies;
- our sensitivity to general economic conditions including changes in disposable income levels and consumer spending trends;
- our ability to timely and successfully build new data center facilities with the appropriate contractual margins and efficiencies; and
- uncertainties of regulation policy.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in such forward-looking statements. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. You should carefully review the "Risk Factors" described in Item 1A of this Annual Report on Form 10-K, as the occurrence of any of these events could have an adverse effect, which may be material, on our business, results of operations, financial condition, or cash flows.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report. We operate in an evolving environment. New risk factors and uncertainties emerge from time to time, and it is not possible for our management to predict all risk factors and uncertainties, nor are we able to assess the impact of all of these risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and believe they have a reasonable basis.

Item 1. Business

Overview

Our Business

We are a U.S.-based designer, developer, owner, and operator of large-scale, purpose-built data centers engineered to support high-performance computing ("HPC") workloads, including artificial intelligence ("AI"), machine learning, and other accelerated-compute applications. We design, build, and operate high-performance, sustainably engineered data centers—which we refer to as AI factories—and deliver that capacity to investment-grade hyperscalers and other leading compute customers under long-term lease and hosting arrangements. Our standardized, repeatable design model spans site selection, design, construction, and operations, and has been qualified by major hyperscalers, enabling rapid, flexible deployment in both air-cooled and liquid-cooled configurations.

Over the past several fiscal years, we have evolved from a company focused on blockchain hosting into a purpose-built HPC data center platform organized around our proprietary AI factory model. Today, our growth, capital allocation, and operating focus are centered on developing and operating HPC data centers, while our legacy blockchain hosting operations represent a smaller, single-customer component of our business that we expect to continue to decline in relative significance over time.

We conduct our business through two reportable segments: our HPC data center hosting business (the "HPC Hosting Business") and our blockchain data center hosting business (the "Data Center Hosting Business"). As discussed further under Note 1 - Business and Basis of Presentation and Note 19 - Business Segments, our cloud services business is no longer an operating or reportable segment following the May 2026 transaction.

Our Competitive Strengths

We believe the following strengths position us to capture growing demand for HPC and AI infrastructure:

Control of power-advantaged sites

We originate and control large, contiguous sites with access to substantial, cost-competitive power and the interconnection rights necessary to energize high-density compute at scale. We believe that securing power and interconnection ahead of demand is the principal constraint on new HPC capacity and a core differentiator for us from many of our competitors.

Purpose-built, high-density design

Our campuses are engineered for liquid-cooled, high-density graphics processing unit (GPU) deployments, with redundant electrical and mechanical systems designed to meet the uptime and performance requirements of mission-critical AI workloads.

Long-term contracted revenue with high-quality counterparties

Our HPC capacity is contracted under long-term leases, including with investment-grade hyperscalers, providing long-dated revenue visibility.

Standardized, repeatable AI factory platform

We develop our campuses using a standardized, franchise-style design that is engineered to deliver state-of-the-art data centers of approximately 150 MW in approximately 14 to 18 months, with low water usage. A scalable operating model which standardizes operations and leverages the same core roles across campuses and our master service and master telecom service agreements with leading hyperscalers—agreements that are difficult to obtain—position us to move quickly as hyperscaler AI infrastructure investment accelerates.

HPC Hosting Business

Our HPC Hosting Business designs, constructs, owns, and operates next-generation data centers purpose-built to host high-density GPU and other accelerated-compute infrastructure for AI, machine learning, and other HPC applications.

Polaris Forge 1

Our flagship HPC campus, located in Ellendale, North Dakota, is being developed in phases. Our first HPC data center at the campus, with approximately 100 MW of critical IT load, became operational in October 2025. A second data center, expected to provide an additional 150 MW, is partially operational, and a third data center, also expected to provide approximately 150 MW, is under construction with an anticipated ready-for-service date in calendar year 2027.

On May 28, 2025, our subsidiaries APLD ELN-02 LLC and APLD ELN-03 LLC each entered into a data center lease (the "ELN-02 Lease" and the "ELN-03 Lease") with CoreWeave, Inc. ("CoreWeave") to deliver an aggregate of 250 MW of capacity to host CoreWeave's HPC operations at Polaris Forge 1. On August 28, 2025, our subsidiary APLD ELN-02 C LLC entered into a third lease (the "Building 4 Lease") with CoreWeave for an additional 150 MW, bringing the total contracted capacity at Polaris Forge 1 under our CoreWeave leases to 400 MW. We have guaranteed the obligations of the applicable subsidiaries under each of these leases. On March 30, 2026, as a result of an internal restructuring at CoreWeave, the ELN-02 Lease was amended and the ELN-03 Lease was assigned, in each case, to a wholly owned subsidiary of CoreWeave, CoreWeave Compute Acquisition Co. VIII, LLC, as further described in "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Overview."*

Polaris Forge 2

On August 18, 2025, we broke ground on our Polaris Forge 2 data center campus near Harwood, North Dakota, with an initial 200 MW data center. We currently anticipate reaching initial capacity in the second half of calendar year 2026 and full capacity in early calendar year 2027. On October 22, 2025, we entered into an approximately 15-year lease with a U.S.-based investment-grade hyperscaler for 200 MW of critical IT load at the campus.

Delta Forge 1

On January 22, 2026, we broke ground on Delta Forge 1, a 300 MW critical IT load campus located in a strategic southern U.S. market. On April 23, 2026, we entered into two approximately 15-year leases with a second U.S.-based investment-grade hyperscaler for an aggregate 300 MW of critical IT load at the campus.

Polaris Forge 3

Polaris Forge 3 is a 300 MW critical IT load data center campus located in our northern United States region, currently under construction across two buildings. The aggregate 300 MW of critical IT load is contracted under two approximately 15-year leases (with three five-year renewal options) with a high investment-grade hyperscaler, representing approximately $7.5 billion of contracted revenue over the base term, with expected delivery beginning in the second half of calendar year 2027 through the second half of calendar year 2028.

Delta Forge 2

Delta Forge 2 is a 210 MW critical IT load campus located in our southern region, comprising a single building under construction. The full 210 MW of critical IT load is contracted under an approximately 15-year lease (with three five-year renewal options) with a high investment-grade hyperscaler, representing approximately $5.2 billion of contracted revenue over the base term, with expected delivery in the first half of calendar year 2028.

Contracted Lease Portfolio

As of May 31, 2026, we had executed long-term leases representing approximately 1,410 MW of contracted critical IT load across five campuses, representing approximately $36.2 billion of total contracted revenue over the initial 15-year base lease terms. Each lease is a direct, long-term agreement with CoreWeave or an investment-grade hyperscaler, is structured on a take-or-pay basis, and is non-cancellable, such that a termination for convenience would require payment of the full remaining contractual value. The following table summarizes our contracted HPC lease portfolio as of May 31, 2026:

Campus	Anchor Tenant	Contracted Critical IT Load	Lease Term	Total Contracted Revenue (1)	Expected Delivery (2)
Polaris Forge 1	CoreWeave	400 MW	15 years	~$11.0B	2H25–1H27
Polaris Forge 2	Investment-grade hyperscaler	200 MW	15 years	~$5.0B	2H26–1H27
Polaris Forge 3	High investment-grade hyperscaler	300 MW	15 years	~$7.5B	2H27–2H28
Delta Forge 1	High investment-grade hyperscaler	300 MW	15 years	~$7.5B	1H27–1H28
Delta Forge 2	High investment-grade hyperscaler	210 MW	15 years	~$5.2B	1H28
Total / Portfolio		**1,410 MW**		**~$36.2B**	**2H25–2H28**

(1) Total contracted revenue reflects the initial 15-year base term of each lease and excludes renewal options. Each lease includes multiple five-year renewal options (three five-year options, except Polaris Forge 2, which includes two five-year options), which are not reflected in the amounts shown.

(2) Expected delivery reflects management's current estimates of the periods during which contracted capacity is expected to be placed in service and is subject to construction, permitting, interconnection, and other risks. Expected delivery is presented as calendar year periods.

Site and Power Pipeline

In addition to our contracted lease portfolio, we are developing and originating additional capacity that we expect to support future HPC leasing. We categorize this pipeline as follows:

Secured and under construction

As of May 31, 2026, we had approximately 1.5 GW of critical IT load that is contracted and operating or under construction across our five named campuses—Polaris Forge 1, Polaris Forge 2, and Polaris Forge 3 in our northern region and Delta Forge 1 and Delta Forge 2 in our southern region—of which approximately 100 MW was operating and revenue-generating. Each megawatt in this category is backed by land under our control and/or an executed utility power agreement.

Active pipeline

We are advancing an active development pipeline of over 3 GW of utility (gross) power, consisting of near-term greenfield sites in multiple states together with expansion capacity at our existing campuses, certain of which are scalable to 1 GW or more.

Extended pipeline

We are additionally evaluating an extended pipeline of more than 5 GW of utility (gross) power that is in earlier stages of discussion or due diligence.

In addition, through our partnership with Base Electron Corporation ("Base Electron"), an independent power producer, we are pursuing the development of approximately 1.2 GW of front-of-the-meter, natural gas-fired generation in the Dakotas, which we expect to unlock additional power capacity for our development pipeline.

Data Center Hosting Business

Our Data Center Hosting Business provides energized infrastructure allowing the customer to deploy equipment based on its power requirements. This is a legacy line of business: we currently serve a single crypto mining customer under a contract with a remaining term of approximately one and a half years, and we expect this segment to represent a declining share of our business as we scale our HPC operations. We operate hosting sites in Jamestown, North Dakota (a 106 MW facility) and Ellendale, North Dakota (a 180 MW facility), representing total hosting capacity of approximately 286 MW.

ChronoScale

On May 5, 2026, we completed the separation of our cloud business in a series of transactions that resulted in the Company owning approximately 97% of the issued and outstanding equity of ChronoScale Corporation. On July 1, 2026

ChronoScale Corporation completed a holding company transaction, as a result of which the holding company became the public parent, ChronoScale Holdings Corporation (“ChronoScale”). ChronoScale owns and operates our historic cloud business and is consolidated into our financial statements. The common stock of ChronoScale began trading on the Nasdaq Capital Market under the symbol “CHRN” on May 5, 2026.

ChronoScale's cloud business currently operates in three states: Colorado, Minnesota and Utah. This business provides cloud services to customers, such as AI and machine learning developers by renting space at third party co-location centers and providing the customers with access to its cloud computing equipment.

ChronoScale's legacy Ekso Bionics, Inc. (“Legacy Ekso”) business designs, develops, and markets exoskeleton and complementary products that augment human strength, endurance, and mobility. On June 4, 2026, ChronoScale announced that its Board of Directors committed to a plan to divest the Legacy Ekso business and to focus its operations solely on its cloud business. As such, the Legacy Ekso business was designated as “held for sale.”

Competition

We operate in a competitive market for the development and operation of data centers serving HPC and AI workloads. Competition centers on securing and developing sites with access to large-scale, reliable, and cost-competitive power and interconnection; designing and delivering facilities capable of supporting high-density compute; attracting and retaining customers; and accessing capital on attractive terms.

We compete with established data center owners and operators, including Digital Realty Trust, Inc. and Equinix, Inc., as well as hyperscalers that develop their own capacity, independent and private data center developers, and other power-advantaged developers, including companies that have expanded from blockchain hosting into HPC infrastructure, such as IREN Limited, Cipher Digital Inc., TeraWulf Inc., Hut 8 Corp., Riot Platforms, Inc., CleanSpark, Inc., HIVE Digital Technologies Ltd., Core Scientific, Inc., Bitdeer Technologies Group, Galaxy Digital Inc., Fermi Inc., Keel Infrastructure Corp, and MARA Holdings, Inc. Within our legacy Data Center Hosting Business, we compete with other blockchain hosting providers.

Industry Trends

The build-out of AI infrastructure is accelerating rapidly. Hyperscaler capital expenditures on AI infrastructure are estimated to exceed $700 billion annually by 2026, and U.S. data center construction spending has tripled since 2022 and is on track to surpass general office construction. Industry sources project that global demand for data center capacity could triple by 2030, while the U.S. Department of Energy projects that the grid will require approximately 100 GW of new capacity by 2030—roughly half of it driven by data centers—and the Boston Consulting Group estimates a U.S. data center power shortfall that could exceed 45 GW by 2030. At the same time, rising rack power densities driven by successive generations of AI accelerators are pushing critical IT loads beyond the levels most legacy facilities can support, increasing demand for the purpose-built, high-density, liquid-cooled capacity we develop.

We believe the data center industry is poised for significant growth, driven by the rapid adoption of digital technologies across all sectors. As businesses prioritize digital transformation, the demand for data center infrastructure is expected to increase substantially. Companies require robust, reliable and scalable solutions to process, analyze and store vast amounts of data in real-time, and data centers play a crucial role in meeting these needs.

Sustainability and energy efficiency are increasingly important considerations in the data center industry. Companies are investing in renewable energy sources, such as solar and wind power, and implementing advanced cooling and power management technologies to reduce their environmental impact and operating costs.

The AI market has experienced significant growth in recent years, driven by the rapid advancement of machine learning, generative AI, and other accelerated-compute applications across a broad range of industries. Training and serving advanced AI models requires substantially greater power density than traditional computing, which is changing the power and cooling requirements of modern data centers and driving demand for purpose-built, high-density, liquid-cooled facilities.

We believe substantial growth in the data center industry will be driven by AI which requires high power density, changing the power and cooling requirements of the data center design. The explosive growth of generative AI combined with the demand for a different type of data center infrastructure has led us to pursue a core specialization in AI focused data centers.

We believe that providers offering comprehensive power, space and connectivity solutions globally while prioritizing sustainability and energy efficiency will be best positioned to capitalize on the increasing demand for data center services.

Materials and Suppliers

The development and operation of our data centers require significant electrical infrastructure, specialized power and cooling equipment, and construction materials, certain of which may be subject to long lead times, price volatility, or the effects of tariffs and trade measures. We proactively procure these materials and equipment in sufficient quantities, and sufficiently in advance, to support hardware deployment at scale and on accelerated construction timelines, and we have established long-term contracts with key suppliers that give us greater certainty regarding the availability and pricing of essential components. We continuously monitor market conditions and maintain open communication with our suppliers to anticipate and address potential supply chain challenges.

Our standardized AI factory design further strengthens our supply chain position. Because power distribution, cooling architecture, and data hall layouts are standardized across our campuses, we are able to consolidate purchasing around a common set of trusted, qualified partners—including ABB for electrical equipment, BASX for mechanical and cooling systems, and Caterpillar for backup generation—and to place bulk orders against a multi-gigawatt development pipeline. Combined with prefabricated skids, modular construction, and early procurement of long-lead equipment, this approach supports repeatable build cycles of approximately 12 to 18 months per 100 to 150 MW facility and reduces delivery and schedule risk as we scale.

By proactively managing our supplier relationships, securing necessary materials in advance and closely monitoring market conditions, we aim to minimize the impact of supply chain fluctuations on our operations. This approach enables us to maintain a steady pace of hardware deployments and facility development, ultimately supporting our goal of expanding our HPC capabilities and maximizing shareholder value. However, we rely on a limited number of vendors for certain products and services for our data center facilities, and some of our contracts provide a single source of materials. If any of our key suppliers cannot perform under their contracts or satisfy our orders, it could significantly delay our data center development and operations. While we may be able to engage replacement suppliers, this would likely lead to operational delays and increased costs.

Global Logistics

Global supply logistics have caused delays across all distribution channels, impacting the markets we serve. Delivery schedules for specialized equipment, such as power and cooling systems for HPC data centers, including AI focused data centers, have been affected due to constraints on globalized supply chains and have been, and may be further, impacted by tariffs. These constraints extend to procuring construction materials and specialized electricity distribution equipment required to develop HPC and AI facilities. Efforts to mitigate delivery delays are ongoing to avoid materially impacting deployment schedules; however, there are no assurances that such mitigation efforts will continue to be successful. To help address global supply logistics and pricing concerns, we have implemented proactive measures such as procuring and holding required materials. We continuously monitor developments in the global supply chain which is necessary to assess their potential impact on the Company’s expansion plans within the HPC data center market.

Regulatory

The regulatory landscape surrounding HPC and data center hosting services is evolving rapidly, and we anticipate increased scrutiny and potential regulation in the near and long term. Any such developments may significantly impact our business and operations in ways that are difficult to predict.

There are growing concerns about the ethical implications and potential misuse of these technologies, particularly in association with AI and machine learning. Governments and regulatory bodies alike are considering measures to ensure the responsible development and deployment of AI systems, including transparency, accountability, and fairness guidelines.

The amount of energy used for our services has also received significant attention. The U.S. Energy Information Administration has recently launched surveys relating to electricity consumption from both data centers and cryptocurrency mining in the U.S. Certain U.S. states have also conducted similar studies. This indicates that more focus is being placed on the energy usage of these activities. It is unclear how the information collected will be used for future regulations, but it is expected that energy efficiency and sustainability will be critical factors regulating our industries. While there is currently insufficient support for any particular proposal, we expect that regulatory efforts in this area will continue to evolve and potentially impact our business.

As a company operating at the intersection of data center and HPC hosting services, we are committed to maintaining a proactive and adaptive approach to regulatory compliance. We closely monitor legislative and regulatory developments and engage in dialogue with relevant stakeholders to ensure our business practices align with the evolving legal and regulatory framework. Despite the uncertainties posed by the changing regulatory landscape, we remain committed to delivering innovative and responsible solutions in the data center and HPC hosting markets while prioritizing compliance and risk management. However, if we fail to comply with applicable laws and regulations, we may be subject to significant liabilities, including fines and penalties, and our business, financial condition, or results of operations could be adversely affected.

Employees and Human Capital Resources

During fiscal year 2026, we invested significantly in our workforce to retain and attract top-tier employees. We expanded our employee base and promoted individuals internally to critical positions. As of May 31, 2026, we employed approximately 256 full-time employees across various departments, including design, engineering, IT, operations, construction, administration, finance, and marketing. We also engage consultants and contractors as needed to supplement our permanent workforce.

Our human capital strategy aligns employee interests with our long-term success drivers. During fiscal year 2026, we granted eligible employees service-based restricted stock unit awards that vest over three years and performance-based restricted stock unit awards that vest upon achieving specific performance milestones. This program is a key employee incentive, aligning their long-term interests with the Company's objectives.

In addition to the long-term incentive program and competitive cash compensation, we provide employees comprehensive health benefits, paid parental leave, paid time off, and additional benefits. We aim to attract a diverse pool of top candidates and foster their career growth by hiring the best talent, regardless of educational background. We seek candidates from local communities and large cities, with diverse backgrounds. We are committed to providing each employee with a long-term, growth-oriented career. We believe our ability to retain our workforce depends on fostering a sustainably safe, respectful, fair and inclusive environment that promotes diversity, equity and inclusion within and outside the business.

Diversity, Equity, and Inclusion

We support diversity and inclusion within our workplace framework, fostering an environment conducive to employee growth. Our policies are strategically structured to advance equity and regard for all individuals. We actively endorse and welcome diverse backgrounds, experiential perspectives, and varying opinions. Our operational alignment with our Code of Ethics and Business Conduct, as well as our Non-Discrimination and Anti-Harassment Policy, underscores our commitment to establishing a secure milieu where the fundamental rights of each employee are safeguarded, devoid of discriminatory practices or harassment. Our strategic objective is to establish a workplace ecosystem where equal avenues for success are accessible to all employees.

Compensation and Benefits

Our compensation programs are structured to incentivize the recruitment, retention, and motivation of personnel to pursue our long-term objectives. We conduct rigorous evaluations, benchmarking salary and wages against quantitative metrics, and adjust monetary compensations to ensure competitive alignment with employee roles, skill levels, tenure, and geographic considerations. Our commitment to pay equity is reinforced by a robust process that facilitates merit-based increases in incentives and compensation tied to performance.

Furthermore, our benefits portfolio encompasses various offerings, including medical, dental, and vision insurance coverage for employees and their dependents, various paid and unpaid leave options, and life and disability/accident insurance coverage.

Our Growth Strategies

Continued expansion of businesses

We continue our expansion into HPC hosting for AI workloads. As such, we have plans to expand our HPC hosting capacity through build outs at existing and future locations. The locations have been and will continue to be strategically selected for their power, fiber and land capabilities along with a specialized design for high density compute.

Secure scalable power sites

We have developed a pipeline of potential power sources across our sites in Jamestown and Ellendale, North Dakota. Through our build-out of our first North Dakota facility and the prior experience our leadership team brings to our initiatives, we believe that we have developed a repeatable power strategy to significantly scale our operations. In addition, we are currently focused on and will continue to target states that have favorable laws and regulations for AI workloads and HPC application industries, which we believe further minimizes the risks associated with the scaling of our operations.

Integrate power assets

We are increasingly looking at various types of power assets to support the growth of our hosting operations. Our management team has experience not only in evaluating and acquiring power assets, but also in the conversion of power assets to the construction of data centers.

Site Selection Criteria

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

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

Environmental Impact

We are doing our part to be as environmentally conscious as possible when choosing sites for development by targeting renewable energy assets to minimize our carbon footprint. Further, because data centers like ours represent a unique power load, we believe our demand for renewable energy and entry into agreements with renewable energy providers will increase and accelerate the buildout of renewable energy infrastructures.

Our data center campuses are engineered to support high-density, mission-critical compute while emphasizing efficient power utilization, advanced cooling architectures, and resilient electrical design. These facilities are designed to operate with a range of long-duration power resources, including grid-supplied electricity and, where appropriate, on-site generation. Our liquid cooling system utilizes a closed-loop design that reduces water waste by recycling water rather than consuming it, addressing a common concern among communities about water usage. As a result, our data centers are designed to operate at a near-zero water usage effectiveness (WUE).

Our environmental focus is centered on disciplined development, efficient operations, and long-term infrastructure stewardship rather than reliance on any single energy source or environmental attribute.

Customers

We have material customer concentration in our Data Center Hosting Business. We currently serve one crypto mining customer with a remaining contract term of one and a half years. We also have material customer concentration in our HPC Hosting Business. We currently have three customers in this business segment, each of which is party to approximately fifteen-year leases with us.

Corporate Information

Our executive office is located at 3811 Turtle Creek Blvd., Suite 2100, Dallas, Texas 75219, and our phone number is (214) 427-1704. Our principal website address is www.applieddigital.com.

We make available free of charge through the Investor Relations link on our website access to press releases and investor presentations, as well as all materials that we file electronically with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the SEC. In addition, the SEC maintains an internet website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC.

Item 1A. Risk Factors

An investment in our common stock is speculative and illiquid and involves a high degree of risk including the risk of a loss of your entire investment. You should carefully consider the risks and uncertainties described below and the other information contained in this report and our other reports filed with the SEC. The risks set forth below are not the only ones facing us. Additional risks and uncertainties may exist that could also adversely affect our business, operations and financial condition. If any of the following risks actually materialize, our business, financial condition and/or operations could suffer. In such event, the value of our common stock could decline, and you could lose all or a substantial portion of the money that you paid for our common stock.

Risk Factors Summary

We are providing the following summary of the risk factors contained in this Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained herein in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following:

Risks Related to Our Business and Operations

- We may be unable to access sufficient additional capital needed to grow our business.
- We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness.
- In the past we have identified material weaknesses in our internal control over financial reporting and, though remediated, may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, any of which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.
- We may be unable to complete our data center campuses in a timely manner or within anticipated cost estimates.
- Delays in lease commencement could adversely affect our financial condition and results of operations.
- Our business has and is expected to continue to have significant customer concentration.
- Our consolidated financial statements include the financial results of ChronoScale.
- Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business, operating results, and financial condition.
- We are subject to a highly evolving regulatory landscape and any adverse changes to certain laws or regulations could adversely affect our customers and our business, prospects or operations.
- We could incur significant costs related to environmental matters, including from government regulation, private litigation, and existing conditions at some of our properties.
- Our business depends upon the demand for data centers.
- Any delays or unexpected costs developing our existing space, developable land and newly acquired properties may delay and harm our growth prospects, future operating results and financial condition.
- We have substantially concentrated our operations in the state of North Dakota and, thus, are particularly exposed to the regulatory framework and changes in the regulatory environment, market conditions and natural disasters in that state.
- Failure to attract, grow and retain a diverse and balanced customer base could harm our business and operating results.
- We are continuing to invest in our expansion efforts but may not have sufficient customer demand in the future to realize expected returns on these investments.
- We depend upon third-party suppliers for power, and we are vulnerable to service failures and price increases by such suppliers and to volatility in the supply and price of power in the open market.

- Any failure of our physical or information technology or operational technology infrastructure or services could lead to significant costs and disruptions.
- If we incorrectly estimate our hosting capacity requirements and related capital expenditures, our results of operations could be adversely affected.
- Certain natural disasters or other external events, including climate change or mechanical failures, could harm our business, financial condition, results of operations, cash flows, and prospects.
- We have an evolving business model which is subject to various uncertainties.
- Various actual and potential conflicts of interest may be detrimental to our stockholders.
- We may become subject to regulatory inquiry relating to trading activity and/or short selling strategies in our common stock.
- The loss of any of our management team, our inability to execute an effective succession plan, or our inability to attract and retain qualified personnel, could adversely affect our business.
- We may become involved in litigation arising in the ordinary course of our business that may materially adversely affect us.
- Employee disputes or litigation and related unfavorable publicity may negatively affect our future business, financial condition, and operating results.
- We may not be able to compete with other companies, some of which have greater resources and experience.
- We are establishing data centers in remote areas, which may adversely affect our ability to recruit, retain staff and could increase our compensation costs.

Risks Related to Our Industry

- Uncertainty in the global economy and international relations instability and unpredictability, including changes in governmental policies relating to technology, and any potential downturn in the semiconductor and electronics industries, may negatively impact our business.
- We depend on significant customers in our HPC Hosting Business and Data Center Hosting Business.
- The use and continued pace of developments in AI are inherently uncertain. Failure by us to keep up with evolving data center requirements and regulatory frameworks for AI, could have a material adverse effect on our business and financial condition.
- The development and advancement in the efficiency of AI models presents risks and challenges that may adversely impact our business and operating results.

Risks Related to Our Securities

- Our stock price has been volatile and may continue to be volatile in the future; this volatility may affect your ability to, and the price at which you could, sell our common stock.
- We have issued, and may in the future, issue new shares of our common stock, which has a dilutive effect on our stockholders.
- If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, its trading price and volume could decline.
- The Convertible Notes (as defined below) may adversely affect the market price of our common stock.
- Conversion of the Convertible Notes will dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.
- The prepaid forward transaction may affect the value of our common stock and may result in unexpected market activity in our common stock.
- The capped call transactions may affect the value of the Convertible Notes and our common stock.

Risks Related to Our Business and Operations

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

We expect to need to raise substantial additional capital to expand our operations, pursue our growth strategies and to respond to competitive pressures or unanticipated working capital requirements. Construction of our data center campuses, are capital-intensive projects, and we anticipate that our current and future strategic growth initiatives will likewise continue to be capital-intensive. We expect to raise additional capital to fund these and other future strategic growth initiatives, however, we may be unable to do so in a timely manner, in sufficient quantities, or on terms acceptable to us, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of our common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, pay dividends to our shareholders, or take other actions. We may also be required to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders. If we are unable to raise the additional capital needed to execute our future strategic growth initiatives, we may be less competitive in our industry and the results of our operations and financial condition may suffer.

Our level of debt may negatively impact our liquidity, restrict our operations and ability to respond to business opportunities, and increase our vulnerability to adverse economic and industry conditions.

We utilize debt financings, including high yield bond offerings, in our capital structure and may incur additional debt in the future. Our level of debt could have significant consequences, including limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other general corporate purposes; requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes; imposing financial and other restrictive covenants on our operations, including debt service coverage requirements and limitations on our ability to (i) declare or pay dividends or repurchase shares of our common stock; (ii) purchase assets, make investments, complete acquisitions, consolidate or merge with or into, or sell, transfer or lease all or substantially all of our assets to, another person; (iii) enter into sale/leaseback transactions or certain transactions with affiliates; (iv) incur additional indebtedness; and (v) incur liens, making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures or take advantage of new opportunities to grow our business.

Our ability to meet our debt service obligations, comply with our debt covenants and deleverage depends on our cash flows and financial performance, which are affected by financial, business, economic and other factors. The rate at which we will be able to or choose to deleverage is uncertain. Failure to meet our debt service obligations or comply with our debt covenants could result in an event of default under the applicable indebtedness. We may be unable to cure, or obtain a waiver of, an event of default or otherwise amend our debt agreements to prevent an event of default thereunder on terms acceptable to us or at all. In that event, the debt holders could accelerate the related debt, which may result in the cross-acceleration or cross-default of other debt or other obligations. We also utilize convertible debt in our capital structure. In the event that holders of our convertible debt exercise conversion rights, we may be required to settle the principal amount of any converted notes in cash. If we do not have sufficient funds available to repay indebtedness when due, whether at maturity, by acceleration or upon conversion, we may be required to sell important strategic assets; refinance our existing debt; incur additional debt or issue common stock or other equity securities, which we may not be able to do on terms acceptable to us, in amounts sufficient to meet our needs, or at all. Our inability to service our debt obligations or refinance our debt could harm our business. Further, if we are unable to repay, refinance or restructure our secured indebtedness, the holder of such debt could proceed against the collateral securing the indebtedness. Refinancing our indebtedness may also require us to expense previous debt issuance costs or to incur new debt issuance costs.

We also guarantee a significant amount of obligations of our subsidiaries owed to third parties. We may be required to pay all of the outstanding obligations covered by our guarantees, which would significantly reduce our cash position and may force us to seek additional financing, which may not be available on terms acceptable to us, if at all.

We may from time to time seek to further refinance our substantial indebtedness by issuing additional shares of common stock or other securities that are convertible into common stock or grant the holder the right to purchase common stock, each of which may dilute our existing stockholders, reduce the value of our common stock, or both.

Our existing indebtedness arrangements contain several restrictive covenants and events of default that limit our corporate activities.

Covenants in the Credit Agreement entered into on May 29, 2026 by and among APLD Intermediate HoldCo LLC, a first-tier subsidiary of the Company ("APLD Intermediate HoldCo"), and certain other subsidiaries of the Company as subsidiary guarantors with First National Bank of Omaha, as administrative agent and collateral agent, and the lenders and issuing banks party thereto (the "Revolving Credit Agreement") and the indentures governing our notes contain a number of restrictions that impose operating and financial limitations on us and may inhibit our ability to execute our growth strategy or engage in acts that may be in our long-term best interest, including restrictions on our ability to incur additional indebtedness, grant liens on assets, make distributions, dispose of assets, make loans, pay other indebtedness, engage in mergers, and other matters. In addition, we must maintain compliance with certain financial covenants. Our ability to meet those financial covenants can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants could result in an event of default under our Revolving Credit Agreement or the indentures governing our notes. Any such default may allow the applicable creditors to accelerate the related debt. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient funds to repay that indebtedness.

We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness.

It is likely that we will need to refinance at least a portion of our outstanding debt. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions or obtain project financing, as the case may be, then our cash flow may not be sufficient in all years to repay all such maturing debt and to pay distributions. Further, if prevailing interest rates or other factors at the time of refinancing, such as the reluctance of lenders to make commercial real estate loans, result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase.

In the past we have identified material weaknesses in our internal control over financial reporting and, though remediated, may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, any of which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. 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 reporting purposes in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. We are also required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In the event that we are unable to maintain or achieve compliance with the applicable provisions of the Sarbanes-Oxley Act and related rules, we may incur significant and additional expenses for remedial efforts that may negatively impact our financial performance, and such process may result in a diversion of management's time and attention.

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

We may be unable to complete our data center campuses in a timely manner or within anticipated cost estimates.

Our business depends upon the completion and build-out of our AI-focused data center campuses (including the Polaris Forge and Delta Forge Campuses). Until we complete construction of the facilities required by our customer leases, we will not realize the full amount of projected revenue from those leases. While our present data center projects are proceeding on time and within our cost expectations, we cannot guarantee we will complete these projects on time or within our anticipated cost estimates, if at all.

The build-out of our data center campuses expose us to significant construction risks, including risks related to construction delays; lack of availability of parts and/or labor; increased prices; work stoppages; unanticipated environmental issues and geological problems; delays related to permitting and approvals from public agencies and utility companies; and delays in site readiness, which may lead to our failure to meet commitments, including missing ready for service dates under our existing and future leases which could result in an adverse effect on our business and results of operations. Construction-related projects depend on the skill, experience, and performance of designers, contractors, subcontractors and key suppliers. Should any such party experience financial difficulties or other problems, we could experience significant delays, increased costs and other negative impacts to our expected timelines and returns.

Delays in lease commencement could adversely affect our financial condition and results of operations.

Under certain circumstances, lessees may have the right to terminate applicable leases if there are significant delays in construction. In the event of a termination, we may not be able to re-lease the applicable data center in a timely or profitable manner. As a result, a lease termination could adversely affect our financial condition and results of operations.

Our business has and is expected to continue to have significant customer concentration.

We generate a large portion of our revenue from a small number of customers. If we were to lose one or more of our large customers, our operating results could suffer dramatically.

HPC Hosting Business

During fiscal year 2026, this business segment was comprised of one customer accounting for 59% of our total revenue from continuing operations. No other customers accounted for more than 10% of revenue.

This business segment began generating meaningful revenues once the first HPC building within Polaris Forge 1 became operational in fiscal year 2026. As of the date of this report, we have entered into numerous lease agreements with multiple customers for a combined capacity of approximately 1.4 GW. As a result, we expect significant growth in revenue from this segment in the coming years.

Due to the limited number of hyperscalers, we expect that a limited number of customers will continue to account for a high percentage of our revenue for the foreseeable future. The concentration of our customer base increases risks related to the financial condition of our customers, and the deterioration in financial condition of a single customer or the failure of a single customer to perform its obligations could have a material adverse effect on our results of operations and cash flow. If a subset or all of our customers were to experience harm or loss due to unforeseen circumstances, it could negatively impact their businesses. In the event that any of our customers experience a decline in their equipment usage for any reason, or decide to discontinue the use of our facilities, we may be compelled to lower our lease prices in some instances or risk losing a significant customer. Such developments could adversely affect our profit margins and financial position, leading to a negative impact on our revenue and operating results.

Data Center Hosting Business

During fiscal year 2026, this business segment was comprised of one customer accounting for 25% of our revenue from continuing operations. No other customers accounted for more than 10% of revenue.

As of the date of this report, we have only one customer in this business segment. As a result of the risks our crypto mining customer faces, it is not possible for us to predict the future level of demand for our services that will be generated by this customer or the future demand for the products and services of this customer. Should this customer suffer from harm or loss due to a set of circumstances, their business could be negatively impacted. Further, although this customer is currently under a five year contract with us, with one and a half years remaining, they may choose to unilaterally reduce or discontinue their contract with us at any time (subject to notice and certain other provisions). If our customer experiences declining mining operations for any reason or determines to stop utilizing our facilities altogether, and we are not able to timely replace this customer with one or more comparable revenue-generating customers, our ability to generate any revenue from this business segment could be materially adversely affected, which in turn would have a material adverse effect on our financial condition, results of operations and cash flows.

Our consolidated financial statements include the financial results of ChronoScale.

We recently completed the separation of our cloud business segment into a separate publicly traded company, ChronoScale, of which we currently own approximately 96%. Although ChronoScale is a separate public company, we expect to continue consolidating its financial results in our consolidated financial statements for so long as we are required to do so under applicable accounting rules. As a result, the accuracy and timeliness of ChronoScale's financial reporting, internal control over financial reporting, disclosure controls and procedures, audit process, and related accounting judgments may directly affect our consolidated financial statements and our periodic reports filed with the SEC.

There can be no assurance that ChronoScale will complete its audit or file its annual report on Form 10-K before we are required to finalize and file our own annual report on Form 10-K. If ChronoScale's audited financial statements are not available before we complete our financial reporting process, we may be required to consolidate financial information for ChronoScale that is preliminary, unaudited, based on estimates, or otherwise subject to completion of ChronoScale's audit and year-end reporting procedures. Those preliminary results may differ from ChronoScale's final audited financial statements once available, including as a result of audit adjustments, changes in accounting estimates, identification of errors or control deficiencies, impairment analyses, tax adjustments, revenue recognition judgments, valuation matters, or other period-end accounting determinations.

If ChronoScale's final audited results differ materially from the preliminary results that we consolidate, our consolidated financial statements could contain a material misstatement or omission. In that event, we may be required to revise or restate our financial statements, amend prior SEC filings, delay future filings, conclude that our disclosure controls and procedures or internal control over financial reporting were ineffective, or incur additional audit, accounting, legal, and other expenses. Any such developments could adversely affect investor confidence in our financial reporting, result in regulatory scrutiny or stockholder litigation, and have a material adverse effect on the trading price of our securities, our access to capital, and our business, financial condition, results of operations, and cash flows.

In addition, any adverse developments affecting ChronoScale, including operating losses, liquidity constraints, customer or supplier issues, regulatory matters, litigation, impairments, debt covenant defaults or other liabilities, could have a material adverse effect on our consolidated results of operations, financial condition and cash flows.

Furthermore, our consolidation of ChronoScale depends on applicable accounting rules and our continuing ability to control ChronoScale for financial reporting purposes. If our ownership interest or governance rights were reduced, if minority holders obtained additional rights, or if accounting standards or interpretations changed, we could be required to deconsolidate ChronoScale or otherwise change the manner in which we present its results. Any such change could materially affect the presentation of our financial statements, make period-to-period comparisons more difficult and adversely affect investors' perception of our business, results of operations and financial condition.

Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business, operating results, and financial condition.

Operating and growing our business demands significant electrical infrastructure components and construction materials. While we proactively procure these materials from our suppliers in sufficient quantities to facilitate hardware deployment at scale and on accelerated construction timelines, we cannot yet predict the effect of the recently imposed U.S. tariffs on imports, or the extent to which other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of construction materials and specialized electricity distribution equipment in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business.

The U.S. government has adopted new approaches to trade policy and in some cases, may renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. The U.S. government has also imposed tariffs on certain foreign goods and has raised the possibility of imposing significant, additional tariff increases or expanding the tariffs to capture other countries and types of foreign goods. Any such current and future tariff increases, expanding the tariffs to capture other countries and types of foreign goods or other changes in U.S. trade policy may make it more difficult or costly for us to procure construction materials and specialized electricity distribution equipment required to develop our HPC and AI facilities. As a result, the timely completion of our HPC and AI projects may be delayed and our ability to collect any potential revenue from the HPC Hosting Business segment in the future may be compromised, which could have a material adverse effect on our expansion strategy and our ability to generate significant or any revenue from this business segment.

In addition, in response to tariffs, other countries have implemented retaliatory tariffs on U.S. goods. Political tensions as a result of trade policies could reduce trade volume, investment, technological exchange, and other economic activities between major international economies, resulting in a material adverse effect on global economic conditions and the stability of global financial markets, which could in turn have a material adverse impact on our business and financial condition.

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

Our customers' businesses are subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, cryptoasset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, AI, cryptoassets and related technologies. As a result, they do not contemplate or address unique issues associated with AI or the crypto economy, are subject to significant uncertainty, and vary widely across U.S. federal, state and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another.

Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of AI and the crypto economy requires us to exercise our judgment as to whether certain laws, rules and regulations apply to us or our customers, and it is possible that governmental bodies and regulators may disagree with our or our customers' conclusions. To the extent we or our customers have not complied with such laws, rules and regulations, we could be subject to significant fines and other regulatory consequences, which could adversely affect our business, prospects or operations. As cryptoassets have grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, the Financial Crimes Enforcement Network and the Federal Bureau of Investigation) have begun to examine the operations of cryptoasset networks, cryptoasset users and cryptoasset exchange markets.

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

We could incur significant costs related to environmental matters, including from government regulation, private litigation, and existing conditions at some of our properties.

Under various laws relating to the protection of the environment in the U.S., a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at a property and may be required to investigate and clean up such contamination at or emanating from a property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. In the U.S., the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") established a regulatory and remedial program intended to provide for the investigation and clean-up of facilities where, or from which, a release of any hazardous substance into the environment has occurred or is threatened. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigations and clean-ups can be very substantial. CERCLA also authorizes the imposition of a lien in favor of the U.S. on all real property subject to, or affected by, a remedial action for all costs for which a party is liable. Subject to certain procedural restrictions, CERCLA gives a responsible party the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. Our ability to obtain reimbursement from others for their allocable shares of such costs would be limited by our ability to find other responsible parties and prove the extent of their responsibility, their financial resources, and other procedural requirements. Various U.S. state laws also impose in certain cases strict joint and several liability for investigation, clean-up and other damages associated with hazardous substance releases.

If previous owners of our current and future properties used such properties for industrial and manufacturing purposes, such properties may contain some level of environmental contamination. To date, independent environmental consultants have conducted Phase I or similar environmental site assessments on the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments, however, do not generally include soil samplings, subsurface investigations or an asbestos survey and the assessments may fail to reveal all environmental conditions, liabilities or compliance concerns. In addition, material environmental conditions, liabilities or compliance concerns may arise after these reviews are completed. We could be held jointly and severally liable under CERCLA and various state, local and national laws for the investigation and remediation of environmental contamination on our properties caused by previous owners or operators. Further, fuel storage tanks may be present at properties we may develop in the future, and if releases were to occur, we may be liable for the costs of cleaning any resulting contamination. The presence of contamination or the failure to remediate contamination at any of our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral.

Our properties and their uses have and may in the future require permits and entitlements from various government agencies, including permits and entitlements related to zoning and land use. Certain permits from state or local environmental regulatory agencies, including regulators of air quality, are usually required to install and operate diesel-powered generators, which provide emergency back-up power at most of our facilities. These permits often set emissions limits for certain air pollutants, including oxides of nitrogen. In addition, various federal, state, and local environmental, health and safety requirements, such as fire requirements and treated and storm water discharge requirements, apply to our properties. Our ability to comply with, as well as changes to, applicable regulations, such as air quality regulations, or the permit requirements for equipment at our facilities, could hinder or prevent our construction or operation of our data center facilities.

Governmental authorities have in the past sought to restrict data center development based on environmental considerations. For example, governmental authorities have in the past imposed moratoria on data center development, citing concerns about energy usage and requiring new data centers to meet energy efficiency requirements. Some government agencies have also sought to restrict the use of diesel generators for back-up power. We may face higher costs from any laws requiring enhanced energy efficiency measures, changes to cooling systems, caps on energy usage, land use restrictions, limitations on back-up power sources, or other environmental requirements. Moratoria on data center construction could hinder our ability to construct new data centers.

Also, drought conditions in certain markets have resulted in water usage restrictions and proposals to further restrict water usage. Our data center facilities could face restrictions on water usage, water efficiency mandates, or higher water prices. Climate change could also limit water availability. In addition, sea level rise and more frequent and severe weather events caused or contributed to by climate change pose physical risks to our facilities.

Our business depends upon the demand for data centers.

We are in the business of developing, owning and operating data centers. A reduction in the demand for data center space, power or connectivity would have a greater adverse effect on our business and financial condition than if we owned a portfolio with a less specialized use. Our substantial development activities make us particularly susceptible to general economic slowdowns as well as adverse developments in the data center, internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate spending or reduced demand for data center space. Reduced demand could also result from business relocations, including to metropolitan areas that we do not currently serve. Changes in industry practice or in technology could also reduce demand for the physical data center space we provide. In addition, our customers may choose to develop new data centers or expand their own existing data centers or consolidate into data centers that we do not own or operate, which could reduce demand for our newly developed data centers or result in the loss of one or more key customers. If any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. Mergers or consolidations of technology companies could reduce further the number of our customers and potential customers and make us more dependent on a more limited number of customers. If our customers merge with or are acquired by other entities that are not our customers, they may discontinue or reduce the use of our data centers in the future. Our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

Any delays or unexpected costs developing our existing space, developable land and newly acquired properties may delay and harm our growth prospects, future operating results and financial condition.

We are currently in the process of constructing numerous data center campuses and we may in the future continue to build out additional HPC hosting facilities on a speculative basis at significant cost. Our successful development of our announced campuses and future projects is subject to many risks, including those associated with:

- delays in construction, or changes to the plans or specifications;
- financing availability, including our ability to obtain construction financing and permanent financing, or increases in interest rates or credit spreads;

- delays or denials of entitlements or permits, including zoning, siting, utility and other permits, or other delays resulting from requirements of public agencies and utility companies;
- budget overruns, increased prices for raw materials or building supplies, or lack of availability and/or increased costs for specialized data center components, including long lead time items such as generators;
- construction site accidents and other casualties;
- labor availability, costs, disputes and work stoppages with contractors, subcontractors or others that are constructing the project;
- failure of contractors to perform on a timely basis or at all, or other misconduct on the part of contractors;
- access to sufficient power and related costs of providing such power to our customers;
- environmental issues;
- supply chain constraints;
- fire, flooding, earthquakes and other natural disasters;
- pandemics; and
- geological, construction, excavation and equipment problems.

If we are not able to secure additional financing to continue our construction efforts with respect to our announced campuses, the completion of these projects may be delayed and our ability to collect any potential rental revenue or to otherwise monetize these facilities may be compromised, which could have an adverse effect on our expansion strategy and our ability to generate significant or any revenue from our HPC Hosting Business segment. In addition, development activities, regardless of whether they are ultimately successful, also typically require a substantial portion of our management's time and attention. This may distract our management from focusing on other operational activities of our business. If we are unable to complete development projects successfully, our business may be adversely affected.

We have substantially concentrated our operations in the state of North Dakota and, thus, are particularly exposed to the regulatory framework and changes in the regulatory environment, market conditions and natural disasters in that state.

While we are currently constructing data center campuses in other states, we are currently operational only in the state of North Dakota. The revenue we collected from operating these data centers was responsible for the majority of our revenue in the fiscal years ended May 31, 2026, 2025, and 2024. Consequently, our business operations and financial condition are particularly reliant on the performance of these data centers, which are all located in North Dakota.

As a result of the concentrated nature of our operations in this state, the operation of our business is particularly exposed to the regulatory framework, including but not limited to state utility permitting regulations, and changes in the regulatory environment, market conditions and natural disasters in the state, any of which may cause delays in the construction and operation of our data center facilities or prevent us from executing on our expansion strategy.

We may be unable to lease vacant or development space, renew leases, or re-lease space as leases expire.

We intend to continue to add new space to our development inventory and to continue to develop additional space from this inventory. A portion of the space that we develop has been, and may continue to be, developed on a speculative basis, meaning that we do not have a signed customer agreement for the space when we begin the development process. We also develop space specifically for customers pursuant to agreements signed prior to the beginning of the development process. In those cases, if we fail to meet our development obligations under those agreements, these customers may be able to terminate the agreements and we would be required to find a new customer for this space. In addition, in certain circumstances we may lease data center facilities prior to their completion. If we fail to complete the facilities in a timely manner, the customer may be entitled to terminate its agreement, seek damages or penalties against us or pursue other remedies and we may be required to find a new customer for the space. We cannot assure you that once we have developed space or land we will be able to successfully lease it at all, or at rates we consider favorable or expected at the time we commenced development. Further, once development of a data center facility is complete, we incur certain operating expenses even if there are no customers occupying any space. If we are not able to complete development in a timely manner or successfully lease the space that we develop, if development costs are higher than we currently estimate, or if rental rates are lower than expected when we began the project or are otherwise undesirable, our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected.

Failure to attract, grow and retain a diverse and balanced customer base could harm our business and operating results.

Our ability to attract customers to our data centers depends on a variety of factors, including our product offerings, the presence of carriers, the overall mix of customers, the presence of key customers attracting business through ecosystems, the data center's operating reliability and security and our ability to effectively market our product offerings. Our inability to develop, provide or effectively execute any of these factors may hinder the development, growth and retention of a diverse and balanced customer base and adversely affect our business, financial condition and results of operations.

We are continuing to invest in our expansion efforts but may not have sufficient customer demand in the future to realize expected returns on these investments.

We expect to continue to expand our data center footprint. In connection with our expansion plans, we may be required to commit significant operational and financial resources, but there can be no guarantee we will have sufficient customer demand in those markets to support the data centers once they are built. This risk may be greater in a market where we have not operated previously. Once development of a data center facility is complete, we incur certain operating expenses even if there are no customers occupying any space. Consequently, if any of our properties have significant vacancies for an extended period of time, our results of operations and business and financial condition will be adversely affected, the impact of which could be material. In addition, unanticipated technological changes could affect customer requirements for data centers, and we may not have built such requirements into our new data centers. If any of these developments or contingencies were to occur, it could make it difficult for us to realize expected or reasonable returns on our investments.

Our new services and changes to existing services could fail to attract or retain users or generate revenue and profits, or otherwise adversely affect our business.

Our ability to retain, increase, and engage our customer base and to increase our revenue depends heavily on our ability to continue to evolve our existing services and to create successful new services, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing services or acquire or introduce new and unproven services, including using technologies with which we have little or no prior development or operating experience. These efforts, including the introduction of new services or changes to existing services, may result in new or enhanced governmental or regulatory scrutiny, litigation, ethical concerns, or other complications that could adversely affect our business, reputation, or financial results. If our new services fail to engage users or developers, or if our business plans are unsuccessful, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We are subject to risks associated with our need for significant electrical power.

Our operations require significant amounts of electrical power and we anticipate our demand for electrical power will continue to grow as we begin to operate our data center campuses. The fluctuating price of electricity required for our operations and to power our planned expansion may inhibit our profitability. If we are unable to continue to obtain sufficient electrical power on a cost-effective basis, we may not realize the anticipated benefits of our significant capital investments.

Additionally, our operations could be materially adversely affected by prolonged power outages. Although certain critical functions of our facilities may be powered by backup generators on a temporary basis, it may not be feasible or cost-effective to run on back-up power generators for extended periods of time. Therefore, we may have to reduce or cease our operations in the event of an extended power outage, or as a result of the unavailability or increased cost of electrical power. If this were to occur, our business and results of operations could be materially and adversely affected.

Even if we have additional space available for lease at any one of our data centers, our ability to lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power.

As current and future customers increase their power footprint in our data centers over time, the corresponding reduction in available power could limit our ability to increase occupancy rates or network density within our existing data centers. Furthermore, our aggregate maximum contractual obligation to provide power and cooling to our customers may exceed the physical capacity at such data centers if customers were to quickly increase their demand for power and cooling. If we are not able to increase the available power and/or cooling or move the customer to another location within our data centers with sufficient power and cooling to meet such demand, we could lose the customer as well as be exposed to liability under our customer agreements. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. Any such material loss of customers, liability or additional costs could adversely affect our business, financial condition and results of operations.

We depend upon third-party suppliers for power, and we are vulnerable to service failures and price increases by such suppliers and to volatility in the supply and price of power in the open market.

We rely on third parties to provide power to our data centers, and we cannot ensure that these third parties will deliver such power in adequate quantities or on a consistent basis. We are also reliant on third parties to deliver the additional power capacity required to support the growth of our business. If the amount of power available to us is inadequate to support our customer requirements, we may be unable to satisfy our obligations to our customers or grow our business. In addition, our data centers may be susceptible to power shortages and planned or unplanned power outages caused by these shortages. Power outages may last beyond our backup and alternative power arrangements, which would harm our customers and our business. Any loss of services or equipment damage could adversely affect both our ability to generate revenues and our operating results, harm our reputation and potentially lead to customer disputes or litigation.

In addition, we may be subject to risks and unanticipated costs associated with obtaining power from various utility companies. Utilities that serve our data centers may be dependent on, and sensitive to price increases for, a particular type of fuel, such as natural gas, coal or nuclear. In addition, the price of these fuels and the total cost of delivered electricity could increase as a result of: regulations intended to regulate carbon emissions and other pollutants, ratepayer surcharges related to recovering the cost of extreme weather events and natural disasters, geopolitical conflicts, military conflicts, grid modernization charges, as well as other charges borne by ratepayers. Increases in the cost of power at any of our data centers could put those locations at a competitive disadvantage relative to data centers that are supplied power at a lower price.

We have also entered into power purchase agreements with contract terms ranging from 4 to 5 years. These agreements require us to purchase renewable energy and/or renewable energy credits from producers at fixed prices over the terms of the contracts, subject to certain adjustments. In the event that the market price for energy decreases, we may be required to pay more under the power purchase agreements than we would otherwise if we were to purchase renewable energy credits on the open market, which could adversely affect our results of operations. Additionally, interruptions in the operations of one or more of the suppliers under these agreements, as a result of extreme weather events, natural disasters or otherwise, could negatively impact the quantity of renewable energy credits delivered to us. In particular, disruptions in the oil and gas and electric power markets have caused, and could continue to cause, significant increases in energy prices, which could have a material effect on our business.

Any failure of our physical or information technology or operational technology infrastructure or services could lead to significant costs and disruptions.

Our business depends on providing customers with highly reliable services, including with respect to power supply, physical security, cybersecurity, and maintenance of environmental conditions. We may fail to provide such services because our operations are vulnerable to, among other things, mechanical or telecommunications failure, power outage, human error, physical or electronic security breaches, cyberattacks, war, terrorism, fire, earthquake, pandemics, hurricane, flood and other natural disasters, sabotage and vandalism.

Our customer agreements include terms requiring us to meet certain service level commitments. Any failure to meet these or other commitments or any equipment damage in our data centers due to any reason could subject us to contractual liability, including service level credits against customer rent payments, legal liability and monetary damages, regulatory sanctions, or, in certain cases of repeated failures, the right by the customer to terminate the agreement. Service interruptions, equipment failures or security breaches could also materially impact our brand and reputation globally and lead to customer contract terminations or non-renewals and an inability to attract customers in the future.

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

We rely on several third-party service providers for services that are essential to our business model, the most important of which are our suppliers of power, electrical equipment, building materials, and construction services. In addition, we may depend upon outside advisors who may not be available on reasonable terms as needed, or at all. To supplement the business experience of our officers and directors, we may be required to employ technical experts, appraisers, attorneys, or other consultants or advisors. Our management, with approval of our Board of Directors in certain cases, without any input from stockholders, will make the selection of any such advisors. Furthermore, it is anticipated that such persons may be engaged on an "as needed" basis without a continuing fiduciary or other obligation to us. In the event we consider it necessary to hire outside advisors, we may elect to hire persons who are affiliates, if they are able to provide the required services. If these third parties or other outside advisors experience difficulty providing the services we require, or if they experience disruptions or financial distress or cease operations temporarily or permanently, or if the products they supply are defective or cease to operate for any reason, it could make it difficult for us to execute our operations. If we are unsuccessful in identifying or finding highly qualified third-party service providers or employees, if we fail to negotiate cost-effective relationships with them or if we are ineffective in managing and maintaining these relationships, it could materially and adversely affect our business and our financial condition, operating results, cash flows, and prospects.

If we incorrectly estimate our hosting capacity requirements and related capital expenditures, our results of operations could be adversely affected.

We are continuously evaluating our capacity requirements in order to effectively manage our capital expenditures and operating results. However, we may be unable to accurately project our future capacity needs or sufficiently allocate resources to address such needs. If we underestimate these requirements, we may not be able to provide sufficient service to existing customers or may be required to limit new customer acquisition, both of which may materially and adversely impair our results of operations.

We depend on third parties to provide network connectivity to the customers in our data centers and any delays or disruptions in connectivity may materially adversely affect our operating results and cash flow.

We are not a telecommunications carrier. Although our customers generally are responsible for providing their own network connectivity, we still depend upon the presence of telecommunications carriers' fiber networks serving our data centers in order to attract and retain customers. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. Any carrier may elect not to offer its services within our data centers. Any carrier that has decided to provide network connectivity to our data centers may not continue to do so for any period of time. Further, some carriers are experiencing business difficulties or have announced consolidations. As a result, some carriers may be forced to downsize or terminate connectivity within our data centers, which could have an adverse effect on the business of our customers and, in turn, our own operating results.

Our data centers may require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements and the availability of construction resources. We have obtained the right to use network resources owned by other companies, including rights to use dark fiber, in order to attract telecommunications carriers and customers to our portfolio. If the establishment of highly diverse network connectivity to our data centers does not occur, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow may be materially adversely affected. Additionally, any hardware or fiber failures on this network may result in significant loss of connectivity to our data centers. This could negatively affect our ability to attract new customers or retain existing customers, which could have an adverse effect on our business, financial condition and results of operations.

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

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

In addition, there continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty for our business. With the energy demand of our business, we may become a target for future environmental and energy regulation. New legislation and increased regulation regarding climate change could impose significant costs on us and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Further, any future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations.

Given the political significance and uncertainty around the impact of climate change and how it should be addressed, and energy disclosure and use regulations, we cannot predict how legislation and regulation will affect our financial condition and results of operations in the future in the U.S. Further, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change or energy use by us or other companies in our industry could harm our reputation. Any of the foregoing could result in a material adverse effect on our business and financial condition.

Joint ventures, joint ownership arrangements and other projects pose unique challenges and we may not be able to fully implement or realize synergies, expected returns or other anticipated benefits associated with such projects.

From time to time, we may be involved in strategic joint ventures and other joint ownership arrangements. We may not always be in complete alignment with our joint venture or joint owner counterparties or partners; we may have differing strategic or commercial objectives and may be outvoted by our joint venture partners or we may disagree on governance matters with respect to the joint venture entity or the jointly owned assets. When we pursue joint ventures or joint ownership arrangements, we may be subject to a number of risks, including risks around ultimately closing the contemplated transactions. In some joint ventures and joint ownership arrangements we may not be responsible for the operation of projects and will rely on our joint venture or joint owner counterparties for such services. Joint ventures and joint ownership arrangements may also require us to expend additional internal resources that could otherwise be directed to other projects. If we are unable to successfully execute and manage our existing and any proposed joint venture and joint owner arrangements, it could adversely impact our financial and operating results.

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

As we implement our growth strategy, we are subject to the strains of ongoing development and growth, which has placed, and will continue to place, significant demands on our management team and our operational and financial infrastructure. If we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business and financial results would be materially harmed.

Further, we cannot provide any assurance that we will successfully identify emerging trends and growth opportunities in this business sector and we may lose out on opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

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

In determining to engage with potential competitors and entities with whom our officers or directors may have relationships, including ChronoScale and Base Electron, we considered the risks and risk mitigation factors, including requiring that transactions valued at over $120,000 in which our officers, directors and holders of more than 5% of our common stock have an interest be approved or ratified by our Audit Committee. Mr. Cummins holds over 7% of our common stock and has a financial interest in the success of our operations. We also have more than a majority of independent directors on our Board in order to ensure that there are limitations on the risks of conflicts of interest impacting Board level decisions. We cannot, however, guarantee that any conflicts of interest will not manifest in advice or decisions that negatively impact our financial results and our operations. Our company maintains business relationships with several companies, including those involved in power generation, cloud computing and software development. For example, several of our Board members serve on the board of directors of other related companies such as ChronoScale and Base Electron. One of our Board members, Richard Nottenburg, has interests in various companies, some of which provide software services to our crypto hosting business. The current value of the annual contract with his software providers is below $500,000 per year. While we strive to maintain transparent and ethical business practices, potential conflicts of interest may arise due to these relationships. We continuously monitor and manage such situations to ensure compliance with legal and regulatory requirements.

We may become subject to regulatory inquiry relating to trading activity and/or short selling strategies in our common stock.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects to create negative market momentum and generate profits for themselves after selling a stock short. These short attacks have, in the past, led to selling of shares in the market.

We are, and may in the future be, the subject of unfavorable allegations made by short sellers. Any such allegations may be followed by periods of instability in the market price of our shares of common stock and negative publicity. We may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable federal or state law or issues of commercial confidentiality. In addition, any related inquiry or formal investigation from a governmental organization or other regulatory body, including any inquiry from the SEC or the U.S. Department of Justice, could result in a material diversion of our management's time and could have a material adverse effect on our business and results of operations. Such a situation could be costly and time-consuming and could distract our management from operating our business.

We and our third-party providers may be vulnerable to cyberattacks and security breaches that could materially disrupt or compromise our operations, data and results.

We rely on computer systems, hardware, software, online sites and networks, as well as physical, digital and operational technology infrastructure to support our internal and external operations (collectively, "Information Systems"). We own, operate, and manage complex, global Information Systems and also rely on third-party providers for a range of Information Systems and other products and services. We face evolving risks that threaten the confidentiality, integrity, and availability of Information Systems and data, including from state-sponsored espionage actors, financially motivated hackers, hacktivists and insiders, as well as through diverse attack vectors, such as social engineering/phishing, malware (including ransomware), human or technological error, or due to "bugs," misconfigurations and known and unknown vulnerabilities in hardware, software, systems and processes that support our business.

Attacks, breaches or disruptions to our, or any providers' or customers', Information Systems or controls could result in, among other things, unauthorized access to our or our customers' physical assets or Information Systems, misappropriation of our or our customers' sensitive or proprietary information, disruptions to our or our customers' operations, breaches of legal and regulatory (e.g., privacy laws such as the General Data Protection Regulation) or contractual obligations, and/or other operational and business impacts. The foregoing could expose us to material lawsuits, regulatory actions, penalties or fines, monetary damages, loss of existing or potential customers, harm to our reputation and significant increases in our security and insurance costs, and other adverse effects on our business and financial results.

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

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

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

We may become involved in litigation arising in the ordinary course of our business that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including intellectual property, commercial, product liability, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Attending to such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses and we cannot assure you that the results of any of these actions will not have a material adverse effect on our business. Adverse outcomes in such proceedings or claims could result in significant liabilities, monetary damages, fines, or injunctive relief, which may materially impact our financial condition, results of operations, or cash flows. Additionally, the uncertainty surrounding litigation and the potential for adverse publicity related to such matters could harm our reputation and brand image, affecting customer confidence and investor perception.

Employee disputes or litigation and related unfavorable publicity may negatively affect our future business, financial condition, and operating results.

We may become involved in lawsuits or other disputes relating to employment matters, such as hostile workplace, discrimination, wage and hour disputes, sexual harassment, or other employment issues. These types of claims, depending on their nature, can have a significant negative impact on businesses. Certain companies that have faced employment- or harassment-related lawsuits have had to terminate management or other key personnel and have borne economic and other costs and suffered reputational harm that has negatively impacted their business.

Scrutiny and changing expectations from stakeholders with respect to our environmental, social, and governance ("ESG") practices and the impacts of climate change may result in additional costs or risks.

Companies across many industries are facing scrutiny related to their ESG practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also focused on ESG practices and in recent years have placed importance on the non-financial impacts of their investments. Furthermore, increased public awareness and concern regarding environmental risks, including global climate change, has resulted and may continue to result in increased public scrutiny of our business and our industry, and our management team may divert significant time and energy away from our operations and towards responding to such scrutiny and reassuring our employees.

In addition, the physical risks of climate change may impact the availability and cost of materials and natural resources, sources and supply of energy, demand for AI, demand for Bitcoin, and could increase our insurance and other operating costs, including, potentially, to repair damage incurred as a result of extreme weather events or to renovate or retrofit facilities to better withstand extreme weather events. If environmental laws or regulations or industry standards are either changed or adopted and impose significant operational restrictions and compliance requirements on our operations, or if our operations are disrupted due to the physical impacts of climate change, our business, capital expenditures, results of operations, financial condition and competitive position could be negatively impacted.

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

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

Our customers frequently make advance deposits based on anticipated future usage.

In our Data Center Hosting Business, customers typically pay in advance based on their projected demand. If we are unable to provide the services as expected for any reason, we would be required to issue a credit or refund the difference to the customer. Any such refunds or issuances of credit could have an adverse effect on our business, results of operations, and financial condition.

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

We may not be able to compete successfully against present or future competitors. We do not have the resources to compete with larger providers of similar products or services at this time. Our industry has attracted various high-profile and well-established operators, some of which have substantially greater liquidity and financial resources than we do.

We may experience great difficulties in expanding and improving our services and product offerings to remain competitive. Competition from existing and future competitors, particularly those that have access to competitively priced energy, could result in our inability to secure acquisitions and partnerships that we may need to expand our business in the future. This competition from other entities with greater resources, experience and reputations may result in our failure to maintain or expand our business, as we may never be able to successfully execute our business plan. If we are unable to expand and remain competitive, our business could be negatively affected which would have an adverse effect on our results of operations, financial condition and the trading price of our common stock, which would harm our investors.

If we cannot adapt to evolving technology or customer demands in a timely and cost-effective manner, our ability to sustain and grow our business may be adversely affected.

The markets for the data centers we own and operate, as well as the specific industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, and frequent new service introductions. Our ability to deliver technologically sophisticated power to our customers requires an ongoing commitment to maintaining and improving existing data centers and substation infrastructure, developing new and diversified data centers, and investing in personnel and resources. The widespread adoption of new technologies and services, new industry standards, or significant changes in customer requirements could require substantial new investments in our data centers and infrastructure. If and when we pursue international expansion, our infrastructure maintenance and expansion costs may increase due to investment outside the U.S. and the increased costs of compliance with local laws and regulations. Although we regularly upgrade our power infrastructure and data centers to handle increased densities and higher power levels necessary for our customers' businesses, there can be no assurance that such upgrades would adequately mitigate the risk that our data centers and infrastructure may not be able to meet the needs of our customers in the future or, may become obsolete, unmarketable, or subject to competitive pressures. The costs of modifying our data centers and infrastructure in response to technological change, customer requirements, or industry changes, which may include retrofitting our data centers for more efficient cooling capabilities, could be substantial. In addition, if and when we expand internationally, changes in customer requirements, technological advances, or standards in other countries may further lengthen the time necessary to generate revenue at new data centers or utilize infrastructure in new regions, and, as a result, we may not be able to recover the cost of these investments. Furthermore, our ability to deliver technologically sophisticated power to our customers depends on our suppliers providing us with the equipment that meets our specifications. If our suppliers cannot provide us with the equipment needed or if we are required to modify our data centers or infrastructure based on technological changes, we may not be able to serve our customers or incur significant costs in doing so, which could materially adversely affect our business and results of operations.

If one of our customers were to obtain exclusive rights to the technologies we employ across our businesses, our ability to realize significant operating efficiencies could be jeopardized.

Our business model leverages our ability to share significant technological hardware innovations for solutions in the ultra-low temperature immersion cooling and high-power applications spaces across our data centers and hosting customers. If one of our customers were to obtain exclusive rights to the hardware technologies we employ across our businesses, we could be limited in obtaining essential supplies at competitive costs and may be unable to share research and development costs across our businesses. As a result, our ability to realize significant operating efficiencies by modifying our existing or new data centers utilizing these technologies and our ability to serve all our customers could be jeopardized, which could materially adversely affect our business, results of operations and future prospects.

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

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Uncertainties or changes in regulatory or financial accounting standards could result in the need to change our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

Our customers may not adequately respond to rapidly changing technology or methods of, rules of, or access to, platforms which may negatively affect our business. Rapidly changing technology or platform methods, rules and access may render our data center and crypto mining and related equipment and facilities obsolete, unprofitable or unusable.

Competitive conditions within the data center and cryptoasset industries requires that our customers use sophisticated technology in the operation of their businesses. AI and blockchain technology are characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. Our customers may not be successful, generally or relative to their competitors, in timely implementing new technology into their systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into their operations, they may experience system interruptions and failures and may find existing AI or crypto mining equipment and infrastructure investments have become obsolete. Furthermore, there can be no assurances that they will recognize, in a timely manner or at all, the benefits that they may expect as a result of our implementing new technology into our operations. Additionally, the methods, rules and access to the platforms which they mine change rapidly and could result in the platforms becoming obsolete or unusable by them. As a result of such changes to technology and/or platforms, our customers and our business and operations may suffer.

We may be exposed to liabilities under the Foreign Corrupt Practices Act ("FCPA"), and any determination that we violated the Foreign Corrupt Practices Act could have a material adverse effect on our business.

Any international business operations are subject to various anti-corruption laws and regulations, including restrictions imposed by the FCPA. The FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. We cannot provide assurance that our internal controls and procedures will protect us from reckless or criminal acts that may be committed by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, criminal or civil penalties could be imposed on us.

We are establishing data centers in remote areas, which may adversely affect our ability to recruit and retain staff and could increase our compensation costs.

As we are establishing data centers in areas with lower populations, recruiting and retaining the necessary staff to operate our locations may pose a challenge.

We have data centers in North Dakota, with an estimated population of approximately 797,000, as well as data centers under construction in rural areas of other states. As a result of the relatively low populations in these areas, the pool of available employees is limited. In addition, some employers have offered significantly higher wages in order to fill vacant positions. This may adversely affect our ability to attract and retain qualified personnel and may increase our employee costs if we have to increase the compensation we pay in response to the market.

Risks Related to Our Industry

Uncertainty in the global economy and instability within international relations, including changes in governmental policies relating to technology, and any potential downturn in the semiconductor and electronics industries, may negatively impact our business.

There is inherent risk, based on the complex relationships between certain countries and within regions, that political, diplomatic or military events could result in trade disruptions and other disruptions in the markets and industries we serve and in our supply chain. For example, the ongoing geopolitical and economic uncertainty between the U.S. and China, the unknown impact of current and future U.S. and Chinese trade regulations, and geopolitical risks with respect to Taiwan, which serves as a central hub for the technology industry supply chain, could, directly or indirectly, materially harm our business, financial condition and results of operations. In addition, as a result of the current global semiconductor shortage, the ability to export or import products or services by the semiconductor or electronics systems industry is adversely restricted, thereby causing delays in supplies of hardware components and products, which may adversely impact our revenue, results of operations and financial condition. Furthermore, political or economic conflicts between various global actors, and responsive measures that have been or could be taken, have created and can further create significant global economic uncertainty that could prolong or expand such conflicts, which could have a lasting impact on regional and global economies and harm our business and operating results.

Inflation in the global economy, increased interest rates, political dissension and adverse global economic conditions, like the ones we are currently experiencing, could negatively affect our business and financial condition.

We are in the process of completing several data center campuses. Fluctuations in long-term interest rates can materially impact the cost of capital required to finance our current and future projects.

Inflation is impacting various aspects of our business. We are also experiencing an increase in our costs to procure power and supply chain issues globally. Rising prices for materials related to the construction of our data center campuses and our data center offerings, energy and gas prices, as well as rising wages and benefits costs negatively impact our business by increasing our operating costs. Further, disagreement in the U.S. Congress on government spending levels could increase the possibility of a government shutdown, further adversely affecting global economic conditions. The adverse economic conditions we are currently experiencing may cause a decrease in sales as some customers may need to take cost cutting measures or scale back their operations. This could result in churn in our customer base, reductions in revenues from our offerings, adverse effects to our days of sales outstanding in accounts receivable, longer sales cycles, slower adoption of new technologies and increased price competition, which could adversely affect our liquidity. Customers and vendors filing for bankruptcy could also lead to costly and time-intensive actions with adverse effects, including greater difficulty or delay in accounts receivable collection. The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties' credit deteriorates or if they are otherwise unable to perform their obligations. Further, volatility in the financial markets and rising interest rates like we are currently experiencing could affect our ability to access the capital markets at a time when we desire, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

Our efforts to mitigate the risks associated with these adverse conditions may not be successful and our business and growth could be adversely affected.

We depend on significant customers for our data centers.

Many factors, including global economic conditions, may cause our AI factory customers to experience a downturn in their businesses or otherwise experience a lack of liquidity, which may weaken their financial condition and impact our estimates as to the probability of collectability of payments, and ultimately result in their failure to make timely rental and other payments or their default under their agreements with us. Further, the development of new technologies, the adoption of new industry standards or other factors could render our AI factory customers' current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy. If a customer defaults or fails to make timely rent or other payments, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment, which could adversely affect our financial condition and results of operations.

If a customer becomes a debtor in a case under the U.S. Bankruptcy Code, we cannot evict the customer solely because of the bankruptcy. In addition, the bankruptcy court might authorize the customer to reject and terminate its contracts with us.

Our claim against the customer for unpaid, future rent and other payments could be subject to a statutory cap that might be substantially less than the remaining amounts actually owed under their agreements with us. In either case, our claim for unpaid rent and other amounts would likely not be paid in full. Our revenue could be materially adversely affected if a significant customer were to become bankrupt or insolvent, suffer a downturn in its businesses, fail to renew its contract or renew on terms less favorable to us than its current terms.

The use and continued pace of developments in AI are inherently uncertain. Failure by us to keep up with evolving data center requirements and regulatory frameworks for AI, could have a material adverse effect on our business and financial condition.

AI has been developing at a rapid pace, and continues to evolve and change. As demand continues for AI services, our prospective tenants have sought increased power and compute capacity to enable advancements in AI models and service the demands of end users. We cannot predict whether additional electric and computing power will continue to be required to develop larger, more powerful AI models, or if the practical limits of AI will stagnate in the future. If we are unable to keep up with the changing AI landscape or in developing data centers to meet our prospective tenants' evolving needs, or if AI does not develop to the extent we or our prospective tenants expect, our business, and financial condition may be adversely impacted.

Additionally, we may incur significant costs and experience significant delays in developing existing or new data centers to adapt to the changing AI landscape, and may not achieve a return on investment or capitalize on the opportunities presented by demand for AI. Moreover, while AI adoption is likely to continue and may accelerate, the long-term trajectory of this technological trend is uncertain.

Furthermore, the rapid pace of innovation in AI has led to developing and evolving regulatory frameworks, which are expected to become increasingly complex as AI continues to evolve. Regulators and lawmakers have started proposing and adopting, or are currently considering, regulations and guidance specifically on the use of AI. Regulations related to AI have been introduced in the United States at the federal level and are also enacted and advancing at the state level. Additional regulations may adversely affect our business and financial condition.

The development and advancement in the efficiency of AI models presents risks and challenges that may adversely impact our business and operating results.

The introduction of, and advancement in the efficiency of AI models could potentially adversely affect data center usage by significantly reducing the computational power needed to train AI models, potentially leading to less demand for high-power density, liquid-cooled data center infrastructure. New advancements in AI models could also alter the way data centers are currently designed and utilized and may adversely affect our business and results of operations.

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

Our customers' operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with AI and mining cryptoassets are lower than the price of AI services and cryptoassets, respectively. As our customers operate, their equipment experiences ordinary wear and tear and general hardware breakdown and may also face more significant malfunctions caused by a number of extraneous factors beyond our or their control. The physical degradation of their equipment will require them to, over time, replace the hardware which is no longer functional. Additionally, as the technology evolves, they may be required to acquire newer hardware to remain competitive in the market. The cost and availability of new hardware is unpredictable. As a result, at times, they may obtain hardware from third parties at premium prices, to the extent they are available. In order to keep pace with technological advances and competition from other companies, it will be necessary to purchase new hardware, which will eventually need to be repaired or replaced along with other equipment from time to time to stay competitive. This upgrading process requires substantial capital investment, and our customers may face challenges in doing so on a timely and cost-effective basis.

Risks Related to Our Securities

Our stock price has been volatile and may continue to be volatile in the future; this volatility may affect your ability to, and the price at which you could, sell our common stock.

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

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- relative success of our competitors;
- our operating results failing to meet the expectations of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us and the market for our co-hosting facilities;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to continue to expand our operations;
- changes in laws and regulations affecting our business or our industry;
- commencement of, or involvement in, litigation;
- changes in our capital structure, such as future issuances of securities or the borrowing of additional debt;
- the volume of shares of our common stock available for public sale pursuant to an effective registration statement or exemption from registration requirements;
- any major change in our Board or management;
- sales of substantial amounts of our common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur;
- general economic and political conditions such as recessions, interest rates, international currency and crypto currency fluctuations and acts of war or terrorism;
- if securities or industry analysts were to not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock; and
- failure to meet certain Nasdaq conditions to maintain our listing status.

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

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

We have issued, and may in the future issue, new shares of our common stock, which has a dilutive effect on our stockholders.

We have financed much of our strategic growth through our at-the-market ("ATM") offerings and issuances of our common stock and preferred stock.

Our ATM offerings allow us to raise capital as needed by tapping into the existing trading market for our shares by selling newly issued shares into the market depending on prevailing market prices. On June 2, 2025, we entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the "June 2025 Sales Agreement"). Up to $200,000,000 of shares of our common stock may be issued if and when sold pursuant to the June 2025 Sales Agreement. As of May 31, 2026, the Company has sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately $196.4 million.

On April 30, 2025, we entered into a preferred equity purchase agreement (as amended from time to time, the "PEPA") with the investors signatory thereto. Under the PEPA, we may issue up to $2 billion (the "Commitment Amount") shares of our Series G Convertible Preferred Stock, par value $0.001 (the "Series G Preferred Stock"), at our option during the period commencing on April 30, 2025 and terminating on the earliest of (i) August 27, 2029, (ii) the date on which the Investors shall have made payment of the aggregate purchase price for put issuances pursuant to the PEPA equal to the Commitment Amount, or (iii) such date as there ceases to be a sufficient number of authorized but unissued shares of common stock remaining under the Exchange Cap (as defined in the PEPA). As of the date of this report, we have entered into six amendments to the PEPA and have issued 1,068,300 shares of Series G Preferred Stock, for aggregate gross proceeds of $1.04 billion, of which, 995,146 shares of Series G Preferred Stock were subsequently converted into approximately 52.8 million shares of our common stock.

Our efforts to raise capital is for the purpose of executing on development plans and strategic growth opportunities as they arise; however, holders of our common stock may experience dilution as a result of our sales of newly issued shares of our common stock or preferred stock convertible into shares of our common stock in such offerings. Any issuances of shares of our common stock upon issuance and conversion of the Series G Preferred Stock under the PEPA, for example, will dilute the percentage ownership of stockholders and may dilute the per share projected earnings (if any) or book value of our common stock. Sales of a substantial number of shares of our common stock in the public market or other issuances of shares of our common stock, or the perception that these sales or issuances could occur, could cause the market price of our common stock to decline and may make it more difficult for you to sell your shares at a time and price that you deem appropriate.

On November 5, 2025, our Board of Directors approved the First Amendment to the Applied Digital Corporation 2024 Omnibus Equity Incentive Plan (the "Amended 2024 Plan"), which our stockholders approved on November 5, 2025. The First Amendment increased the number of shares of our common stock available for future issuance under the Amended 2024 Plan by 15,000,000. As of May 31, 2026, there were 35,722 shares outstanding underlying unvested restricted stock awards and 22,352,083 shares underlying unvested restricted stock units and performance stock units. Vesting of these restricted stock awards, restricted stock units and performance stock units, as well as future issuances under our plans, would also result in dilution of current stockholders' relative ownership of us.

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

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

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

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

We do not expect to declare or pay dividends in the foreseeable future, as we currently intend to retain any future earnings to finance the development and expansion of our business. Therefore, holders of our common stock may not receive any return on their investment in our common stock unless and until the value of such common stock increases and they are able to sell such shares of common stock, and there is no assurance that any of the foregoing will occur. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

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

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

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

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

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

The rights of holders of our Series E and E-1 Preferred Stock rank senior to the rights of the holders of our common stock.

Although we may opt to redeem our Series E and E-1 Preferred Stock with shares of our common stock in our sole and absolute discretion, the rights of the holders of shares of Series E and E-1 Preferred Stock while such shares remain outstanding rank senior to the rights of the holders of shares of our common stock as to dividends and payments upon liquidation, dissolution or winding up of our affairs. Unless full cumulative dividends on our shares of Series E and E-1 Preferred Stock for all past dividend periods have been paid (or set apart for payment), we will not declare or pay dividends with respect to any shares of our common stock for any period. Upon liquidation, dissolution or winding up of our affairs, the holders of shares of our Series E and E-1 Preferred Stock are entitled to receive a liquidation preference, plus all accrued but unpaid dividends, prior and in preference to any distribution to the holders of shares of our common stock or any other class of our equity securities junior to the Series E and E-1 Preferred Stock. As of the date of this report, (i) 276,673 shares of Series E Preferred Stock are outstanding, and (ii) 61,878 shares of Series E-1 Preferred Stock are outstanding.

In the event the holders exercise their option to redeem Series E and E-1 Preferred Stock, our ability to redeem such shares of Series E and E-1 Preferred Stock may be subject to certain restrictions and limits.

Our ability to redeem shares of Series E and E-1 Preferred Stock may be limited by our available funds, ability to issue the full amount of shares of common stock and applicable federal and Nevada law.

Pursuant to the relevant Certificate of Designations of the applicable series of Preferred Stock (as amended, the "Certificate of Designations"), each holder of shares of Series E and E-1 Preferred Stock is entitled to redeem any portion of the outstanding Preferred Stock held by such holder. Such redemption may, at the option of the Board, be in cash or in common stock, provided that the number of shares of common stock issuable to holders of Series E and E-1 Preferred Stock for redemption shall not exceed 19.99% of the outstanding shares of common stock without stockholder approval.

On August 16, 2022, the IR Act was signed into federal law. Depending on the number of shares of our Series E and E-1 Preferred Stock we sell and the number of holders of Series E Preferred Stock who redeem their stock, the Excise Tax could also be applicable to us and adversely affect the cash we have available for our operations. As of the date of this report, we sold approximately 364,173 shares of Preferred Stock for net proceeds of approximately $64.0 million.

In addition, applicable Nevada law provides that no distribution (including dividends on, or redemption or repurchases of, shares of capital stock) may be made if, after giving effect to such distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or, except as specifically permitted by the company's articles of incorporation, the company's total assets would be less than the sum of its total liabilities plus the amount that would be needed at the time of a dissolution to satisfy the preferential rights of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on the Series E and E-1 Preferred Stock or redeem shares of Series E and E-1 Preferred Stock if, after giving effect to the distribution or redemption, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of the Series E and E-1 Preferred Stock.

There can be no guarantee that we will have sufficient funds available to meet these obligations. As a result, if it becomes necessary for us to issue and sell to the holders an aggregate number of shares that would exceed 19.99% of the outstanding shares of common stock, then before we could issue any shares of common stock in excess of such limit, we would also need to obtain the requisite stockholder approval.

The redemption of the Series E Preferred Stock and Series E-1 Preferred Stock could adversely affect our business, financial position, and results of operations, in the event our assets are not sufficient to meet our redemption obligations.

The Convertible Notes may adversely affect the market price of our common stock.

The market price of our common stock is likely to be influenced by our 2.75% Convertible Senior Notes due 2030 (the "Convertible Notes"). For example, the market price of our common stock could become more volatile and could be depressed by investors' anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the Convertible Notes, and by hedging or arbitrage trading activity that may develop involving the Convertible Notes and our common stock.

Conversion of the Convertible Notes will dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the Convertible Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Convertible Notes. The Convertible Notes may from time to time in the future be convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

The prepaid forward transaction may affect the value of our common stock and may result in unexpected market activity in our common stock.

In connection with the pricing of the offering of the Convertible Notes in a private placement to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")., we entered into the prepaid forward transaction with one of the initial purchasers or its affiliates (the "forward counterparty").

The prepaid forward transaction is generally intended to facilitate privately negotiated derivative transactions, including swaps, between the forward counterparty or its affiliates and investors in the Convertible Notes relating to shares of our common stock by which investors in the Convertible Notes will establish short positions relating to shares of our common stock and otherwise hedge their investments in the Convertible Notes. As a result, the prepaid forward transaction is expected to allow the investors to establish short positions that generally correspond to (but may be greater than) commercially reasonable initial hedges of their investment in the Convertible Notes. In the event of such greater initial hedges, investors may offset such greater portion by purchasing our common stock on the day we price the Convertible Notes. Facilitating investors' hedge positions by entering into the prepaid forward transaction, particularly if investors purchase our common stock on the pricing date, could increase (or reduce the size of any decrease in) the market price of our common stock and effectively raise the initial conversion price of the Convertible Notes. In connection with establishing their initial hedges of the prepaid forward transaction, the forward counterparty or its affiliates generally expect, but are not required, to enter into one or more derivative transactions with respect to our common stock with the investors of the Convertible Notes concurrently with or after the pricing of the Convertible Notes.

Our entry into the prepaid forward transaction with the forward counterparty and the entry by the forward counterparty into derivative transactions in respect of our common stock with the investors of the Convertible Notes could have the effect of increasing (or reducing the size of any decrease in) the market price of our common stock concurrently with, or shortly after, the pricing of the Convertible Notes and effectively raising the initial conversion price of the Convertible Notes.

Neither we nor the forward counterparty will control how investors of the Convertible Notes may use such derivative transactions. In addition, such investors may enter into other transactions relating to our common stock or the Convertible Notes in connection with or in addition to such derivative transactions, including the purchase or sale of shares of our common stock. As a result, the existence of the prepaid forward transaction, such derivative transactions and any related market activity could cause more purchases or sales of our common stock over the terms of the prepaid forward transaction than there otherwise would have been had we not entered into the prepaid forward transaction. Such purchases or sales could potentially increase (or reduce the size of any decrease in) or decrease (or reduce the size of any increase in) the market price of our common stock and/or the price of the Convertible Notes.

In addition, the forward counterparty or its affiliates may modify their hedge positions by entering into or unwinding one or more derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Convertible Notes and prior to the maturity of the Convertible Notes. These activities could also cause or avoid an increase or a decrease in the market price of our common stock or the Convertible Notes, which could, to the extent the activity occurs following conversion or during any observation period related to a conversion of Convertible Notes, affect the amount and value of the consideration that you will receive upon conversion of the Convertible Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Convertible Notes or our common stock. In addition, we do not make any representation that the forward counterparty or its affiliates will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The capped call transactions may affect the value of the Convertible Notes and our common stock.

In connection with the pricing of the Convertible Notes, we entered into privately negotiated capped call transactions with one or more of the initial purchasers or their affiliates and one or more other financial institutions (the "option counterparties"). The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the Convertible Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates expect to enter or have entered into various derivative transactions with respect to our common stock and/or purchase shares of our common stock concurrently with or shortly after the pricing of the Convertible Notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the market value of the Convertible Notes at that time.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Convertible Notes and prior to the maturity of the Convertible Notes (and are likely to do so during the relevant valuation period under the capped call transactions or following any early conversion of Convertible Notes or repurchase of Convertible Notes by us on any fundamental change repurchase date, any redemption date or otherwise, in each case if we exercise our option to terminate the relevant portion of the capped call transactions).

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Convertible Notes or our common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management

We, like other companies in our industry, face several cybersecurity risks in connection with our business. To date, we have not identified any cybersecurity incidents that have materially affected our business strategy, results of operations, or financial condition.

During the fiscal year ended May 31, 2026, we did not identify any cybersecurity incidents that we determined to be material, individually or in the aggregate.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property. To effectively prevent, detect, and respond to cybersecurity threats, we maintain a cyber risk management program, which is comprised of a wide array of policies, standards, architecture, and processes. The program includes defined incident detection, response, and escalation procedures, including processes for assessing severity, containing threats, notifying appropriate stakeholders, and complying with applicable regulatory requirements. Our cybersecurity risk management program is overseen by our Vice President of Data Center Technology and our Vice President of Compliance and Enterprise Risk. The Vice President of Data Center Technology is responsible for the Company's cybersecurity strategy, technical controls, and operational cybersecurity capabilities, while the Vice President of Compliance and Enterprise Risk oversees cybersecurity governance, risk management, and compliance activities. Together, they oversee the Company's cybersecurity risk management processes and are supported by third-party cybersecurity advisors. We leverage both third-party service providers and internal personnel to support continuous monitoring, detection, and incident response activities. We maintain processes to evaluate and monitor cybersecurity risks associated with third-party service providers, including due diligence procedures, contractual security requirements, and periodic reviews based on vendor criticality.

We have implemented and maintain a cybersecurity risk management program that is designed to identify, assess, and mitigate risks from cybersecurity threats to this data and our systems and ensure the effectiveness of our security controls. Our cybersecurity risk management program is intended to address applicable SOC2 and SOX requirements. Our cybersecurity risk management program incorporates several components, including information security program assessments, a risk register, continuous monitoring of critical risks from cybersecurity threats using automated tools, backup and recovery testing to support business continuity and operational resilience, periodic threat testing, and employee training. We deploy a wide range of security tools, use single sign-on, and require multi-factor authentication across all systems. We also utilize access control policies to further limit access to data within the systems, including quarterly reviews, generally, and on a weekly basis for financial operations.

We periodically engage third parties, which are subject to our standards, policies and procedure, to conduct audits and risk assessments, including penetration testing and other system vulnerability analyses. As a result of these assessments and testing, we have responded to all known medium, high, and critical risks and are constantly hardening our environment. Additionally, our program includes privacy and cybersecurity training for all employees. Training occurs prior to accessing the system or performing assigned duties, when required by system changes, and annually thereafter.

Governance

Our Board is responsible for the oversight of cybersecurity risk management. The Board delegates oversight of the cybersecurity risk management program to the Audit Committee. The management of the program is the responsibility of our Risk Management Committee, comprised of our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel. The Risk Management Committee generally provides quarterly updates to the Audit Committee on our cybersecurity risk management program, including updates on (1) any critical cybersecurity risks; (2) ongoing cybersecurity initiatives and strategies; (3) applicable regulatory requirements; and (4) industry standards. The Risk Management Committee also notifies the Board of any significant and/or material cybersecurity incidents (suspected or actual) and provides updates on the incidents as well as cybersecurity risk mitigation activities as appropriate.

Item 2. Properties

We lease office space located in Dallas, Texas for our principal offices. In addition, we lease office and warehouse space in Irving, Texas to support our operations.

We own our Polaris Forge and Delta Forge data centers, including the land on which such data centers are located in North Dakota and Louisiana. See Item 1. Business for further descriptions of our facilities and sites.

ChronoScale leases office space in Menlo Park, California for its principal offices. ChronoScale also leases data center colocation space in Colorado, Utah, and Minnesota to support its operations.

We believe that our leased and owned facilities are adequate to support our near-term business needs and that should it be needed, suitable additional or alternative space will be available to support our operations.

Item 3. Legal Proceedings

From time to time, we may become involved in legal proceedings.

The Company, Wes Cummins, the Company's Chief Executive Officer, and David Rench, the Company's then Chief Financial Officer, have been named as defendants in a putative securities class action lawsuit in the matter styled, McConnell v. Applied Digital Corporation, et al., Case No. 3:23-cv-1805, filed in August 2023 in the U.S. District Court for the Northern District of Texas (the "Securities Lawsuit"). Specifically, the complaint asserts claims pursuant to Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, based on allegedly false or misleading statements regarding the company's business, operations, and compliance policies, including claims that the Company overstated the profitability of its Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Company's board of directors was not "independent" within the meaning of NASDAQ listing rules. On May 22, 2024, the court appointed Lead plaintiff and approved lead counsel, and on July 22, 2024, Lead Plaintiff filed an amended complaint which asserts the same claims based on similar allegations in the original complaint. On September 20, 2024, the defendants filed a motion to dismiss the amended complaint. On November 20, 2024, Lead Plaintiff filed his opposition to the Motion to Dismiss. On January 3, 2025, the defendants filed their reply in further support of the Motion to Dismiss. On September 8, 2025, the court issued an order staying the Securities Lawsuit and administratively closing it pending resolution of the Motion to Dismiss. See further discussion in "*Note 18 - Commitments and Contingencies*".

On November 15, 2023, a derivative action was filed in the matter styled, Weich v. Cummins, et al., Case No. A-23-881629-C in the District Court of Clark County, Nevada (the "Derivative Lawsuit"). The Weich complaint named as defendants certain members of the Company’s Board of Directors and its Chief Executive Officer Wesley Cummins and purports to name the Company’s then Chief Financial Officer David Rench as a defendant. The complaint asserted claims for breach of fiduciary duties, corporate waste and unjust enrichment based upon allegations that the defendants caused or allowed the Company to make materially false and misleading statements regarding the Company’s business, operations, and compliance policies. Specifically, the complaint alleged that the Company overstated the profitability of the Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Board was not “independent” within the meaning of Nasdaq listing rules. On February 27, 2024, the derivative plaintiff filed an amended complaint asserting the same claims as the original complaint.

On June 5, 2024, following briefing and argument on the defendants’ motion to dismiss the Derivative Lawsuit, the Court entered an order granting the defendants’ motion without prejudice and dismissing all claims against all defendants, including the Company, on the grounds that the plaintiff failed to plead (1) demand futility as to each of plaintiff’s claims or (2) a claim for breach of fiduciary duty. The plaintiff can seek leave to file an amended complaint but to date has not done so.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in these actions. If an unfavorable action were to occur, it is possible that the impact could be material to the Company’s results of operations in the period(s) in which any such outcome becomes probable and estimable.

As of May 31, 2026, there were no other pending or threatened lawsuits that could reasonably be expected to have a material adverse effect on the results of the Company’s consolidated operations. There are also no legal proceedings in which any of the Company's management or affiliates is an adverse party or has a material interest adverse to the Company's interest.

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

Primary Market

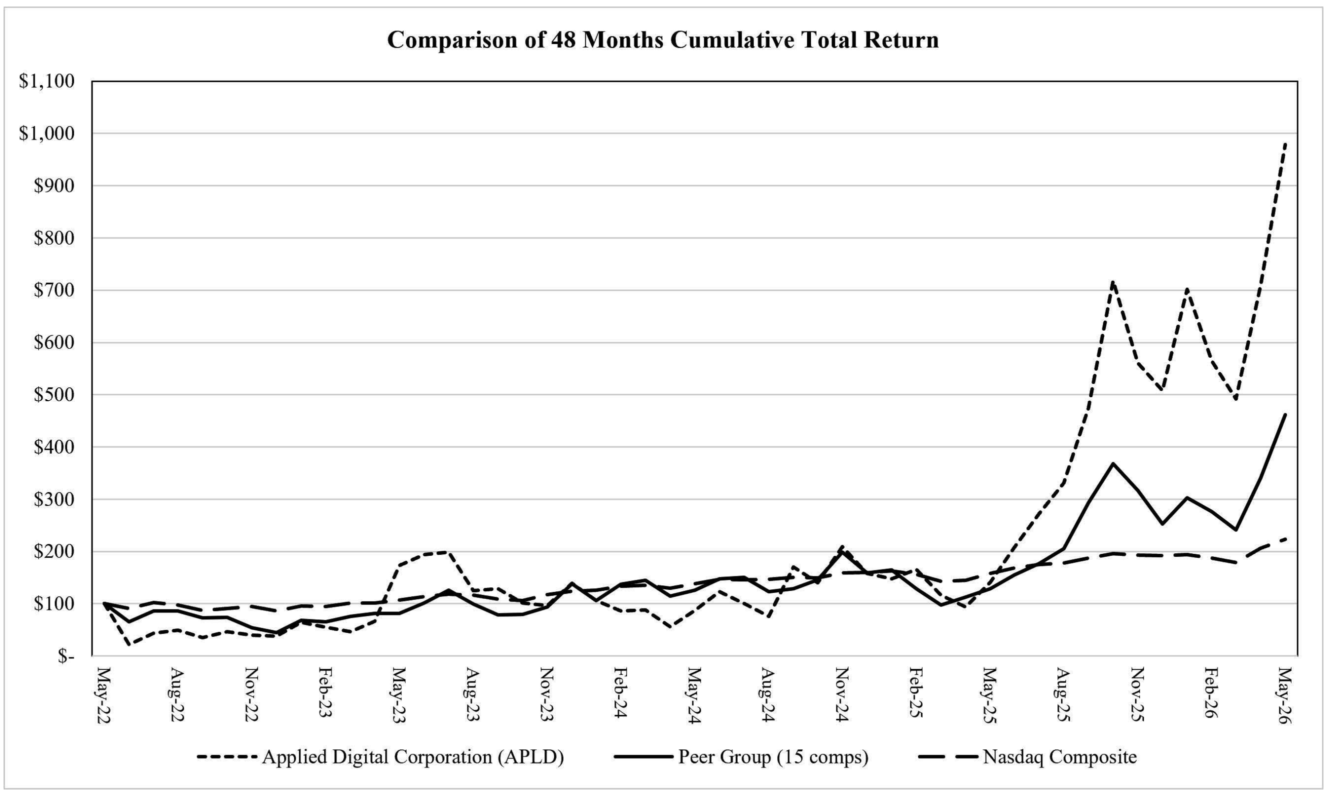
The Company's Common Stock is traded on the Nasdaq Global Select Market under the symbol "APLD."

Holders

As of May 31, 2026, we had approximately 91 shareholders of record of our common stock.

Stock Performance Graph

The following graph shows a comparison, from May 31, 2022 through May 31, 2026, of the cumulative total return on our common stock, The Nasdaq Composite Index and a peer group of publicly traded digital-asset mining and infrastructure companies selected by us in good faith on a line-of-business basis (the “Peer Group”), consisting of Riot Platforms, Inc. (RIOT), CleanSpark, Inc. (CLSK), Cipher Digital Inc. (CIFR), TeraWulf Inc. (WULF), HIVE Digital Technologies Ltd. (HIVE), Hut 8 Corp. (HUT), IREN Limited (IREN), Core Scientific, Inc. (CORZ), Fermi Inc. (FRMI), Galaxy Digital Inc. (GLXY), Keel Infrastructure Corp. (KEEL), Bitdeer Technologies Group (BTDR), Equinix, Inc. (EQIX), Digital Realty Trust, Inc. (DLR), and MARA Holdings, Inc (MARA). Such returns are based on historical results and are not intended to suggest future performance. Data for The Nasdaq Composite Index and the Peer Group assumes an investment of $100 on May 31, 2022 and reinvestment of dividends. We have never declared or paid any cash dividends on our common stock nor do we anticipate paying any such cash dividends in the foreseeable future.



Repurchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth information regarding our purchases of shares of our common stock during the year ended May 31, 2026:

Period	Total Number of Shares Purchased	Average Price Paid per Share
June 1, 2025 through August 31, 2025	—	$ —
September 1, 2025 through November 30, 2025	7,165,300	$ 7.36
December 1, 2025 through February 28, 2026	—	$ —
March 1, 2026 through May 31, 2026	—	$ —
Total	7,165,300	$ —

Recent Sales of Unregistered Securities

During the fiscal year ended May 31, 2026, there were no unregistered sales of our securities except as previously reported in a Current Report on Form 8-K or a Quarterly Report on Form 10-Q.

Item 6. [Reserved]

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Risk Factors" and "Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

This Item generally discusses fiscal year 2026 and 2025 items and year-to-year comparisons between fiscal year 2026 and 2025. A comparison of our results of operations and cash flows for fiscal year 2025 and fiscal year 2024 is not included in this Annual Report and can be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025, filed with the SEC on July 30, 2025.

During the fiscal year 2026, we completed the contribution of our Cloud Services Business to ChronoScale (each as defined below), formerly Ekso (as defined below). As a result of this transaction, certain prior-period amounts presented in this Annual Report have been recast to conform to the current period presentation. The recast primarily reflects changes associated with the transaction, including revisions to segment reporting and the presentation of certain historical financial statement line items and related disclosures. As a result, certain fiscal year 2025 and fiscal year 2024 amounts presented in this Annual Report differ from the amounts previously reported in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025.

Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we," "us," "our," and "the Company" are intended to mean the business and operations of Applied Digital Corporation and its subsidiaries.

Business Overview

We are a U.S. designer, developer, and operator of high-performance, sustainably engineered data centers and colocation services for artificial intelligence ("AI"), networking, and blockchain workloads. We provide digital infrastructure solutions to the rapidly growing industries of high-performance computing ("HPC") and AI. As of May 31, 2026, we operated in two distinct business segments, data center hosting (the "Data Center Hosting Business") and HPC data center hosting (the "HPC Hosting Business"), all of which are included in our consolidated financial statements, as further discussed below. Management considers the Data Center Hosting Business and the HPC Hosting Business to be its core operations for long-run strategic and performance evaluation purposes.

We consolidate variable interest entities ("VIE") and voting interest entities ("VOE") where it has been determined that the Company is the primary beneficiary of the entities' operation in accordance with ASC Topic 810, *Consolidations*. The primary beneficiary is the party that has both the power to direct the activities that most significantly impact the VIE's/ VOE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE/VOE that could potentially be significant to the VIE/VOE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its power to direct the most significant activities of the VIE/VOE by considering the purpose and design of the entity and the risks the entity was designed to create and pass through to its variable interest holders. The Company also evaluates its economic interests in the VIE/VOE.

On May 5, 2026, the Company completed the previously announced divestiture of its cloud business pursuant to that certain Contribution and Exchange Agreement (the "Contribution and Exchange Agreement"), dated February 15, 2026, by and among Ekso Bionics Holdings, Inc. ("Ekso"), APLD Intermediate HoldCo LLC, a Delaware limited liability company ("APLD Intermediate"), APLD ChronoScale HoldCo LLC, a Delaware limited liability company and a wholly owned subsidiary of APLD Intermediate ("Contributor"), each a wholly owned direct or indirect subsidiary of the Company, and Applied Digital Cloud Corporation, a Nevada corporation, a wholly owned indirect subsidiary of the Company and a direct subsidiary of Contributor ("Cloud"), for purposes of consummating a business combination (the "Cloud Business Combination"). Pursuant to the Contribution and Exchange Agreement, Contributor contributed to Ekso all of its right, title and interest in and to 1,200 shares of common stock of Cloud, constituting 100% of the issued and outstanding equity of Cloud, in exchange for 138,216,820 newly issued shares of Ekso common stock, par value $0.001 per share. As a result of the Cloud Business Combination, Cloud became a wholly owned subsidiary of Ekso, Ekso changed its name to ChronoScale Corporation ("ChronoScale") and ChronoScale's common stock began trading on the Nasdaq Capital Market under the symbol "CHRN" on May 5, 2026. Immediately following the closing of the Cloud Business Combination, the Company (on an aggregate basis with Contributor), owned approximately 97% of the issued and outstanding equity of ChronoScale.

Business Update

<u>HPC Hosting Business</u>

Our HPC Hosting Business designs, constructs, and operates next-generation data centers, which are designed to provide massive computing power and support HPC applications within a cost-effective model.

We recently commenced operations at our first HPC data center at our Polaris Forge 1 campus with 100MW of capacity. We continue building our second HPC data center at Polaris Forge 1 to provide an additional 150MW of capacity. These facilities are being designed and purpose-built to host high-density graphics processing unit architecture or other HPC applications, such as artificial intelligence, natural language processing, machine learning, and additional HPC developments. Our third HPC focused data center facility at Polaris Forge 1, which is expected to provide an additional 150MW of capacity, is currently under construction, with an anticipated ready for service date in calendar year 2027.

On May 28, 2025, APLD ELN-02 LLC and APLD ELN-03 LLC, our subsidiaries, each entered into a data center lease (the "ELN-02 Lease" and the "ELN-03 Lease") with CoreWeave, Inc. ("CoreWeave") to deliver an aggregate of 250 MW of infrastructure to host CoreWeave's HPC operations at Polaris Forge 1. The ELN-02 Lease is for the full capacity of our 100 MW data center that was completed and became operational in October 2025, and the ELN-03 Lease is for the full capacity of our 150 MW data center that is also under construction. We have guaranteed the obligations of APLD ELN-02 LLC and APLD ELN-03 LLC under the respective lease to which such subsidiary is a party.

On March 30, 2026, the Company and CoreWeave amended the ELN-02 Lease to suspend the term for two of the four data halls covered by the lease (the "ELN-02 Lease Amendment") and the Company entered into a new datacenter lease with CoreWeave Compute Acquisition Co. VIII, LLC ("CoreWeave SPV"), a wholly owned subsidiary of CoreWeave, for those two data halls on substantially the same terms as the ELN-02 Lease (the "ELN-02 SPV Lease"). The ELN-02 SPV Lease is conterminous with the initial term of the ELN-02 Lease. Upon the expiration or earlier termination of the ELN-02 SPV Lease, the suspended term under the ELN-02 Lease will resume and all four data halls of ELN-02 will once again be governed by the ELN-02 Lease. As further credit enhancement, CoreWeave delivered to APLD ELN-02 LLC an Unconditional Springing Guaranty of Payment and Performance (the "ELN-02 Guaranty") in connection with CoreWeave SPV's obligations under the ELN-02 SPV Lease. CoreWeave is obligated to provide a letter of credit in the amount of $50 million to secure obligations under the ELN-02 Lease within 30 days of March 30, 2026.

Also on March 30, 2026, CoreWeave entered into an Assignment, Assumption and Consent Agreement with CoreWeave SPV and APLD ELN-03 LLC, assigning all of CoreWeave's rights and obligations under the ELN-03 Lease to CoreWeave SPV for the remaining term of the ELN-03 Lease and releasing CoreWeave from the ELN-03 Lease. In addition, CoreWeave also provided an Unconditional Springing Guaranty of Payment and Performance in connection with CoreWeave SPV's obligations under the ELN-03 Lease, similar to the ELN-02 Guaranty.

On August 28, 2025, APLD ELN-02 C LLC, our subsidiary, entered into a third data center lease, the ("Building 4 Lease") with CoreWeave to deliver an additional 150 MW at Polaris Forge 1, bringing the total capacity under contract at Polaris Forge 1 to 400 MW. We have guaranteed the obligations of APLD ELN-02 C LLC under the Building 4 Lease.

On August 18, 2025, we also announced that we would be breaking ground on our Polaris Forge 2 campus with an initial 200 MW data center near Harwood, North Dakota. The project has begun and we currently anticipate reaching initial capacity in the calendar year 2026 and reaching full capacity in early calendar year 2027. On October 20, 2025, APLD FAR-01 LLC and APLD FAR-02 LLC, the Company's subsidiaries, entered into a data center lease with a U.S.-based investment-grade hyperscaler to deliver 200MW of critical IT load to support the hyperscaler's AI and HPC infrastructure at Polaris Forge 2, which is currently under construction. The initial 200 MW are phased within two buildings expected to begin to come online during the calendar year 2026.

On January 22, 2026 we announced that we broke ground on Delta Forge 1, a 300 MW critical IT load campus located in a strategic southern U.S. market.

On April 20, 2026 and April 22, 2026, APLD AEX-01 LLC and APLD AEX-02 LLC, respectively, each a subsidiary of the Company, entered into separate data center leases with a second U.S.-based investment-grade hyperscaler to deliver a combined 300MW of critical IT load to support the hyperscaler’s AI and HPC infrastructure at Delta Forge 1. Initial operations at Delta Forge 1 are anticipated to commence during calendar year 2027. On May 20, 2026, a different subsidiary of the Company entered into a data center lease with the same U.S.-based investment-grade hyperscaler to deliver a combined 300MW of critical IT load to support the second hyperscaler’s AI and HPC infrastructure at Polaris Forge 3. Initial operations at Polaris Forge 3 are anticipated to commence during calendar year 2027.

We began to generate revenue from this business segment in fiscal year 2026, recognizing $385.3 million in revenue during the fiscal year ended May 31, 2026, with $270.6 million related to services revenue and $114.7 million related to data center rental and other revenue.

Data Center Hosting Business

Our Data Center Hosting Business provides energized infrastructure services to crypto mining customers. Our custom-designed data centers allow customers to rent space based on their power requirements. We currently serve one crypto mining customer with a remaining contractual term of one and a half years. As of May 31, 2026, our 106 MW facility in Jamestown, North Dakota and our 180 MW facility in Ellendale, North Dakota continue to operate at full capacity.

We recognized $154.4 million, $144.2 million, and $136.6 million in revenue from this business segment during the fiscal years ended May 31, 2026, May 31, 2025, and May 31, 2024 respectively.

ChronoScale

On May 5, 2026, we completed the separation of our cloud business in a series of transactions that resulted in the Company owning approximately 97% of the issued and outstanding equity of ChronoScale Corporation ("ChronoScale"). ChronoScale owns and operates our historic cloud business and is consolidated into our financial statements. The common stock of ChronoScale began trading on the Nasdaq Capital Market under the symbol “CHRN” on May 5, 2026.

ChronoScale's cloud business currently operates in three states: Colorado, Minnesota and Utah. This business provides cloud services to customers, such as AI and machine learning developers by renting space at third party co-location centers and providing the customers with access to its cloud computing equipment.

Management Updates

On January 15, 2026, the Company appointed Jason Zhang, co-founder and Chief Strategy Officer, to serve as the Company’s co-founder and President.

Organizational Update

In part to facilitate the 2030 9.250% Notes Offering (as defined below), we completed a targeted reorganization of the entities and assets related to the Polaris Forge 1 campus. This reorganization included a series of steps such as renaming certain existing entities and forming new direct and indirect wholly owned subsidiaries of APLD HPC Holdings 2 LLC, including APLD ComputeCo LLC, the issuer of the 2030 9.250% Notes (“APLD ComputeCo”), and additional internal transactions, including equity distributions and contributions and asset transfers, resulting in APLD ELN-02 LLC and APLD ELN-03 LLC being owned by APLD ComputeCo. APLD ComputeCo is wholly owned by APLD HPC TopCo 2, in which we own 86.5% of fully diluted common equity, and an affiliate of funds and investment vehicles managed by entities within MAM owns 13.5% of fully diluted common equity, as well as preferred equity.

In order to facilitate the 2031 6.750% Notes Offering (as defined below), we also completed a targeted reorganization of the entities and assets related to the Polaris Forge 2 campus consistent with the reorganizations completed in connecting with the 2030 9.250% Notes Offering. This reorganization included a series of steps such as renaming certain existing entities and forming new direct and indirect wholly owned subsidiaries of APLD FAR Holdings LLC, including APLD ComputeCo 2 LLC (“APLD ComputeCo 2”), the issuer of the 2031 6.750% Notes, and additional internal transactions, including equity distributions and contributions and asset transfers. Under the resulting structure, APLD FAR-01 LLC and APLD FAR-02 LLC are owned by APLD ComputeCo 2. APLD ComputeCo 2 is wholly owned by APLD HPC TopCo 2.

Public Offerings and Changes to Equity

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the "June 2025 Sales Agreement"), pursuant to which, up to $200,000,000 of shares of the Company's common stock may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately $196.4 million.

Series G Preferred Stock

On August 14, 2025, we entered into the first amendment (the "First Amendment") to the Preferred Equity Purchase Agreement (the "PEPA"), dated April 30, 2025, to, among other things, (i) increase the aggregate commitment amount of the shares of Series G Convertible Preferred Stock (the "Series G Preferred Stock") from $150 million to $300 million, and (ii) increase our access to capital by removing the Put Limitation (as defined in the PEPA) that had previously limited the aggregate purchase price for any Put Issuance (as defined in the PEPA) to no more than $75 million. In connection with the First Amendment, on August 14, 2025, we filed an amendment (the "First CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025. The First CoD Amendment amends the Series G Certificate of Designation to, among other things, (i) increase the initial Floor Price (as set forth in Section 1.5(c)(i) of the Series G Certificate of Designation) to $12.50 from $4.25, and (ii) change the limit below which the Floor Price may not be reduced (as set forth in Section 1.5(c)(ii) of the Series G Certificate of Designation) to $4.33 from $1.34. The Floor Price sets the minimum floor for the conversion price of the Series G Preferred Stock, which price may not be reduced unless we determine to do so in our discretion. The First CoD Amendment further amended the status of converted or repurchased preferred stock such that any shares of Series G Preferred Stock that have been or will be converted will be retired and resume the status of authorized but unissued shares.

On September 11, 2025, we entered into the second amendment (the "Second Amendment") to the PEPA, dated April 30, 2025, by and between us and the investors signatory thereto, as amended by the First Amendment, dated August 14, 2025 in order to increase our access to capital to fund the continued construction and development of our Polaris Forge 1 data center campus in Ellendale, North Dakota and other general corporate purposes.

The Second Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of Series G Preferred Stock from $300 million to $450 million. Concurrent with the Second Amendment, the

Company filed an amendment to the Certificate of Designations to increase the number of shares authorized for issuance as Series G Preferred Stock from 156,000 to 204,000 shares.

On September 25, 2025, the Company filed an amendment (the "Third CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended. The Third CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to $22.00 from $12.50.

On October 7, 2025, the Company entered into the third amendment (the "Third Amendment") to the PEPA, dated April 30, 2025, by and between the Company and the investors signatory thereto, as amended by the First Amendment and the Second Amendment, in order to increase its access to capital to fund the continued construction and development of its Polaris Forge I data center in Ellendale, North Dakota. The Third Amendment amends the PEPA to, among other things, increase the aggregate commitment amount of the shares of the Series G Preferred Stock from 450.0 million to 590.0 million.

On October 14, 2025, the Company filed a fourth amendment (the "Fourth CoD Amendment") to the Series G Certificate of Designation, as amended. The Fourth CoD Amendment amended the Series G Certificate of Designation, as amended, which increased the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to $34.00 from $22.00. On October 21, 2025, the Company entered into the fourth amendment (the "Fourth Amendment") to the PEPA in order to increase its access to capital to fund the continued construction and development of its Polaris Forge 1 and Polaris Forge 2 data centers in Ellendale and Harwood, North Dakota, as well as general working capital purposes and for transaction expenses.

The Fourth Amendment amended the PEPA to, among other things: (i) increase the aggregate commitment amount of the shares of Series G Preferred Stock, from $590.0 million to $1.59 billion; (ii) subject to waiver by a majority-in-interest of the investors, (a) set the maximum put issuance amount to $75.0 million per issuance, (b) set the limit to one put issuance per seven (7) business day period, and (c) set the maximum aggregate stated value of Series G Preferred Stock outstanding at any one time to $75.0 million; (iii) increase the original discount from 2% to 3%; (iv) eliminate the placement agent fee; and (v) eliminate the prohibition on Variable Rate Transactions (as defined in the PEPA). On October 21, 2025, in connection with the entry into the Fourth Amendment, the Applied Digital filed an amendment (the "Fifth Certificate of Designations Amendment") to the Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended on each of August 14, 2025, September 11, 2025, September 25, 2025 and October 14, 2025 (as amended, the "Certificate of Designations"). The Fifth Certificate of Designations Amendment amended the Certificate of Designations to, among other things, (i) increase the authorized shares of Series G Preferred Stock from 204,000 shares to 1,030,000 shares, and (ii) increase the limit below which the Floor Price (as defined in Section 1.5(c)(ii) of the Certificate of Designations) may not be reduced from $4.33 to $4.48. In addition, under the Fifth Certificate of Designations Amendment, Applied Digital's Board of Directors may increase or decrease the applicable Floor Price with respect to any put, at its sole discretion.

On May 29, 2026, the Company entered into the fifth amendment (the "Fifth Amendment") to the PEPA. The Fifth Amendment amended the PEPA to, among other things: (i) set the maximum put issuance amount to $150,000,000 per issuance, (ii) set the limit to one put issuance per seven (7) calendar day period, (iii) set the maximum aggregate stated value of Series G Preferred Stock outstanding at any one time to $150,000,000, (iv) create a controlled account for which proceeds from the put issuance will be funded, (v) extend the term of the PEPA to August 29, 2029, and (vi) provide a cure period for the investors to pay the purchase price for any put issuance.

As Series G Preferred Stock may be reissued, during the fiscal years ended May 31, 2026 and May 31, 2025, the Company issued and sold 835,800 and 78,000 shares of Series G Preferred Stock, respectively, for gross proceeds of $815.0 million and $75.0 million, respectively. During the fiscal year ended May 31, 2026, 913,800 shares of Series G Preferred Stock were converted into approximately 51.0 million shares of the Company's common stock. As of May 31, 2026, no shares of Series G Preferred Stock were issued or outstanding.

CoreWeave Warrants

On May 28, 2025, in connection with the entry into the data center leases with CoreWeave for Building 2 and Building 3 (the "CoreWeave Leases"), the Company issued to CoreWeave a warrant (the "CoreWeave Warrant") to acquire up to 13,062,521 shares of the Company's common stock at an exercise price of $7.19 per share, subject to adjustment in accordance with the terms and conditions set forth in the CoreWeave Warrant. The CoreWeave Warrant is exercisable upon issuance, upon payment of the applicable exercise price in cash or through cashless exercise for a period of 10 years. On June 9, 2025, CoreWeave assigned a portion of the CoreWeave Warrant to acquire up to 6,531,261 shares of the Company's common stock to PEAK6 Capital Management, LLC (the "PEAK6 Warrant"). CoreWeave concurrently assigned the remaining portion of the CoreWeave Warrant to acquire up to 6,531,260 shares of the Company's common stock to Jane Street (the "Jane Street CW Warrant"), and on or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to the Jane Street CW Warrant to Wells Fargo Bank, National Association ("WFBNA"). As of May 31, 2026, 300 warrant shares subject to the PEAK6 Warrant have been exercised through cashless exercise.

Additionally, on August 28, 2025, in connection with the entry into the Building 4 Lease, the Company issued to CoreWeave a warrant (the "Building 4 Warrant") to acquire up to 8,393,611 shares of the Company's common stock at an exercise price of $10.75 per share, subject to adjustment in accordance with the terms and conditions set forth in the Building 4 Warrant. The Building 4 Warrant is on the same Form of Warrant as the initial CoreWeave Warrant. In addition, we agreed to file a resale registration statement with the SEC to register the resale of the shares of common stock issuable upon exercise of the Building 4 Warrant pursuant to the Registration Rights Agreement, dated May 28, 2025, between us and CoreWeave ("CoreWeave Registration Rights Agreement"). On October 31, 2025, CoreWeave assigned the Building 4 Warrant and its rights under the CoreWeave Registration Rights Agreement to Jane Street Global Trading, LLC ("Jane Street"). On or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to the Building 4 Warrant to WFBNA.

Macquarie Warrants

On November 27, 2024, as partial consideration for the Macquarie Promissory Note, the Company issued warrants to purchase up to 1,035,197 shares of the Company's common stock (the "Macquarie Warrants") to Macquarie Equipment Capital, Inc. ("MEC"). The Macquarie Warrants are exercisable from and after the date that is six months following the date of issuance thereof and will have a five and one-half-year term and an exercise price of $9.66 per share, which exercise price must be paid in cash. The Macquarie Warrants survived the termination of the Macquarie Promissory Note and remain outstanding as of May 31, 2026. On October 31, 2025, MEC assigned the Macquarie Warrants and its rights under the Registration Rights Agreement in connection therewith to Jane Street and on or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to Macquarie Warrants to WFBNA.

Amended and Restated Unit Purchase Agreement

As previously disclosed, on January 13, 2025, APLD HPC Holdings LLC (formerly, APLD ELN-02 Holdings LLC), an indirect wholly owned subsidiary of the Company, entered into a Unit Purchase Agreement (the "Unit Purchase Agreement" or "UPA") for its HPC Hosting Business with MIP VI HPC Holdings, LLC, which is an affiliate of funds and investment vehicles managed by entities within Macquarie Asset Management ("MAM"). On February 11, 2025, APLD HPC Holdings LLC novated and assigned its rights, title and interests and duties, liabilities and obligations under the UPA to APLD HPC TopCo LLC, an indirect wholly-owned subsidiary of the Company ("TopCo 1"). On October 3, 2025, the Company, TopCo 1, APLD HPC TopCo 2 LLC, an indirect wholly-owned subsidiary of the Company ("TopCo 2"), and MIP HPC Holdings, LLC (formerly, MIP VI HPC Holdings, LLC) (the "Purchaser") entered into an Amended and Restated Unit Purchase Agreement (the "A&R UPA").

On October 6, 2025, all conditions to the Initial Closing (as defined in the A&R UPA) were satisfied and the Initial Closing occurred. At the Initial Closing, TopCo 2 sold to the Purchaser 112,500 Preferred Units in TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $112.5 million, and for no additional consideration, TopCo 2 agreed to issue to the Purchaser such number of Common Units of TopCo 2 representing, in the aggregate, seven and a half percent (7.5%) of the fully diluted common equity of TopCo 2 as of immediately following the Initial Closing. The proceeds of the Initial Closing will be used to pay, among other things, construction and development costs of Polaris Forge 1 and transaction expenses. MAM has the right to invest up to an additional $4.9 billion under the A&R UPA.

In addition, pursuant to the A&R UPA, on October 6, 2025, the Company issued to the designated affiliates of the Purchaser, warrants to purchase an aggregate of 2.4 million shares of the Company's common stock. Under its terms the warrants became exercisable on April 6, 2026. Also on October 6, 2025, the Company entered into a registration rights agreement with the Purchaser, pursuant to which the Company agreed to file with the SEC a registration statement registering the resale of the shares of common stock issuable upon exercise of the warrants within 60 days of the execution of the registration rights agreement. On November 25, 2025, TopCo 2 sold to the Purchaser 450,000 Preferred Units in TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $450.0 million.

On December 9, 2025, TopCo 2 sold to the Purchaser an additional 337,500 Preferred Units in TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $337.5 million. Additionally, 27,778 common units were issued.

On May 29, 2026, TopCo 2 completed a fourth closing under its A&R UPA, selling 925,000 preferred units for $925.0 million and issuing an additional 41,815 common units. This brought the total amount funded to date under the A&R UPA to $1.8 billion as of May 31, 2026 and MIP HPC Holdings, LLC's holdings to 13.5% of TopCo 2's fully diluted common equity.

Retirement of Treasury Stock

On October 7, 2025, the Board of Directors approve and authorized 9,291,199 shares of the Company's capital stock that was currently held in treasury stock to be retired and returned to the authorized but unissued capital stock.

STB Warrant

During the fiscal year ended May 31, 2026, 800,000 of the STB Warrants were exercised for $6.3 million.

Settlement of Prepaid Forward Transaction

On November 3, 2025, the Company's Prepaid Forward Transaction associated with the Convertible Notes matured and the Company received 7,165,300 shares of common stock which are now held in treasury stock as of May 31, 2026.

Increase in Authorized Shares

On November 5, 2025, at the Annual Stockholders' Meeting, the Company's stockholders approved an amendment to the Second Amended and Restated Articles of Incorporation, increasing the number of shares of common stock authorized for issuance thereunder to 600,000,000 shares, which became effective upon filing on November 6, 2025.

Increase in 2024 Plan Authorized Shares

On November 5, 2025, at the Annual Stockholders' Meeting, the Company's stockholders approved an amendment to the Applied Digital Corporation 2024 Omnibus Equity Incentive Plan to increase the number of shares of common stock authorized for issuance thereunder by 15,000,000 shares.

Debt Financing

Promissory Note

On September 9, 2025, our subsidiary, APLD FAR-01 LLC ("APLD FAR-01"), entered into a promissory note (the "MEC Promissory Note") with Macquarie Equipment Capital, Inc., a Delaware corporation ("MEC"). The MEC Promissory Note provides for a principal sum of (a) $50 million (the "Initial Loan"), which was drawn on the Closing Date, plus (b) subject to the mutual consent of us and MEC, additional loans in an aggregate principal amount not to exceed $25 million (the "Additional Loans" and together with the Initial Loan, the "MEC Loan").

The MEC Loan shall bear interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the "Post-Default Rate"). From the Closing Date until the date that is twelve months following the Closing Date (the "PIK Period"), accrued interest will be paid in kind, with such payment in kind being capitalized to principal monthly and at such other times as may be specified in the MEC Promissory Note. After the PIK Period, accrued interest will be paid in cash, provided that (i) the Post-Default Rate interest is payable in cash on demand and (ii) accrued interest on any principal amount repaid or prepaid is payable on the date of such repayment or prepayment. The MEC Promissory Note matures on the earliest of (i) the date of acceleration of the MEC Loan, (ii) February 1, 2026, if the 200 MW Lease Execution (as defined therein) has not occurred on or before October 31, 2025, or (iii) September 9, 2027. The MEC Loan will accelerate and we must mandatorily prepay the full outstanding principal balance of the MEC Promissory Note, together with accrued interest to the date of prepayment on the principal amount prepaid and any other amounts then due and payable, upon the occurrence of any of the following conditions: (a) a Change of Control (as defined therein), (b) within ninety (90) days following the occurrence of the 200 MW Lease Execution, and (c) within thirty (30) days following a Qualifying Preference Share Issuance (as defined therein).

We may voluntarily prepay all or part of the MEC Promissory Note at any time with no less than three (3) business days' notice with accrued interest to the date of prepayment on the principal amount prepaid, so long as, with respect to the portion of the MEC Loan then being prepaid, in each case, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals or exceeds 1.10 to 1.00. The same 1.10x return hurdle applies to repayment at maturity. Amounts repaid under the MEC Promissory Note will not be available to be re-borrowed.

Proceeds of the MEC Loan under the MEC Promissory Note were used, in part, to (i) pay transaction costs, (ii) pay transaction expenses in connection with the Note Documents (as defined therein), (iii) fund the purchase of the financed properties located on the Company's campus in Harwood, North Dakota ("Polaris Forge 2"), including all associated closing costs, title fees, and legal expenses, (iv) finance improvements to the Polaris Forge 2 properties, (v) fund the purchase of the Transformers (as defined therein) and other equipment expected to be installed and used for the improvements of the Polaris Forge 2 properties, (v) to pay any other costs, fees, expenses, or amounts related to or in connection with the development and construction of Polaris Forge 2, and (vi) for general corporate working capital purposes.

In connection with the MEC Loan, (i) APLD FAR-01, APLD FAR Holdings LLC, a Delaware limited liability company ("APLD FAR Holdings"), as parent of the APLD FAR-01, and APLD FAR-02 LLC, a Delaware limited liability company ("APLD FAR-02"), as a subsidiary of APLD FAR Holdings, have entered into a guarantee and collateral agreement, as grantors thereunder, in favor of MEC (the "Guarantee and Collateral Agreement").

On November 28, 2025, APLD FAR-01 repaid the MEC Promissory Note in full, including all outstanding and unpaid principal, accrued interest, and rate of return.

2025 Revolving Credit Facility

On November 10, 2025, the Company entered into a loan and security agreement with First National Bank of Omaha, pursuant to which the lender agreed to make one or more revolving loans, and issue letters of credit, from time to time to the Company in an aggregate principal amount of $65 million (the "2025 Revolving Credit Facility"). Amounts borrowed and repaid are available for future borrowing. Interest accrues on the outstanding balance at a rate of SOFR plus 2.75% per annum. The loan is secured by all of the Company's (but none of its subsidiaries') assets. On May 29, 2026, the 2025 Revolving Credit Facility was modified and the standby letters of credit thereunder transferred when the Company and certain of its subsidiaries entered into the 2026 Revolving Credit Facility (as defined below).

9.250% Senior Secured Notes due 2030

On November 20, 2025, our subsidiary APLD ComputeCo LLC ("APLD ComputeCo"), closed a $2.35 billion offering (the "2030 9.250% Notes Offering") of 9.250% senior secured notes due 2030 (the "2030 9.250% Notes") at an issue price of 97.000%. The 2030 9.250% Notes were issued and sold in a private offering to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended, and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. The 2030 9.250% Notes are senior secured obligations of APLD ComputeCo and bear interest at a rate of 9.250% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2026. The principal amount of the 2030 9.250% Notes will amortize on a semi-annual basis on June 15 and December 15 of each year, beginning on December 15, 2027, in amounts set forth in the Indenture. The 2030 9.250% Notes will mature on December 15, 2030, unless earlier redeemed or repurchased in accordance with their terms. The 2030 9.250% Notes are fully and unconditionally guaranteed by the subsidiary guarantors, all of which are wholly owned subsidiaries of APLD ComputeCo. Other than a customary completion guarantee, the Company is not providing credit support for the 2030 9.250% Notes Offering.

SMBC Loan Extinguishment

Concurrently with the closing of the 2030 9.250% Notes Offering, we repaid in full the aggregate principal balance plus accrued interest under the Credit and Guaranty Agreement, dated as of February 11, 2025, by and among APLD HPC Holdings LLC, the Subsidiary Guarantors thereunder (as defined therein), the lenders party thereto and Sumitomo Mitsui Banking Corporation ("SMBC"), as administrative agent.

DevCo Facility

On December 18, 2025, APLD DevCo LLC ("APLD DevCo"), a subsidiary of the Company, entered into an ongoing credit arrangement with MEC, for the purposes of funding the initial sourcing, planning, development and construction costs associated with a new data center project (the "DevCo Facility") and other potential projects.

The DevCo Facility is evidenced by, among other documents, that certain Promissory Note, dated as of December 18, 2025 (such date, the "Initial Closing Date") (as amended and restated by that certain Amendment No. 1 to Promissory Note dated as of February 24, 2026 and as may be further amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "DevCo Promissory Note") executed by APLD DevCo in favor of MEC. The DevCo Promissory Note provides for a principal sum of (a) $45 million (the "First Draw"), which was drawn on the Initial Closing Date, plus (b) $40 million (the "Second Draw") which was drawn on February 24, 2026, plus (c) $15 million (the "Third Draw," and, together with the First Draw and the Second Draw, the "Initial Loan," and each, individually, a "Draw") with the Third Draw to be funded upon APLD DevCo's request at any time after the Initial Closing Date subject to satisfaction of or waiver by MEC of certain conditions precedent on or prior to the Third Draw, plus (d) the principal sum of any Additional Loans (as defined below, and, together with the Initial Loan, the "DevCo Loan"), if applicable, made by MEC (at the mutual consent of APLD DevCo and MEC).

In addition, the DevCo Promissory Note provides for, upon request of APLD DevCo occurring prior to the Maturity Date (as defined below), (a) rolling over of the outstanding principal balance of the DevCo Loan from time to time into one or more loans for one or more new projects (such rollovers, the "Rollover Loans"), or (b) increasing the size of the existing DevCo Loan by advancing new loans to APLD DevCo (such loans, the "Additional Loans"), in either case, for the purpose of financing development activities at new or existing data center projects at direct or indirect, wholly owned domestic subsidiaries of APLD DevCo, each of which shall become a guarantor with respect to such Additional Loans or Rollover Loans, as applicable, subject to the prior written approval of MEC (in its sole discretion) and the satisfaction of the conditions specified by MEC.

Each Draw is fully committed, but any Additional Loans or Rollover Loans made by MEC under the DevCo Promissory Note would be on an uncommitted, discretionary basis (with no specified maximum borrowing limit for any Additional Loans or Rollover Loans).

The DevCo Loan shall bear interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the "Post-Default Rate").

The DevCo Loan matures on the earliest of (i) the date of acceleration of the DevCo Loan, (ii) July 18, 2026, if the Initial Lease Execution (as defined therein) has not occurred on or before April 18, 2026, or (iii) December 18, 2027 (the "Maturity Date").

Proceeds from the DevCo Loan will be used, in part, to (i) pay transaction expenses, and (ii) fund the purchase, development and improvement of, and the purchase of equipment for, our latest new project under development.

In connection with the Loan, (i) APLD Intermediate as direct parent of APLD DevCo, and APLD DevCo's subsidiaries (the "Note Parties") have entered into a guarantee and collateral agreement, as grantors thereunder, in favor of MEC (the "Guarantee and Collateral Agreement"), and (ii) the Company has entered into a parent guarantee in favor of MEC to guarantee the obligations of the Note Parties under the DevCo Promissory Note.

On May 29, 2026, APLD DevCo repaid the DevCo Loan in full, including all outstanding and unpaid principal, accrued interest, and rate of return, when the Company and certain of its subsidiaries completed the fourth closing under the Amended & Restated Unit Purchase Agreement, as described in *Note 11 - Variable Interest Entities*.

6.750% Senior Secured Notes due 2031

On March 10, 2026, APLD ComputeCo 2 LLC, a subsidiary of the Company ("APLD ComputeCo 2"), closed a $2.15 billion offering (the "2031 6.750% Notes Offering") of 6.750% senior secured notes due 2031 (the "2031 6.750% Notes") at an issue price of 98.000% of par. The 2031 6.750% Notes are senior secured obligations of APLD ComputeCo 2 and bear interest at a rate of 6.750% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2026. The principal amount of the 2031 6.750% Notes will amortize on a semi-annual basis on March 15 and September 15 of each year, in amounts set forth in the Indenture. The 2031 6.750% Notes will mature on March 15, 2031, unless earlier redeemed or repurchased in accordance with their terms. The 2031 6.750% Notes are fully and unconditionally guaranteed by the subsidiary guarantors, all of which are wholly owned subsidiaries of APLD ComputeCo 2. The Company provided a customary completion guarantee for the 2031 6.750% Notes Offering. The gross proceeds from the 2031 6.750% Notes Offering were deposited into a segregated escrow account pending the execution of an electric service agreement with certain providers on the terms and conditions of a related escrow agreement. On June 18, 2026, the escrow release condition was satisfied, and the escrowed funds were released into the project accounts to fund the development and construction of the facilities.

Bridge Facility

On May 1, 2026, APLD ComputeCo 3 LLC ("APLD ComputeCo 3"), a subsidiary of the Company, and APLD ComputeCo 3's wholly owned subsidiaries as subsidiary guarantors entered into a Credit and Guaranty Agreement with Goldman Sachs Bank USA, as administrative agent and as collateral agent (in such capacity, the "Bridge Facility Collateral Agent") and the Lenders party thereto, providing for a bridge loan facility in an aggregate principal amount of $300 million (the "Bridge Facility").

Proceeds of the Bridge Facility were used to (i) pay transaction expenses in connection with the Loan Documents (as defined therein), (ii) fund the construction and improvement of ELN-04, (iii) fund the purchase of equipment expected to be installed and used for the improvements of ELN-04, and (iv) pay other costs, fees, expenses or amounts related to or in connection with the development and construction of ELN-04.

The Bridge Facility bears interest at a rate per annum equal to, depending on the Type of Loans under any Borrowing, either Daily Simple SOFR plus 2.75% per annum or the Base Rate plus 1.75% per annum, and matures on April 30, 2027.

In connection with the Bridge Facility, (i) APLD ComputeCo 3 and the subsidiary guarantors have entered into a Collateral Agency, Security and Depositary Agreement, as grantors thereunder, in favor of the Bridge Facility Collateral Agent, pursuant to which APLD ComputeCo 3 and the subsidiary guarantors pledged a continuing security interest in substantially all of their respective assets, (ii) APLD HPC Holdings 2 LLC, a Delaware limited liability company, as parent of APLD ComputeCo 3, entered into a Pledge Agreement in favor of the Bridge Facility Collateral Agent, pursuant to which it pledged the equity interests in APLD ComputeCo 3, and (iii) the Company provided a full recourse parent guarantee (the "Parent Guarantee") in favor of the Bridge Facility Collateral Agent.

Subsequent to the end of the fiscal year, APLD ComputeCo 3 refinanced the Bridge Facility with the closing of the 2031 7.000% Notes Offering (as defined below). See further discussion in Note 21 - Subsequent Events.

2026 Revolving Credit Facility

On May 29, 2026, APLD Intermediate HoldCo LLC, a Delaware limited liability company and a first-tier subsidiary of the Company ("APLD Intermediate HoldCo"), and certain other subsidiaries of the Company as subsidiary guarantors entered into a Credit Agreement (the "Revolving Credit Agreement") with First National Bank of Omaha, as administrative agent and collateral agent (in such capacity, the "Revolving Credit Collateral Agent"), and the lenders and issuing banks party thereto, providing for a revolving credit facility in an initial aggregate principal amount of $350.0 million with an additional accordion option of up to $200 million (the "2026 Revolving Credit Facility").

Proceeds of the 2026 Revolving Credit Facility will be used (i) on the closing date, to repay or refinance existing indebtedness, (ii) for general corporate purposes and (iii) for ongoing working capital needs of APLD Intermediate HoldCo and its subsidiaries.

The 2026 Revolving Credit Facility bears interest at a rate per annum equal to, at APLD Intermediate HoldCo's election, either Term SOFR plus 2.25% or the Alternate Base Rate plus 1.25%, and matures on the earlier of (i) May 29, 2029 and (ii) the date that is ninety-one (91) days prior to a specified date in Section 10.01(a)(i) of that certain Preferred Equity Purchase Agreement.

In connection with the 2026 Revolving Credit Facility, (i) the Company, APLD Intermediate HoldCo, and certain of the Company's subsidiaries (collectively, the "Revolving Credit Loan Parties") entered into a Collateral Agreement in favor of the Revolving Credit Collateral Agent, pursuant to which the Revolving Credit Loan Parties pledged a continuing security interest in substantially all of their respective assets (subject to the exclusions specified in the Revolving Credit Agreement), and (ii) the Revolving Credit Loan Parties entered into a Guarantee Agreement in favor of the Revolving Credit Collateral Agent, guaranteeing the obligations of the other Revolving Credit Loan Parties under the Revolving Credit Agreement. APLD ComputeCo 3 and its subsidiaries are not (i) Revolving Credit Loan Parties, (ii) "restricted subsidiaries" under the 2026 Revolving Credit Facility, (iii) required to provide any credit support for the 2026 Revolving Credit Facility, or (iv) subject to any covenants or other restrictions in the 2026 Revolving Credit Facility.

Recent Developments

Cloud SAFE Payoff

During the fiscal year ended May 31, 2025, we entered into two Simple Agreements for Future Equity ("SAFEs") with an investor for equity in Cloud, which was, at that time, our wholly-owned subsidiary, for aggregate proceeds of $12.0 million. On June 2, 2026, following an agreement reached with the investor, we paid off all amounts outstanding under the SAFEs, totaling $13.3 million.

Delta Forge 2 Lease

On June 5, 2026, we entered into an approximately 15-year lease (with three five-year renewal options) with a high investment-grade hyperscaler at our Delta Forge 2 210 MW critical IT load campus located in our southern region, comprising a single building under construction. The lease is for the full 210 MW of critical IT load, representing approximately $5.2 billion of contracted revenue over the base term, with expected delivery in the first half of calendar year 2028.

$1.59 Billion Senior Secured Notes due 2031

On June 16, 2026, APLD ComputeCo 3 refinanced the Bridge Facility with the closing of a $1.59 billion offering (the "2031 7.000% Notes Offering") of 7.000% senior secured notes due 2031 (the "2031 7.000% Notes") at an issue price of 100.000% of par. The 2031 7.000% Notes are senior secured obligations of APLD ComputeCo 3 and bear interest at a rate of 7.000% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2026. The principal amount of the 2031 7.000% Notes will amortize on a semi-annual basis on June 15 and December 15 of each year, in amounts set forth in the Indenture. The 2031 7.000% Notes will mature on June 15, 2031, unless earlier redeemed or repurchased in accordance with their terms. The 2031 7.000% Notes are fully and unconditionally guaranteed by the subsidiary guarantors, all of which are wholly owned subsidiaries of APLD ComputeCo 3. The Company provided a customary completion guarantee for the 2031 7.000% Notes Offering.

Series G

On June 17, 2026 and June 22, 2026, we issued an aggregate of 154,500 shares of Series G Preferred Stock for total gross proceeds of $150.0 million. Of the 154,500 shares of Series G Preferred Stock issued, 81,346 shares have been converted into an aggregate of 1,787,825 shares of our common stock and 73,154 shares remain outstanding.

On June 26, 2026, we entered into the sixth amendment to the PEPA to increase the aggregate commitment amount under the PEPA for the issuance of shares of Series G Preferred Stock from $1.59 billion to $2.0 billion.

Satisfaction of Escrow Release Condition for 6.750% Senior Secured Notes due 2031

On June 18, 2026, APLD ComputeCo 2 satisfied the escrow release condition under the escrow agreement for the 2031 6.750% Notes and executed and delivered to the escrow agent an escrow release certificate directing the escrow agent to release the funds in the escrow account to APLD ComputeCo 2 and apply such funds in accordance with the escrow agreement and the indenture for the 2031 6.750% Notes.

Upsize of 2026 Revolving Credit Facility

On June 26, 2026, in connection with the 2026 Revolving Credit Facility, the Company, APLD Intermediate HoldCo, and the subsidiary guarantors party to the Revolving Credit Agreement entered into an Incremental Assumption Agreement No. 1 (the "Assumption Agreement"), with the Revolving Credit Collateral Agent and the lenders and issuing banks party thereto, providing for an Incremental Revolving Facility Commitment in an aggregate principal amount of up to $80,000,000 (the "Incremental Revolving Financing"). After giving effect to the Assumption Agreement, the aggregate revolving commitments under the 2026 Revolving Credit Facility increased to $430.0 million, with an additional $120 million accordion option remaining. The Incremental Revolving Financing constitutes a part of the 2026 Revolving Credit Facility and is subject to the terms and conditions of the Revolving Credit Agreement and the other loan documents entered into in connection therewith.

Loan and Security Agreement

On June 30, 2026, the Company entered into a Loan and Security Agreement (the "Texas Capital Loan Agreement") with Texas Capital Bank ("Texas Capital") and a related Promissory Note in favor of Texas Capital in the stated principal amount of $58.5 million (the "Texas Capital Note"). The Texas Capital Loan Agreement contains standard terms, conditions and covenants. Interest is payable on the Texas Capital Note at the sum of an adjusted term SOFR plus an applicable margin. The Texas Capital Note matures on June 30, 2031.

ChronoScale Holding Company Transaction

On July 1, 2026, ChronoScale, our majority owned public subsidiary, completed a holding company formation transaction (the “Holding Company Transaction”) that created a new parent holding company as the public company, called ChronoScale Holdings Corporation, a Nevada corporation (“ChronoScale Holdings”), with its operating companies as wholly-owned subsidiaries. The holding company structure better reflects ChronoScale’s individual operating businesses, allows for and can accommodate future growth from internal operations and generally provides for greater administrative and operational flexibility. ChronoScale Holdings has the exact same classes and number of shares outstanding after the Holding Company Transaction as ChronoScale had outstanding immediately before the Holding Company Transaction, and as such, the shareholders of ChronoScale were not be diluted as a result of the Holding Company Transaction. Following the Holding Company Transaction, ChronoScale Holdings became the successor issuer to ChronoScale and continues to trade on Nasdaq under the ticker symbol “CHRN” with the same CUSIP.

Results of Operations

Results of Operations for the fiscal year ended May 31, 2026 compared to fiscal years ended May 31, 2025 and May 31, 2024

The following table sets forth key components of the results of operations (in thousands) during the fiscal years ended May 31, 2026, 2025, and 2024.

	Fiscal Year Ended		
	May 31, 2026	**May 31, 2025**	**May 31, 2024**
Revenues:			
Services revenue	$ 496,609	$ 226,643	$ 150,814
Data center rental and other revenue	114,702	—	—
Related party revenue	—	1,926	14,761
Total revenue	611,311	228,569	165,575
Costs and expenses:			
Services cost of revenue	396,858	216,759	148,340
Data center rental and other cost of revenue	56,771	—	—
Selling, general and administrative (1)	332,096	107,877	97,776
Loss (gain) on classification as held for sale (2)	59,650	(24,616)	15,417
Loss on abandonment of assets	2,398	724	—
Loss from legal settlement	—	—	2,380
Total costs and expenses	847,773	300,744	263,913
Operating loss	(236,462)	(72,175)	(98,338)
Interest expense, net (3)	29,516	32,139	27,517
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	8,116
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on change in fair value of warrants	2,212	6,421	—
Loss on change in fair value of related party warrants	—	—	5,696
Net loss from continuing operations before income tax expenses	(181,532)	(230,963)	(149,575)
Income tax expense	1,787	102	96
Net loss from continuing operations	(183,319)	(231,065)	(149,671)
Net loss from discontinued operations	(1,020)	—	—
Net loss	(184,339)	(231,065)	(149,671)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	(59,665)	—	(397)
Preferred dividends	(6,259)	(2,615)	—
Net loss attributable to common stockholders	$ (250,263)	$ (233,680)	$ (149,274)
Net loss attributable to common stockholders			
Continuing operations	$ (249,243)	$ (233,680)	$ (149,274)
Discontinued operations	(1,020)	—	—
Net loss	$ (250,263)	$ (233,680)	$ (149,274)

Basic and diluted net loss per share attributable to common stockholders			
Continuing operations	$ (0.91)	$ (1.16)	$ (1.31)
Discontinued operations	—	—	—
Basic and diluted net loss per share	$ (0.91)	$ (1.16)	$ (1.31)
Basic and diluted weighted average number of shares outstanding	275,194,755	201,194,451	114,061,414
Adjusted Amounts (4)			
Adjusted revenue	$ 539,707	$ 144,193	$ 136,618
Adjusted operating income (loss)	$ 57,796	$ 2,384	$ 4,752
Adjusted operating margin	11%	2%	3%
Adjusted net income (loss) from continuing operations attributable to common stockholders	$ 36,076	$ (12,458)	$ (13,052)
Adjusted net income (loss) from continuing operations attributable to common stockholders per diluted share	$ 0.11	$ (0.06)	$ (0.11)
Other Financial Data (4)			
EBITDA	$ (65,540)	$ (126,204)	$ (35,095)
as a percentage of adjusted revenue	(11)%	(55)%	(21)%
Adjusted EBITDA	$ 107,229	$ 19,628	$ 21,922
as a percentage of adjusted revenue	18%	9%	13%
Net operating income	$ 90,388	$ —	$ —
Net operating income margin	91%	—%	—%

(1) Includes related party selling, general and administrative expense of $0.3 million, $0.3 million, and $0.6 million for the fiscal years ended May 31, 2026, May 31, 2025, and May 31, 2024 respectively.

(2) For the fiscal year ended May 31, 2026, amount includes a loss on classification of held for sale of $59.7 million representing the write down of the cloud business assets to their carrying value as of February 15, 2026 when it no longer qualified as held for sale. For the fiscal year ended May 31, 2025, amount includes $25 million received in connection with the sale of our Garden City facility once conditional approval requirements were met and escrowed funds were released. The fiscal year ended May 31, 2024 includes $15.4 million loss on classification of held for sale related to the sale of the Garden City facility.

(3) For the fiscal year ended May 31, 2026, amount includes related party income of $0.1 million. For the fiscal year ended May 31, 2024, amount includes related party interest expense of $5.7 million.

(4) Adjusted Amounts and Other Financial Data are non-GAAP performance measures. A reconciliation of reported amounts to adjusted amounts can be found in the "Non-GAAP Measures and Reconciliation" section of Management's Discussion and Analysis.

Commentary on Results of Operations for the fiscal year ended May 31, 2026 compared to the fiscal year ended May 31, 2025

Revenues

Services revenue increased $270.0 million, or 119%, from $226.6 million for the fiscal year ended May 31, 2025 to $496.6 million for the fiscal year ended May 31, 2026. Our HPC Hosting Business commenced operations during the current fiscal year with the first HPC data center at our Polaris Forge 1 campus resulting in the recognition of approximately $270.6 million related to tenant fit-out services. Additionally, there was an increase of $12.1 million in revenue generated by our Data Center Hosting Business due to performance improvements compared to the fiscal year ended May 31, 2025.

These increases were slightly offset by a decrease of $12.4 million in revenue generated from ChronoScale during the fiscal year ended May 31, 2026 compared to the fiscal year ended May 31, 2025 primarily due to a reduction in rates for cloud services.

Data center rental and other revenue was $114.7 million for the fiscal year ended May 31, 2026, which is the period during which our HPC Hosting Business commenced operations. This revenue consisted of approximately $99.8 million related to base rent and $14.9 million related to tenant recoveries.

Related party revenue decreased $1.9 million, or 100%, from $1.9 million for the fiscal year ended May 31, 2025 to no related party revenue recognized for the fiscal year ended May 31, 2026, driven by certain related parties terminating their contracts during the first fiscal quarter of fiscal year 2025.

Cost of revenues

Services cost of revenue increased by $180.1 million, or 83%, from $216.8 million for the fiscal year ended May 31, 2025 to $396.9 million for the fiscal year ended May 31, 2026. The increase was due to the following changes:

- approximately $258.1 million in expenses associated with tenant fit-out services for our HPC Hosting Business which we began providing during the current fiscal year;
- approximately $2.1 million increase in energy costs associated with our Data Center Hosting Business; and
- approximately $1.0 million increase in other expenses directly attributable to generating revenue primarily related to repairs and maintenance, security, and property insurance associated with our data centers.

These increases were partially offset by decreases of approximately $62.3 million in depreciation and amortization expense and approximately $17.2 million in lease and related expense primarily due to the renegotiations of certain of our leases during fiscal year ended May 31, 2026 as well as due to our cloud services business (the “Cloud Services Business”) being classified as held for sale until February 15, 2026, which resulted in decreased depreciation and amortization recorded and a decrease of $1.2 million in personnel expenses due to the closing of the Cloud transaction.

Data center rental and other cost of revenue was $56.8 million for the fiscal year ended May 31, 2026, which is when we commenced our data center rental operations within our HPC Hosting Business. The primary components of data center rental and other cost of revenue were categorized as follows:

- approximately $32.2 million in depreciation and amortization expenses associated with our HPC Hosting Business;
- approximately $14.9 million in expenses which are reimbursable as tenant recoveries;
- approximately $8.5 million in rental property operating expenses, which are not eligible for recovery from our tenant;
- approximately $0.7 million in property insurance expenses associated with our HPC Hosting Business; and
- approximately $0.2 million in property tax expenses associated with our HPC Hosting Business.

Selling, general and administrative expense

Selling, general and administrative expense increased by $224.2 million, or 208%, from $107.9 million for the fiscal year ended May 31, 2025 to $332.1 million for the fiscal year ended May 31, 2026. The increase was primarily due to the overall growth in the business, categorized as follows:

- approximately $198.3 million increase in stock-based compensation primarily due to an increase in shares awarded related to the increase in headcount as well as performance stock awards granted during the fiscal year ended May 31, 2026 compared to the fiscal year ended May 31, 2025;
- approximately $16.0 million increase in professional service expenses primarily related to legal services provided on discrete transactions and projects as well as general support of the business;
- approximately $15.4 million increase in personnel expenses largely driven by increases in headcount to support the business; and
- approximately $6.2 million increase in other selling, general, and administrative expense primarily related to travel, computer and software expenses.

These increases were partially offset by a decrease of approximately $11.2 million in lease and related expenses and a decrease of approximately $0.5 million in depreciation and amortization expense for the fiscal year ended May 31, 2026 compared to the fiscal year ended May 31, 2025, primarily due to the renegotiations of certain of our leases during fiscal year ended May 31, 2026 as well as due to the Cloud Services Business being classified as held for sale until February 15, 2026, which resulted in decreased depreciation and amortization recorded.

Loss (gain) on classification as held for sale

Loss (gain) on classification of held for sale changed by $84.3 million, or 342%, from a gain of $24.6 million for the fiscal year ended May 31, 2025 to a loss of $59.7 million for the fiscal year ended May 31, 2026. The loss during the fiscal year ended May 31, 2026 was primarily due to the write down of the Cloud Services Business assets to their carrying value as of February 15, 2026 when it no longer qualified as held for sale. Comparatively, the gain during the fiscal year ended May 31, 2025 was due to the receipt of $25.0 million of funds received in connection with the sale of our Garden City facility as conditional approval requirements were met and escrowed funds were released.

Loss on abandonment of assets

Loss on abandonment of assets increased by $1.7 million, or 231%, from $0.7 million for the fiscal year ended May 31, 2025 to $2.4 million for the fiscal year ended May 31, 2026, driven by the write down of certain assets to their fair value upon disposal.

Interest expense, net

Interest expense, net decreased $2.6 million, or 8%, from $32.1 million for the fiscal year ended May 31, 2025 to $29.5 million for the fiscal year ended May 31, 2026. As we entered into more debt arrangements during the current fiscal year, there was an increase of approximately $53.3 million in interest expense, approximately $3.3 million in loan issuance cost, and approximately $2.1 million in interest expense issuance discount.

These increases were partially offset by an increase of $52.6 million in interest income due to an increase in funds held in interest-bearing demand deposit accounts as well as a decrease of $8.7 million in finance lease interest due to renegotiations of certain of our leases during the fiscal year 2026.

Gain on change in fair value of derivatives

Gain on change in fair value of derivatives was $75.8 million for the fiscal year ended May 31, 2026, due to an increase of $89.2 million in fair value of our Babcock & Wilcox Enterprises, Inc. (“BWE”) common stock warrant offset by a decrease of $13.3 million in fair value of the derivative assets related to the preferred units and corresponding common units held by APLD HPC TopCo 2’s noncontrolling interest. There was no such gain recorded in the prior fiscal year.

Gain on change in fair value of investments

Gain on change in fair value of investment was $10.8 million for the fiscal year ended May 31, 2026, due to an increase of $8.8 million in fair value of our investment in BWE common stock and an increase of $2.0 million in fair value of our investment in Base Electron, a related party. There was no such gain recorded in the prior fiscal year.

Loss on extinguishment of debt

Loss on extinguishment of debt was $1.2 million for the fiscal year ended May 31, 2025, due to unamortized loan issuance costs related to the Macquarie Promissory Note that was repaid in the fiscal year ended May 31, 2025. There was no such loss recorded in the current fiscal year.

Loss on conversion of debt

Loss on conversion of debt was $33.6 million for the fiscal year ended May 31, 2025, due to the difference in the fair value compared to the price at which the promissory notes, totaling $92.1 million, entered into with YA II PN, LTD in the year ended May 31, 2024 (the “YA Notes") were converted. There was no such loss recorded in the current fiscal year.

Loss on change in fair value of debt

Loss on change in fair value of debt was $85.4 million for the fiscal year ended May 31, 2025, primarily due to a loss of approximately $89.6 million related to the change in fair value of the conversion option derivative of the Convertible Note during the two week period in which we did not have sufficient authorized shares to settle such conversion fully in shares.

This loss was partially offset by a gain of approximately $4.1 million related to the change in the fair value of the YA Notes. There was no such loss recorded in the current fiscal year.

Loss on change in fair value of warrants

Loss on change in fair value of warrants was $2.2 million for the fiscal year ended May 31, 2026 due to revaluation of warrants issued by ChronoScale to third parties. Comparatively, loss on change in fair value of warrants was $6.4 million for the fiscal year ended May 31, 2025 primarily due to the initial valuation of the STB Warrants issued during the fiscal year ended May 31, 2025.

Income tax expense

Income tax expense increased $1.7 million, or 1652%, from $0.1 million for the fiscal year ended May 31, 2025 to a $1.8 million expense for the fiscal year ended May 31, 2026. This change was driven by an increase in current state and federal income tax expense during the current fiscal year.

Net loss from discontinued operations

Net loss from discontinued operations was $1.0 million for the fiscal year ended May 31, 2026 and represents the income statement activity related to the Ekso business at ChronoScale classified as held for sale and discontinued operations. There was no such activity in the prior fiscal year.

Comparative Segment Data for the fiscal year ended May 31, 2026 compared to fiscal years ended May 31, 2025 and May 31, 2024:

The following table sets forth the operating profit for each of our segments during the fiscal years ended May 31, 2026, 2025, and 2024 (in thousands):

	Fiscal Year Ended		
	May 31, 2026	**May 31, 2025**	**May 31, 2024**
Segment profit			
Data Center Hosting Business	$ 48,337	$ 63,927	$ 4,812
HPC Hosting Business	39,127	(12,086)	(4,811)
Total segment profit	$ 87,464	$ 51,841	$ 1

Commentary on Segment Data Comparative Results for the fiscal year ended May 31, 2026 compared to fiscal year ended May 31, 2025 and May 31, 2024:

Data Center Hosting Business

Operating Profit

Data Center Hosting Business operating profit decreased $15.6 million, or 24%, from $63.9 million for the fiscal year ended May 31, 2025 to $48.3 million for the fiscal year ended May 31, 2026. This decrease was primarily due to the recognition of a $25.0 million gain on classification of held for sale due to the release of escrowed funds related to the sale of the Garden City facility in the prior fiscal year as well as an increase of $2.2 million in cost of revenues due to increases in power, payroll, and repair and maintenance expenses. Offsetting this decrease was an increase of $10.2 million in revenue as performance improved at the sites.

HPC Hosting Business

Operating Profit

HPC Hosting Business operating profit increased $51.2 million, or 424%, from a loss of $12.1 million for the fiscal year ended May 31, 2025 to a profit of $39.1 million for the fiscal year ended May 31, 2026. The change is primarily due to revenue generated related to tenant fit-out services, net of expenses, as well as rental revenues from our first HPC data center at our Polaris Forge 1 campus as it became fully operational during the fiscal year ended May 31, 2026.

Non-GAAP Measures

To supplement our consolidated financial statements presented under GAAP, we are presenting certain non-GAAP financial measures. We are providing these non-GAAP financial measures to disclose additional information to facilitate the comparison of past and present operations by providing perspective on results absent one-time or significant non-cash items. We utilize these measures in the business planning process to understand expected operating performance and to evaluate results against those expectations. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our core business operating results regarding factors and trends affecting our business and provide a reasonable basis for comparing our ongoing results of operations. Management considers the Data Center Hosting Business and the HPC Hosting Business to be its core operations for long-run strategic and performance evaluation purposes. Accordingly, these non-GAAP financial measures exclude the results of our consolidated subsidiary, ChronoScale. ChronoScale is included in our consolidated financial statements and results of continuing operations. Due to its strategic role relative to the Company's core business, management believes the ChronoScale results may obscure underlying trends in the performance of core operations when included in certain non-GAAP measures.

These non-GAAP financial measures are provided as supplemental measures to our performance measures calculated in accordance with GAAP and therefore, are not intended to be considered in isolation or as a substitute for comparable GAAP measures. Excluding the results of ChronoScale in our non-GAAP financial measures removes revenues and expenses that are part of the Company's consolidated results and continuing operations and should not be viewed as measures or reflections of liquidity or profitability in accordance with GAAP. Further, these non-GAAP financial measures have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. Because of the non-standardized definitions of non-GAAP financial measures, we caution investors that the non-GAAP financial measures as used by us in this Annual Report on Form 10-K have limits in their usefulness to investors and may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. Further, investors should be aware that when evaluating these non-GAAP financial measures, these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, from time to time in the future there may be items that we may exclude for purposes of our non-GAAP financial measures and we may in the future cease to exclude items that we have historically excluded for purposes of our non-GAAP financial measures. Likewise, we may determine to modify the nature of the adjustments to arrive at our non-GAAP financial measures. Investors should review the non-GAAP reconciliations provided below and not rely on any single financial measure to evaluate our business.

Adjusted Revenue

"Adjusted revenue" is a non-GAAP financial measure that represents total revenue excluding ChronoScale revenue. Adjusted revenue is total revenue excluding total revenue from ChronoScale.

Adjusted Operating Income, Adjusted Net Income (Loss), and Adjusted Net Income (Loss) per Diluted Share

"Adjusted operating income" and "Adjusted net income (loss) from continuing operations attributable to common stockholders" are non-GAAP financial measures that represent operating income and net income (loss) from operations excluding ChronoScale, respectively. Adjusted operating income is Operating loss excluding operating loss from ChronoScale, stock-based compensation, non-recurring repair expenses, diligence, acquisition, disposition and integration expenses, litigation expenses, loss on abandonment of assets, (gain) loss on classification of held for sale, accelerated depreciation and amortization, loss on legal settlement, restructuring expenses and other non-recurring expenses that management believes are not representative of our expected ongoing costs. Adjusted net income (loss) is Adjusted operating income further adjusted for interest expense directly attributable to ChronoScale, gain on change in fair value of derivatives, gain on change in fair value of investments, loss on conversion of debt, loss on change in fair value of debt, loss on change in fair value of related party debt, loss on change in fair value of warrants, loss on change in fair value of warrants issued to related parties, loss on extinguishment of debt and loss on extinguishment of related party debt. We define "Adjusted net income (loss) per diluted share" as Adjusted net income (loss) divided by weighted average diluted share count.

EBITDA and Adjusted EBITDA

"EBITDA" is defined as earnings before interest expense, net, income tax expense, and depreciation and amortization and excluding results of ChronoScale. "Adjusted EBITDA" is defined as EBITDA adjusted for stock-based compensation, non-recurring repair expenses, diligence, acquisition, disposition and integration expenses, litigation expenses, (gain) loss on classification as held for sale, loss on abandonment of assets, gain on change in fair value of derivatives, gain on change in fair value of investments, loss on conversion of debt, loss on change in fair value of debt, loss on change in fair value of related party debt, loss on change in fair value of warrants, loss on change in fair value of warrants issued to related parties, loss on extinguishment of debt and loss on extinguishment of related party debt, loss on legal settlement, restructuring expenses, and other non-recurring expenses that management believes are not representative of our expected ongoing costs.

Net Operating Income

"Net Operating Income" is a non-GAAP financial measure that represents base rental revenue from the HPC Hosting Business. Net Operating Income is HPC Hosting Business base rental revenue less rental property operating expenses, property taxes, and property insurance expenses. "Net Operating Income Margin" is defined as Net Operating Income divided by HPC Hosting Business base rental revenue.

Reconciliation of GAAP to Non-GAAP Measures

	Fiscal Year Ended		
$ in thousands	**May 31, 2026**	**May 31, 2025**	**May 31, 2024**
Adjusted Revenue			
Total revenue (GAAP)	$ 611,311	$ 228,569	$ 165,575
ChronoScale revenue	(71,604)	(84,376)	(28,957)
Adjusted revenue (Non-GAAP)	$ 539,707	$ 144,193	$ 136,618
Adjusted operating income			
Operating loss (GAAP)	$ (236,462)	$ (72,175)	$ (98,338)
Operating loss from ChronoScale	37,043	55,331	65,486
Stock-based compensation	219,289	22,492	6,973
Non-recurring repair expenses (1)	322	173	1,224
Diligence, acquisition, disposition and integration expenses (2)	27,938	17,269	5,545
Litigation expenses (3)	1,179	1,389	1,589
Loss on abandonment of assets	1,799	1,138	—
(Gain) loss on classification as held for sale	—	(24,616)	15,417
Accelerated depreciation and amortization (4)	—	45	4,307
Loss on legal settlement	—	—	2,380
Restructuring expenses (5)	1,469	711	—
Other non-recurring expenses (6)	5,219	627	169
Adjusted operating income (Non-GAAP)	$ 57,796	$ 2,384	$ 4,752
Adjusted operating margin	11 %	2 %	3 %
Adjusted net income (loss) from continuing operations attributable to common stockholders			
Net loss from continuing operations (GAAP)	$ (183,319)	$ (231,065)	$ (149,671)
Operating loss from ChronoScale	37,043	55,331	65,486
Interest expense directly attributed to ChronoScale	9,583	17,399	9,809
Stock-based compensation	219,289	22,492	6,973
Non-recurring repair expenses (1)	322	173	1,224
Diligence, acquisition, disposition and integration expenses (2)	27,938	17,269	5,545
Litigation expenses (3)	1,179	1,389	1,589
Loss on abandonment of assets	1,799	1,138	—

(Gain) loss on classification as held for sale	—	(24,616)	15,417
Accelerated depreciation and amortization [4]	—	45	4,307
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	8,116
Loss on change in fair value of warrants	2,212	6,421	—
Loss on change in fair value of warrants issued to related parties	—	—	5,696
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on legal settlement	—	—	2,380
Restructuring expenses [5]	1,469	711	—
Other non-recurring expenses [6]	5,219	627	169
Adjusted net income (loss) from continuing operations (Non-GAAP)	$ 36,076	$ (12,458)	$ (13,052)
Diluted weighted average number of shares outstanding (Non-GAAP) [7]	318,968,163	201,194,451	114,061,414
Adjusted net income (loss) from continuing operations per diluted share (Non-GAAP)	$ 0.11	$ (0.06)	$ (0.11)

EBITDA and Adjusted EBITDA			
Net loss from continuing operations (GAAP)	$ (183,319)	$ (231,065)	$ (149,671)
Operating loss from ChronoScale	37,043	55,331	65,486
Interest expense, net	29,516	32,139	27,517
Income tax expense (benefit)	1,787	102	96
Depreciation and amortization [4]	49,433	17,289	21,477
EBITDA (Non-GAAP)	$ (65,540)	$ (126,204)	$ (35,095)
Stock-based compensation	219,289	22,492	6,973
Non-recurring repair expenses [1]	322	173	1,224
Diligence, acquisition, disposition and integration expenses [2]	27,938	17,269	5,545
Litigation expenses [3]	1,179	1,389	1,589
(Gain) loss on classification as held for sale	—	(24,616)	15,417
Loss on abandonment of assets	1,799	1,138	—
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	8,116
Loss on change in fair value of warrants	2,212	6,421	—
Loss on change in fair value of warrants issued to related parties	—	—	5,696
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on legal settlement	—	—	2,380
Restructuring expenses [5]	1,469	711	—
Other non-recurring expenses [6]	5,219	627	169

Adjusted EBITDA (Non-GAAP)	$ 107,229	$ 19,628	$ 21,922
Net Operating Income			
HPC Hosting Business base rental revenue (GAAP)	$ 99,811	$ —	$ —
Rental property operating expenses	(8,545)	—	—
Property taxes	(198)	—	—
Property insurance expenses	(680)	—	—
Net Operating Income (Non-GAAP)	$ 90,388	$ —	$ —
Net Operating Income margin	91 %	— %	— %

(1) Represents costs incurred for the non-recurring repair and replacement of equipment at our data center facilities.

(2) Represents legal, accounting and consulting costs incurred in association with certain discrete transactions and projects.

(3) Represents non-recurring litigation expense associated with our defense of class action lawsuits and legal fees related to matters with certain former employees. We do not expect to incur these expenses on a regular basis.

(4) Represents the acceleration of expense related to assets that were abandoned by us due to operational failure or other reasons. Depreciation and amortization in this amount is included in Depreciation and Amortization expense within our calculation of EBITDA, and therefore is not added back as a management adjustment in our calculation of Adjusted EBITDA.

(5) Represents non-recurring expenses associated with employee separations.

(6) Represents expenses that are not representative of our expected ongoing costs.

(7) Potentially dilutive securities or other contracts to issue common stock are only included for each period if the effect is dilutive to Adjusted net income (loss) from continuing operations per diluted share.

Funding Requirements

We have experienced net losses through the period ended May 31, 2026. Our transition to profitability is dependent on the successful operation of our business.

We expect to have sufficient liquidity, including cash on hand, payments from customers, access to debt financing, and access to public capital markets, to support ongoing operations and meet our working capital needs for at least the next 12 months and all of our known requirements and plans for cash. However, we may be unable to raise additional funds or enter into such arrangements when needed on favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our ongoing operations and development plans. We have based our estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect, in which case, we would be required to obtain additional financing sooner than currently projected, which may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

We expect that our general and administrative expenses and our operating expenditures will continue to increase as we continue to expand our operations. We believe that the significant investments in property and equipment will remain throughout fiscal year 2027 as we continue construction of our HPC hosting facilities.

Sources of Liquidity and Capital Resources

Our primary capital requirements are to fund the development and expansion of our data center infrastructure, support working capital needs, cover operating expenses, and finance capital expenditures associated with technology upgrades and facility enhancements. As of May 31, 2026, we had unrestricted cash and cash equivalents of $1.6 billion and restricted cash of $2.6 billion. Historically we have incurred losses and have relied on equity and debt financings to fund our operations. We have primarily generated cash in the last 12 months from the proceeds of our term loans, issuances of common stock, preferred stock, promissory notes, senior unsecured convertible notes, senior secured notes (issued by our subsidiaries), debt facilities and the receipt of contractual deposits and revenue payments from customers.

We believe that existing cash balances, cash flows from operations, existing debt facilities, and access to capital markets will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, and other contractual obligations, for at least the next twelve months and the foreseeable future thereafter.

Financing Activities

See *Note 8 - Debt* in the notes to the consolidated financial statements included in this Annual Report on Form 10-K for more information on our term loans and other debt instruments.

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the “June 2025 Sales Agreement”), pursuant to which, up to $200,000,000 of shares of the Company's common stock may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately $196.4 million.

Series G Convertible Preferred Stock

During the fiscal years ended May 31, 2026 and May 31, 2025, the Company issued and sold 835,800 and 78,000 shares of Series G Preferred Stock, respectively, for gross proceeds of $815.0 million and $75.0 million, respectively. During the fiscal year ended May 31, 2026, 913,800 shares of Series G Preferred Stock were converted into 51.0 million shares of the Company’s common stock. As of May 31, 2026, no shares of Series G Preferred Stock were issued and outstanding.

Promissory Note

On September 9, 2025, as described above, our subsidiary APLD FAR-01 LLC entered into the MEC Promissory Note with MEC, which provides for a principal sum of (a) $50 million, which was drawn on the Closing Date, plus (b) subject to the mutual consent of us and the Lender, additional loans in an aggregate principal amount not to exceed $25 million. On November 28, 2025, APLD FAR-01 LLC repaid the MEC Promissory Note in full, including all outstanding and unpaid principal, accrued interest, and rate of return.

Amended and Restated Unit Purchase Agreement

On October 6, 2025, as described above, the TopCo 2 sold to the Purchaser 112,500 Preferred Units in TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $112.5 million. On November 25, 2025, the TopCo 2 sold to the Purchaser 450,000 Preferred Units in the TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $450.0 million. On December 9, 2025, the TopCo 2 issued to the Purchaser an additional 27,778 common units and 337,500 Preferred Units in the TopCo 2 at a price per Preferred Unit of $1,000, for an aggregate purchase price of $337.5 million. On May 29, 2026, TopCo 2 completed a fourth closing under its A&R UPA, selling 925,000 preferred units for $925.0 million and issuing an additional 41,815 common units. This brought the total amount funded to date under the A&R UPA to $1.8 billion as of May 31, 2026.

2025 Revolving Credit Facility

On November 10, 2025, as described above, the Company entered into the 2025 Revolving Credit Facility with First National Bank of Omaha, pursuant to which the lender agreed to make one or more revolving loans, and issue letters of credit, from time to time to the Company in an aggregate principal amount of $65 million. On May 29, 2026, the 2025 Revolving Credit Facility was modified and the standby letters of credit thereunder transferred when the Company and certain of its subsidiaries entered into the 2026 Revolving Credit Facility.

9.250% 2030 Senior Secured Notes due 2030

On November 20, 2025, as described above, our subsidiary APLD ComputeCo LLC closed the 2030 9.250% Notes Offering of the 2030 9.25% Notes at an issue price of 97.0%. The net proceeds from the 2030 9.250% Notes after issuance costs and repayment of the SMBC Loan were approximately $1.9 billion.

DevCo Facility

On December 18, 2025, as described above, our subsidiary APLD DevCo LLC and MEC entered into the DevCo Facility. The DevCo Promissory Note provides for a principal sum of (a) the First Draw, plus (b) the Second Draw, plus (c) the Third Draw, with the Third Draw to be funded upon APLD DevCo's request at any time after the Initial Closing Date subject to satisfaction of or waiver by MEC of certain conditions precedent on or prior to the Third Draw, plus (d) the principal sum of any Additional Loans, if applicable.

The DevCo Loan bears interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the "Post-Default Rate"). On May 29, 2026, APLD DevCo repaid the DevCo Loan in full, including all outstanding and unpaid principal, accrued interest, and rate of return.

2031 Senior Secured Notes

On March 10, 2026, as described above, our subsidiary APLD ComputeCo 2 LLC closed the 2031 6.750% Notes Offering of the 2031 6.750% Notes at an issue price of 98.0%. The net proceeds from the 2031 6.750% Notes after issuance costs were approximately $2.1 billion.

Bridge Facility

On May 1, 2026, as described above, our subsidiary APLD ComputeCo 3 entered into a Credit and Guaranty Agreement with Goldman Sachs Bank USA, providing for a bridge loan facility in an aggregate principal amount of $300.0 million. On June 16, 2026, the Bridge Facility was refinanced with the closing of the 2031 7.000% Notes Offering.

2026 Revolving Credit Facility

On May 29, 2026, as described above, our subsidiary APLD Intermediate HoldCo entered into the 2026 Revolving Credit Facility with First National Bank of Omaha, pursuant to which the lenders and issuing banks party to the Revolving Credit Agreement agreed to make one or more revolving loans, and issue letters of credit, from time to time to APLD Intermediate HoldCo in an initial aggregate principal amount of $350.0 million.

As of May 31, 2026, approximately $65.0 million of standby letters of credit were outstanding under the 2026 Revolving Credit Facility. Refer to Note 8 - Debt in the accompanying Notes to the Consolidated Financial Statements for additional information.

Material Contractual Obligations

In the ordinary course of business, we enter into contractual arrangements that require future cash payments. The following table sets forth information regarding our anticipated future cash payments under our contractual obligations as of May 31, 2026 (in thousands):

	Payments Due by Period						
	Total	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**Thereafter**
Debt obligations[(1)]	$ 5,306,680	$ 16,591	$ 196,648	$ 290,798	$ 295,689	$ 4,194,954	$ 312,000
Interest on debt obligations[(2)]	1,784,691	377,502	399,283	358,730	334,729	295,011	19,436
Operating lease obligations[(3)]	75,142	22,218	23,853	18,391	4,812	1,315	4,553
Financing lease obligations[(4)]	62,037	51,069	10,968	—	—	—	—
Power commitments[(5)]	19,178	19,178	—	—	—	—	—
Preferred share dividends[(6)]	37,164	6,194	6,194	6,194	6,194	6,194	6,194

(1) Debt obligations presented in the table reflect scheduled principal payments related to our long-term debt as described in Note 8 to the consolidated financial statements for further discussion.

(2) Estimated interest payments on our debt obligations include estimated future interest payments based on the terms of the debt agreements. See Note 8 to the consolidated financial statements for further discussion.

(3) Operating lease obligations include future minimum payments for our operating leases.

(4) Financing lease obligations include future minimum payments for our finance leases.

(5) Power commitments represents our obligation related to the energy services agreement for our Jamestown, North Dakota co-hosting facility payable. See Note 18 to the consolidated financial statements for further discussion.

(6) Preferred share dividends represent future dividend payments in accordance with preferred stock that has been issued. These amounts do not include preferred dividends related to preferred units of APLD HPC TopCo 2 LLC which may fluctuate depending on the redeemable noncontrolling interest's contribution as well as other factors that may impact the dividend rate. See *Note 16 - Temporary Equity* for further discussion.

Summary of Cash Flows

The following table provides information about our net cash flow for the fiscal years ended May 31, 2026, May 31, 2025, and May 31, 2024 respectively.

	Fiscal Year Ended		
$ in thousands	**May 31, 2026**	**May 31, 2025**	**May 31, 2024**
Net cash provided by (used in) operating activities	$ 89,685	$ (115,402)	$ 13,794
Net cash used in investing activities	(2,936,397)	(667,654)	(172,437)
Net cash provided by financing activities	6,876,826	874,686	146,757
Net increase (decrease) in cash, cash equivalents, and restricted cash	4,030,114	91,630	(11,886)
Cash, cash equivalents, and restricted cash, beginning of period, including cash from discontinued operations	123,318	31,688	43,574
Cash, cash equivalents, and restricted cash, end of period, including cash from discontinued operations	$ 4,153,432	$ 123,318	$ 31,688
Less: Cash, cash equivalents, and restricted cash from discontinued operations	$ 2	$ —	$ —
Cash, cash equivalents, and restricted cash from continued operations	$ 4,153,430	$ 123,318	$ 31,688

Commentary on the change in cash flows between the fiscal years ended May 31, 2026 and May 31, 2025:

Operating Activities

The net cash provided by (used in) operating activities changed by $205.1 million, or 178%, from $115.4 million used in operating activities for the fiscal year ended May 31, 2025 to $89.7 million provided by operating activities for the fiscal year ended May 31, 2026. Activities that positively impacted operating cash flows during the fiscal year ended May 31, 2026 included stock-based compensation associated with awards granted during the current period, non-cash interest expense associated with the increase in debt borrowings, deferred revenue received, as well as a decrease in net loss between comparative periods. These positive impacts were partially offset by prior period activities which were not present in the current period, including losses on the conversion and fair value of debt. Other impacts included changes in working capital associated with energizing our first HPC data center at our Polaris Forge 1 campus during the current fiscal year.

Investing Activities

The net cash used in investing activities increased by $2.3 billion, or 340%, from $667.7 million for the fiscal year ended May 31, 2025 to $2.9 billion for the fiscal year ended May 31, 2026. This increase was primarily due to an increase of approximately $2.2 billion in investments in property and equipment during the fiscal year ended May 31, 2026 as our payments in the current period for construction related expenses increased as well as an increase in loans to related parties and investments in other companies. Additionally, there were less proceeds from the sale of assets during the fiscal year ended May 31, 2026, compared to the fiscal year ended May 31, 2025 to offset the increase in cash used in investing activities.

Financing Activities

The net cash provided by financing activities increased by $6.0 billion, or 686%, from $874.7 million for the fiscal year ended May 31, 2025 to $6.9 billion for the fiscal year ended May 31, 2026. The primary reason for the change was an increase in the net borrowings of long-term debt of $4.1 billion and a capital contribution from our noncontrolling interest partners of $1.8 billion. Also contributing to the increase was an increase in the net proceeds from offerings of our common and preferred stock of $627.8 million during the fiscal year ended May 31, 2026. These increases were partially offset by a decrease of $450.0 million in borrowings under our Convertible Notes which occurred during the fiscal year ended May 31, 2025 as well as an increase of $129.5 million in payments of deferred financing costs during the fiscal year ended May 31, 2026 compared to the fiscal year ended May 31, 2025.

Recent Accounting Pronouncements

For a discussion of recently issued financial accounting standards, refer to *Note 2 - Significant Accounting Policies*, in Part II, Item 8 of this Annual Report on Form 10-K.

Critical Accounting Estimates and Significant Judgments

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

While our significant accounting policies are described in more detail in *Note 2 - Significant Accounting Policies* to our consolidated financial statements, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Stock-based Compensation

We account for stock-based compensation with performance conditions by recognizing expense ratably over the requisite service period once we conclude that it is probable that the performance conditions will be achieved. Our conclusion as to the probability of achievement is complex and requires significant judgment by management. In addition, estimates around the service period for performance awards that are probable of being achieved require significant judgment by management. We may revise our estimate when we determine that it is probable that the performance condition will be achieved within a different time period.

We reassess the probability related to vesting and the requisite service period at each reporting period, and recognize a cumulative catch up adjustment for such changes in our probability assessment in subsequent reporting periods. Our determination of probability is based on historical metrics, future projections, and our historical performance against such projections.

Fair Value Measurements

<u>*Warrants*</u>

We measure the warrants issued by the Company to CoreWeave, MIP VI REIT AIV, L.P., and MIP VI DC REIT AIV, L.P. at fair value (see *Note 14 - Warrants* for further discussion). We engaged a third party valuation specialist to assist management in its determination of the fair value of the warrants using a Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield, which are considered Level 3 inputs.

We measured the warrants issued to the Company from BWE at fair value (see *Note 10 - Derivative Assets* for further discussion). We engaged a third party valuation specialist to assist management in its determination of the fair value of the warrants using a Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield, which are considered Level 3 inputs.

<u>*Redeemable Noncontrolling Interest*</u>

We engaged a third party valuation specialist to assist management in the determination of the fair value of the embedded derivative features, the Redemption features and the Contingent Dividend Rate Increase feature, associated with the preferred units and corresponding common units issued to APLD HPC TopCo 2's noncontrolling interest. The third party valuation specialist utilized a binomial lattice model in a risk-neutral framework. Inherent in the pricing model are assumptions related to the estimated credit spread of the associated preferred stock and corresponding common units, volatility, and risk-free rate of the derivative assets, which are considered Level 3 inputs (see *Note 10 - Derivative Assets* for further discussion).

Performance Stock Units

We measured the performance stock units that vest based on market price at fair value (see *Note 15 - Stock-Based Compensation Plans* for further discussion). We engaged a third party valuation specialist to assist management in its determination of the fair value of the performance stock units using a Monte Carlo simulation model. Inherent in simulation models are assumptions related to simulation term, expected share-price volatility, risk-free interest rate and dividend yield, which are considered Level 3 inputs.

Management Incentive Plan Units

We measured the management incentive plan ("MIP") units granted in connection with the ChronoScale transaction at grant-date fair value (see *Note 15 - Stock-Based Compensation Plans* for further discussion). We engaged a third party valuation specialist to assist management in its determination of the grant-date fair value of the MIP units. The valuation considered multiple liquidity scenarios, which were measured using a combination of option pricing model ("OPM") and current value method ("CVM"). The valuation incorporated the contractual terms of the awards, the applicable distribution waterfall, and the underlying value of ChronoScale at the time of issuance. Inherent in the valuation are assumptions related to the probability and timing of liquidity events, expected volatility, risk-free interest rates, discounts for lack of marketability, and the underlying equity value of ChronoScale, which are considered Level 3 inputs.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

The following discussion about market risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. For more information regarding the forward-looking statements used in this section and elsewhere in this Annual Report, see the "*Forward-Looking Statements*" at the forepart of this Annual Report. We may be exposed to market risks related to changes in interest rates and fluctuations in the prices of certain commodities, primarily electricity. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risk

We are exposed to interest rate risk related to our outstanding debt. An immediate increase or decrease in current interest rates from their position as of May 31, 2026 would not have a material impact on our interest expense due to the fixed coupon rate on the majority of our debt obligations.

Commodity Price Risk

Certain operating costs incurred by us are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of price changes are electricity, supplies and equipment used in our data centers. We closely monitor the cost of electricity at all of our locations. We have entered into various power contracts to purchase power at fixed prices in certain locations.

In addition, as we are building new, or expanding existing, data centers, we are subject to commodity price risk for building materials related to the construction of these data centers, such as steel and copper. In addition, the lead-time to procure certain pieces of equipment, such as generators, is substantial. Any delays in procuring the necessary pieces of equipment for the construction of our data centers could delay the anticipated openings of these new data centers and, as a result, increase the cost of these projects.

We do not currently employ forward contracts or other financial instruments to address commodity price risk other than the power contracts discussed above.

Foreign Currency Risk

We have not been materially impacted by fluctuations in foreign currency exchange rates as substantially all of our business is transacted in U.S. dollars or U.S. dollar-based currencies.

Item 8. Financial Statements and Supplementary Data

Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Applied Digital Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Applied Digital Corporation (the “Company”) as of May 31, 2026 and 2025, the related consolidated statements of operations, changes in temporary equity and stockholders’ equity and cash flows for each of the two years in the period ended May 31, 2026, 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 May 31, 2026 and 2025, and the results of its operations and its cash flows for each of the two years in the period ended May 31, 2026, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of May 31, 2026, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated July 29, 2026*,* expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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

Critical audit matters 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. We determined that there are no critical audit matters.

/s/ CBIZ CPAs P.C.

CBIZ CPAs P.C.

We have served as the Company’s auditor since 2021 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

New York, NY
July 29, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Applied Digital Corporation

Opinion on the Financial Statements

We have audited the consolidated statements of operations, changes in stockholders' equity and cash flows of Applied Digital Corporation (the "Company") for the year ended May 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 results of the Company's operations and its cash flows for the year ended May 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

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 audit. 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 audit 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor from 2021 to 2025.

New York, NY
August 30, 2024

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share and par value data)

	May 31, 2026	May 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,591,988	$ 43,950
Restricted cash	2,381,027	72,368
Accounts receivable	56,309	6,830
Prepaid expenses and other current assets [1]	613,692	9,652
Current assets held for sale	19,841	—
Total current assets	4,662,857	132,800
Property and equipment, net	4,236,300	1,252,287
Operating lease right of use assets, net	76,922	92,335
Finance lease right of use assets, net	122,523	213,315
Other assets	830,710	179,353
TOTAL ASSETS	$ 9,929,312	$ 1,870,090
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 395,474	$ 251,491
Accrued liabilities	548,493	30,121
Current portion of operating lease liability	18,484	16,785
Current portion of finance lease liability	47,585	147,040
Current portion of debt	16,422	10,331
Customer deposits	16,752	16,125
Deferred revenue	4,666	3,594
Current liabilities held for sale	7,426	—
Due to customer	10,065	4,807
Other current liabilities	97,489	19,431
Total current liabilities	1,162,856	499,725
Long-term portion of operating lease liability	47,178	58,800
Long-term portion of finance lease liability	10,731	15
Long-term debt	4,959,516	677,825
Other long-term liabilities	5,454	—
Total liabilities	6,185,735	1,236,365
Commitments and contingencies (Note 18)		
Temporary equity		
Series E preferred stock, $0.001 par value, 2,000,000 shares authorized, 301,673 shares issued and 276,673 outstanding at May 31, 2026, and 301,673 shares issued and outstanding at May 31, 2025	6,306	6,932
Series E-1 preferred stock, $0.001 par value, 62,500 shares authorized and issued and 61,909 shares outstanding at May 31, 2026, and 62,485 shares outstanding at May 31, 2025	56,460	57,011
Series G preferred stock, $0.001 par value, 1,030,000 shares authorized, no shares issued and outstanding at May 31, 2026, and 156,000 shares authorized, 78,000 shares issued and outstanding at May 31, 2025	—	72,094
Redeemable noncontrolling interest	1,956,303	—
Stockholders' equity:		
Common stock, $0.001 par value, 600,000,000 shares authorized, 295,048,903 shares issued and 287,883,603 shares outstanding at May 31, 2026, and 234,200,868 shares issued and 224,909,669 shares outstanding at May 31, 2025	296	230
Treasury stock, 7,165,300 shares at May 31, 2026 and 9,291,199 shares at May 31, 2025, at cost	(52,737)	(31,400)
Additional paid in capital	2,432,250	1,009,913
Accumulated deficit	(662,333)	(481,055)
Total stockholders' equity attributable to Applied Digital Corporation	1,717,476	497,688
Noncontrolling interest	7,032	—
Total stockholders' equity including noncontrolling interest	1,724,508	497,688
TOTAL LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY	$ 9,929,312	$ 1,870,090

(1) Includes a related party loan receivable of $58.6 million as of May 31, 2026. See *Note 7 - Related Party Transactions* for further discussion.

See accompanying notes to the consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except share and per share data)

	Fiscal Year Ended		
	May 31, 2026	May 31, 2025	May 31, 2024
Revenue:			
Services revenue	$ 496,609	$ 226,643	$ 150,814
Data center rental and other revenue	114,702	—	—
Related party revenue	—	1,926	14,761
Total revenue	611,311	228,569	165,575
Costs and expenses:			
Services cost of revenue	396,858	216,759	148,340
Data center rental and other cost of revenue	56,771	—	—
Selling, general and administrative [(1)]	332,096	107,877	97,776
Loss (gain) on classification as held for sale [(2)]	59,650	(24,616)	15,417
Loss on abandonment of assets	2,398	724	—
Loss from legal settlement	—	—	2,380
Total costs and expenses	847,773	300,744	263,913
Operating loss	(236,462)	(72,175)	(98,338)
Interest expense, net [(3)]	29,516	32,139	27,517
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	8,116
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on change in fair value of warrants	2,212	6,421	—
Loss on change in fair value of related party warrants	—	—	5,696
Net loss from continuing operations before income tax expenses	(181,532)	(230,963)	(149,575)
Income tax expense	1,787	102	96
Net loss from continuing operations	(183,319)	(231,065)	(149,671)
Net loss from discontinued operations	(1,020)	—	—
Net loss	(184,339)	(231,065)	(149,671)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	(59,665)	—	(397)
Preferred dividends	(6,259)	(2,615)	—
Net loss attributable to common stockholders	$ (250,263)	$ (233,680)	$ (149,274)
Net loss attributable to common stockholders			
Continuing operations	$ (249,243)	$ (233,680)	$ (149,274)
Discontinued operations	(1,020)	—	—
Net loss attributable to common stockholders	$ (250,263)	$ (233,680)	$ (149,274)
Basic and diluted net loss per share attributable to common stockholders			
Continuing operations	$ (0.91)	$ (1.16)	$ (1.31)
Discontinued operations	—	—	—
Basic and diluted net loss per share attributable to common stockholders	$ (0.91)	$ (1.16)	$ (1.31)
Basic and diluted weighted average number of shares outstanding	275,194,755	201,194,451	114,061,414

(1) Includes related party selling, general and administrative expense of $0.3 million, $0.3 million, and $0.6 million for the fiscal years ended May 31, 2026, May 31, 2025, and May 31, 2024, respectively.

(2) For the fiscal year ended May 31, 2026, amount includes a loss on classification of held for sale of $59.7 million representing the write down of our cloud services business' (the "Cloud Services Business") assets to their carrying value as of February 15, 2026 when it no longer qualified as held for sale. For the fiscal year ended May 31, 2025, amount includes $25 million received in connection with the sale of our Garden City facility once conditional approval requirements were met and escrowed funds were released. The fiscal year ended May 31, 2024 includes a $15.4 million loss on classification of held for sale related to the sale of the Garden City facility.

(3) For the fiscal year ended May 31, 2026, amount includes related party income of $0.1 million and for the fiscal year ended May 31, 2024, amount includes related party interest expense of $5.7 million.

See accompanying notes to the consolidated financial statements and, specifically, *Note 7 - Related Party Transactions* for further discussion of related party transactions.

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Year Ended May 31, 2024
(In thousands, except per share data)

	Common Stock		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity	Noncontrolling interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance, June 1, 2023	100,927,358	$ 101	(5,001,728)	$ (62)	$ 160,194	$ (100,716)	$ 59,517	$ 10,162	$ 69,679
Shares issued in offering, net of costs	21,600,722	23	—	—	130,826	—	130,849	—	130,849
Issuance of common stock from stock plans	6,894,166	6	—	—	(6)	—	—	—	—
Tax payments for restricted stock upon vesting	—	—	—	—	(861)	—	(861)	—	(861)
Conversions of debt	13,213,727	13	—	—	52,047	—	52,060	—	52,060
Issuance of warrants, at fair value	—	—	—	—	5,696	—	5,696	—	5,696
Share cancellations	(36,296)	—	(31,074)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	17,362	—	17,362	—	17,362
Common stock issuance costs	—	—	—	—	(284)	—	(284)	—	(284)
Net loss	—	—	—	—	—	(149,274)	(149,274)	(397)	(149,671)
Extinguishment of noncontrolling interest	1,484,267	1	—	—	9,764	—	9,765	(9,765)	—
Balance, May 31, 2024	144,083,944	$ 144	(5,032,802)	$ (62)	$ 374,738	$ (249,990)	$ 124,830	$ —	$ 124,830

See accompanying notes to the consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (continued)
For the Year Ended May 31, 2025
(In thousands, except per share data)

	Temporary Equity (1)		Permanent Equity						
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, June 1, 2024	—	$ —	144,083,944	$ 144	(5,032,802)	$ (62)	$ 374,738	$ (249,990)	$ 124,830
Shares issued in offering, net of costs	—	—	55,506,938	55	—	—	180,711	—	180,766
Issuance of common stock from stock compensation plans	—	—	2,427,273	3	—	—	(3)	—	—
Tax payments for restricted stock upon vesting	—	—	—	—	—	—	(4,116)	—	(4,116)
Conversions of debt	—	—	19,050,204	19	—	—	104,926	—	104,945
Issuance of other common stock	—	—	628,541	1	—	—	518	—	519
Issuance of warrants, at fair value	—	—	—	—	—	—	136,292	—	136,292
Exercise of warrants	—	—	4,905,256	5	—	—	(5)	—	—
Issuance of Preferred Stock, net of costs	495,364	184,402	—	—	—	—	6	—	6
Preferred Stock Dividends	—	—	—	—	—	—	(2,615)	—	(2,615)
Conversion of preferred stock	(53,191)	(48,350)	7,598,712	7	—	—	48,343	—	48,350
Redemption of preferred stock	(15)	(15)	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	22,704	—	22,704
Share repurchase	—	—	—	(4)	(4,258,397)	(31,338)	—	—	(31,342)
Purchase of capped call options	—	—	—	—	—	—	(51,750)	—	(51,750)
Purchase of prepaid forward contract	—	—	—	—	—	—	(52,736)	—	(52,736)
Reclass of debt conversion option	—	—	—	—	—	—	252,900	—	252,900
Net loss	—	—	—	—	—	—	—	(231,065)	(231,065)
Balance, May 31, 2025	442,158	$ 136,037	234,200,868	$ 230	(9,291,199)	$ (31,400)	$ 1,009,913	$ (481,055)	$ 497,688

(1) See Note 16 - Temporary Equity for further discussion of preferred stock activity.

See accompanying notes to the consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (continued)
For the Year Ended May 31, 2026
(In thousands, except per share data)

	Temporary Equity [1]			Permanent Equity								
	Preferred Stock		Redeemable Noncontrolling Interest	Common Stock		Treasury Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount		Shares	Amount	Shares	Amount					
Balance, June 1, 2025	442,158	$ 136,037	$ —	234,200,868	$ 230	(9,291,199)	$ (31,400)	$ 1,009,913	$ (481,055)	$ 497,688	$ —	$ 497,688
Issuance of common stock from stock compensation plans	—	—	—	3,024,358	4	—	—	(4)	—	—	—	—
Tax payments for restricted stock upon vesting	—	—	—	—	—	—	—	(36,282)	—	(36,282)	—	(36,282)
Issuance of Preferred Stock, net of costs	835,800	803,101	—	—	—	—	—	—	—	—	—	—
Conversion of Preferred Stock	(913,800)	(875,185)	—	50,994,315	50	—	—	875,135	—	875,185	—	875,185
Redemption of Preferred Stock	(25,576)	(1,187)	—	—	—	—	—	—	—	—	—	—
Preferred Stock dividends	—	—	—	—	—	—	—	(6,260)	—	(6,260)	—	(6,260)
Shares issued in offering, net of costs	—	—	—	15,320,373	15	—	—	190,402	—	190,417	—	190,417
Issuance of warrants, at fair value, net of costs	—	—	—	—	—	—	—	155,421	—	155,421	—	155,421
Exercise of warrants	—	—	—	800,188	1	—	—	6,264	—	6,265	—	6,265
Treasury Stock repurchase	—	—	—	—	—	(7,165,300)	(52,737)	52,737	—	—	—	—
Treasury Stock retirement	—	—	—	(9,291,199)	(4)	9,291,199	31,400	(31,396)	—	—	—	—
Contributions from redeemable noncontrolling interest, net of costs	—	—	1,896,244	—	—	—	—	—	—	—	—	—
Acquisition of Ekso Business	—	—	—	—	—	—	—	52,269	—	52,269	4,604	56,873
Issuance of warrants by subsidiary, net of costs	—	—	—	—	—	—	—	1,630	—	1,630	2,822	4,452
Redeemable noncontrolling interest preferred stock dividends	—	—	62,726	—	—	—	—	(62,726)	—	(62,726)	—	(62,726)
Stock-based compensation	—	—	—	—	—	—	—	225,147	—	225,147	—	225,147
Net loss	—	—	(2,667)	—	—	—	—	—	(181,278)	(181,278)	(394)	(181,672)
Balance, May 31, 2026	338,582	$ 62,766	$ 1,956,303	295,048,903	$ 296	(7,165,300)	$ (52,737)	$ 2,432,250	$ (662,333)	$ 1,717,476	$ 7,032	$ 1,724,508

[1] See Note 16 - Temporary Equity for further discussion of preferred stock and redeemable noncontrolling interest activity.

See accompanying notes to the consolidated financial statements

APPLIED DIGITAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (in thousands)

	Fiscal Year Ended		
	May 31, 2026	May 31, 2025	May 31, 2024
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss	$ (184,339)	$ (231,065)	$ (149,671)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	67,387	97,945	79,360
Stock-based compensation	220,135	22,704	17,362
Lease expense	10,106	31,661	13,944
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on legal settlement	—	—	2,380
Amortization of debt issuance costs	6,323	9,563	5,214
Loss (gain) on classification of held for sale	59,650	(24,616)	15,417
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	13,812
Loss on change in fair value of warrants issued	2,212	6,421	—
Loss on abandonment of assets	2,398	1,138	—
Changes in operating assets and liabilities:			
Accounts receivable	(49,268)	(2,934)	(3,765)
Prepaid expenses and other current assets	(36,164)	(8,309)	899
Other assets	(51,483)	2,979	327
Customer deposits	627	2,306	(8,770)
Related party customer deposits	—	(1,549)	(2,261)
Deferred revenue	947	(34,080)	(9,494)
Related party deferred revenue	—	(1,692)	168
Accounts payable	(1,182)	(78,256)	41,840
Accrued liabilities	106,223	(12,127)	21,601
Due to customer	5,258	(8,195)	13,002
Lease assets and liabilities	17,513	(7,524)	(47,479)
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	89,685	(115,402)	13,794
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other assets	(2,865,765)	(681,603)	(141,809)
Proceeds from sale of investments	5,000	—	—
Proceeds from sale of assets	—	25,000	19,852
Finance lease prepayments	—	(6,178)	(50,089)
Loans to related parties	(58,632)	—	—
Purchases of investments	(17,000)	(4,873)	(391)
CASH FLOW USED IN INVESTING ACTIVITIES	(2,936,397)	(667,654)	(172,437)
CASH FLOW PROVIDED BY FINANCING ACTIVITIES			
Repayment of finance leases	(99,455)	(125,073)	(59,967)
Borrowings of long-term debt	4,955,327	650,083	116,554
Borrowings of related party debt	—	—	28,000
Repayment of long-term debt	(521,512)	(293,045)	(21,714)
Repayment of related party debt	—	—	(45,500)
Payment of deferred financing costs	(171,885)	(42,398)	(320)
Tax payments for restricted stock upon vesting	(36,282)	(4,116)	(861)
Proceeds from issuance of common stock	196,366	191,590	130,849
Common stock issuance costs	(5,950)	(10,305)	(284)

Proceeds from issuance of preferred stock	814,998	198,205	—
Preferred stock issuance costs	(11,897)	(13,812)	—
Redemption of preferred stock	(1,187)	(2,615)	—
Dividends issued on preferred stock	(6,259)	—	—
Issuance of warrants, at fair value	(8,250)	—	—
Exercise of warrants	6,265	—	—
Issuance of warrants by subsidiary	4,451	—	—
Proceeds from issuance of SAFE agreement included in long-term debt	—	12,000	—
Repurchase of shares	—	(31,342)	—
Proceeds from convertible notes	—	450,000	—
Purchase of capped call options	—	(51,750)	—
Purchase of prepaid forward contract	—	(52,736)	—
Redeemable noncontrolling interest contributions	1,825,000	—	—
Redeemable noncontrolling interest issuance costs	(62,904)	—	—
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	$ 6,876,826	$ 874,686	$ 146,757
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 4,030,114	$ 91,630	$ (11,886)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD, INCLUDING CASH FROM DISCONTINUED OPERATIONS	123,318	31,688	43,574
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD, INCLUDING CASH FROM DISCONTINUED OPERATIONS	4,153,432	123,318	31,688
Less: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH FROM DISCONTINUED OPERATIONS	2	—	—
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH FROM CONTINUED OPERATIONS	$ 4,153,430	$ 123,318	$ 31,688
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 263,402	$ 62,712	$ 17,782
Income taxes paid	$ 241	$ 105	$ 5
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES			
Operating right-of-use assets obtained by lease obligation	$ —	$ 20,280	$ 159,153
Finance right-of-use assets obtained by lease obligation	$ 25,214	$ 113,674	$ 227,047
Property and equipment in accounts payable and accrued liabilities	$ 556,446	$ 246,472	$ 85,019
Extinguishment of non-controlling interest	$ —	$ —	$ 9,765
Conversion of debt to common stock	$ —	$ 104,945	$ 52,060
Conversion of preferred stock to common stock	$ 875,185	$ 48,350	$ —
Consideration for guarantee of an affiliate's obligations	$ 2,000	$ —	$ —
Loss on legal settlement	$ —	$ —	$ 2,380
Issuance of warrants, at fair value	$ 104,705	$ 136,292	$ 5,696
Cashless exercise of warrants	$ 1	$ 5	$ —
Non-cash dividends paid in-kind	$ 62,726	$ —	$ —
Acquisition of ChronoScale	$ 18,110	$ —	$ —

See accompanying notes to the consolidated financial statements

1. Business and Basis of Presentation

Applied Digital Corporation (the “Company”) is a designer, builder, and operator of high-performance, sustainably engineered data centers and colocation services for artificial intelligence, cloud, networking, and blockchain workloads. The Company has two reportable segments. Financial information for each segment is contained in *Note 19 - Business Segments*. Previously, the Company had three reportable segments as of the fiscal quarter ended February 28, 2026. Following the May 2026 transaction as defined in *Note 3 - Business Combination*, ChronoScale no longer meets the criteria to be considered a reportable segment as its operating results are managed and evaluated by ChronoScale's Chief Operating Decision Maker ("CODM") rather than the Company's CODM (as described below). All references to “Applied Digital Corporation,” “we,” “us,” “our” or the “Company” mean Applied Digital Corporation and its subsidiaries.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated.

The Company evaluates any variable interest entity ("VIE") in which the Company has a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support, or (ii) where, as a group, the holders of the equity investment at risk do not possess any one of the following: (a) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb expected losses or the right to receive expected residual returns of the entity, or (c) proportionate voting and economic interests and where substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately fewer voting rights. If an entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its power to direct the most significant activities of the VIE by considering the purpose and design of the entity and the risks the entity was designed to create and pass through to its variable interest holders. A voting interest entity ("VOE") is consolidated when the Company is considered to have a controlling financial interest, which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the entity. See *Note 11 - Variable Interest Entities* for additional information related to the consolidation of investments. Intercompany accounts and transactions have been eliminated.

2. Significant Accounting Policies

Significant Accounting Policies and Use of Estimates

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. On an on-going basis, the Company evaluates its estimates, including those related to stock-based compensation, specifically the likelihood of timing and achievement of performance conditions to its performance stock units, contingencies, and those related to the fair value of warrants and the fair value of the redeemable noncontrolling interest. Although these estimates are based on historical facts and various other assumptions that the Company believes are reasonable, actual results could differ from those estimates.

Revenue Recognition

Data Center Hosting Revenue

The Company recognizes revenue associated with its data center hosting in accordance with Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers ("ASC 606"). The Company provides energized space to customers who locate their hardware within the Company’s co-hosting facility. Performance obligations are achieved simultaneously by providing the hosting environment for the customers’ operations. Customers pay a fixed rate to the

Company in exchange for a managed hosting environment supported by customer-provided equipment. Revenue is recognized based on the contractual fixed rate, net of any credits for non-performance, over the term of the agreements. Any ancillary revenue for other services is generally recognized at a point in time when the services are complete. Customer contracts include advance payment terms. All advanced service payments are recorded as deferred revenue and are recognized as revenue once the related service is provided.

HPC Hosting Revenue

The Company generates HPC hosting revenue by leasing its properties to customers under operating lease agreements, which are accounted for under ASC 842, Leases ("ASC 842"). The Company recognize the total minimum lease payments provided for under the leases on a straight-line basis over the lease term if the Company determines it is probable that substantially all of the lease payments will be collected over the lease term. The Company commences recognition of revenue from rentals at the date the property is ready for its intended use by the tenant and the tenant takes possession or controls the physical use of the leased asset. The excess of rents recognized as revenue over amounts contractually due pursuant to the underlying leases is included in Other assets on the consolidated balance sheets. Rental payments received in excess of revenue recognized are classified as Deferred revenue on the consolidated balance sheets.

Generally, under the terms of the Company's leases, the majority of its rental expenses, including power costs, are recovered from its customers. The Company records amounts reimbursable by customers ("tenant recoveries") as revenue in the period the applicable expenses are incurred – which is generally on a ratable basis through the term of the lease. The Company accounts for and presents rental revenue and tenant recoveries as a single component under Data center rental and other revenue on the consolidated statements of operations as the timing of recognition is the same, the pattern with which the Company transfers the right of use of the property and related services to the lessee are both on a straight-line basis and its leases qualify as operating leases.

Interconnection services include port and cross-connect services generally provided on terms that align with the respective lease term. The Company bills for these services on a monthly basis and recognize the revenue over the period the service is provided. Revenue for cross-connect installations is generally recognized in the period the cross-connect is installed.

The Company also generates HPC hosting revenue by providing tenant fit-out services including the procurement and installation of customer equipment provided in accordance with the terms of the agreement with the customer. Under these arrangements, the Company is entitled to reimbursement of costs incurred plus a contractual markup. In the course of providing its services, the Company routinely subcontracts for services and incurs other direct costs which are recognized, with margin, as revenue. The Company recognizes tenant fit-out services revenue as the related procurement and installation services are performed and costs are incurred.

The Company utilizes the practical expedient in ASC 842 that allows it to account for lease and non-lease components associated with each lease as a single lease component recorded within revenue, instead of accounting for such items separately under ASC 606.

The Company began recognizing revenue associated with certain of its data center leases as accounted for under ASC 842 in the second quarter of the current fiscal year. See *Note 17 - Leases* for further information.

ChronoScale Revenue

Revenue associated with ChronoScale is accounted for under ASC 606. ChronoScale, a VOE consolidated by the Company in accordance with ASC 810, provides managed cloud infrastructure services to customers, such as artificial intelligence and machine learning developers, to help develop their advanced products. Customers pay a fixed rate to ChronoScale in exchange for managed cloud services supported by provided equipment. Revenues are recognized based on the fixed rate, net of any credits for non-performance, over the term of the agreements.

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities are classified using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, for similar assets or liabilities that are directly or indirectly observable in the marketplace.
- Level 3: Unobservable inputs which are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, customer deposits, amounts due to customer and other current liabilities are considered to be representative of their respective fair values principally due to their short-term maturities.

The carrying values of variable rate borrowings approximate fair value due to the variable nature of the interest rates and the frequency of interest rate resets.

Segments

The Company has identified two reportable segments: data center hosting (“Data Center Hosting Business”) and high-performance compute hosting (“HPC Hosting Business”). These segments represent management's view of the business for which separate financial information is available and evaluated regularly by the CODM, which is the Company’s Chief Executive Officer.

Prior to the May 2026 transaction, the Company identified its Cloud Services Business as a reportable segment. Following the May 2026 transaction, pursuant to which the Cloud Services Business was contributed to Ekso Bionics Holdings, Inc. and became part of ChronoScale, ChronoScale is consolidated in the Company's financial statements; however, it is not an operating or reportable segment because its activities are managed by a separate management team and its operating results are not regularly reviewed by the Company's CODM for purposes of resource allocation and performance assessment.

The Company's CODM evaluates performance and makes operating decisions primarily based on revenue and segment profit (loss), on a consolidated basis and for each of the Company's reportable segments. Operating results by segment include costs or expenses directly attributable to each segment, which include selling, general, and administrative expenses, loss (gain) on classification of held for sale, loss on abandonment of assets, and loss from legal settlement.

The Company does not allocate interest expense, net, gain on change in fair value of derivatives, gain on change in fair value of investments, loss on conversion of debt, loss on change in fair value of debt, loss on change in fair value of related party debt, loss on extinguishment of debt, loss on extinguishment of related party debt, loss on change in fair value of warrants, loss on change in fair value of related party warrants or income tax expense to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance.

The Data Center Hosting Business operates data centers to provide energized space to crypto mining customers. Customer-owned hardware is installed in the Company’s facilities and the Company provides operational and maintenance services for a fixed fee.

The Company's HPC Hosting Business designs, constructs, and operates next-generation data centers, which are designed to provide massive computing power and support HPC applications within a cost-effective model.

Investments in equity securities

The Company's long-term investments include equity securities without readily determinable fair values and equity securities with readily determinable fair values. These investments are presented within Other assets on the consolidated balance sheets.

Equity securities without readily determinable fair values

The Company invests in equity securities, which are accounted for in accordance with ASC 321, Investments - Equity Securities ("ASC 321"). Equity securities are measured at fair value, with changes in fair value recognized within gain (loss) on change in fair value of investments on the consolidated statement of operations. For equity securities without readily determinable fair values, the Company has elected the measurement alternative, recording these investments at cost minus impairment, adjusted for observable price changes. Quarterly, the Company performs a qualitative assessment for impairment of equity securities without readily determinable fair values. If impairment is indicated, the investment is written down to fair value through earnings.

Equity investments with readily determinable fair values

The Company accounts for certain of its investments in equity securities of publicly traded companies in accordance with ASC 321. The Company records all equity investments with readily determinable fair values at fair value calculated by the publicly traded stock price at the close of the reporting period within gain on change in fair value of investments on the consolidated statement of operations.

For further discussion of the Company's investments in equity securities, see *Note 7 - Related Party Transactions, Note 9 - Balance Sheet Components*, and *Note 10 - Derivative Assets*.

Redeemable Noncontrolling Interest

The Company determined for the redeemable noncontrolling interest, the initial amount presented in temporary equity should be the initial carrying amount of the redeemable noncontrolling interest pursuant to ASC 805-20-30. Under ASC 805-20-30, noncontrolling interests are initially measured at fair value at the acquisition date. However, as the redeemable noncontrolling interest has embedded features that require bifurcation, the fair value at issuance must be allocated between the components. The Company initially measured the redeemable noncontrolling interest by first allocating the proceeds from the offering to the derivatives and, with the residual net proceeds allocated to the temporary equity classified redeemable noncontrolling interest and the warrants based on their respective relative fair values. The Company will not subsequently remeasure the temporary equity classified redeemable noncontrolling interest until it is probable that the redeemable noncontrolling interest will become redeemable. However, the redeemable noncontrolling interest balance will be adjusted for the attribution of net income or loss of the Subsidiary to the redeemable noncontrolling interest holder as prescribed by ASC 810.

Noncontrolling Interest

The Company accounts for investments in entities where it has control over the entity by consolidating the entities' assets, liabilities and results of operations and including them in the Company's consolidated financial statements. The share of the investment not owned by the Company is reflected in noncontrolling interest in the consolidated balance sheets. The Company recognizes the share of net income (loss) not attributable to the Company in net income (loss) attributable to noncontrolling interest in the consolidated statements of operations. Noncontrolling interest represents the portion of equity interests in ChronoScale that is not owned by the Company.

Reclassification

During the quarter ended February 28, 2026, the Company determined that the Cloud Services Business no longer qualified for held-for-sale and discontinued operations accounting after entering into the Contribution and Exchange Agreement with Ekso Bionics Holdings, Inc. ("Ekso"). See *Note 3 - Business Combination* for further discussion. As a result, the business was reclassified to continuing operations, with its assets and liabilities returned to their respective held-and-used balance sheet line items and prior-period financial statements retrospectively revised to reflect this presentation. In accordance with ASC 360, the Company remeasured the long-lived assets and recorded a $59.7 million loss to adjust the assets to their carrying value as of February 15, 2026, when the held-for-sale criteria were no longer met. The reclassification affected the presentation of revenues, earnings, cash flows, assets, and liabilities across all periods presented but did not materially impact previously reported net income, total assets, or equity.

Additionally, the Company reclassified certain prior period amounts in its consolidated balance sheets to conform to the current period presentation. Specifically, certain amounts in “Property and equipment, net” have been classified to “Other assets”. Additionally, amounts previously presented as "Restricted cash - funds for construction" and "restricted cash - letters of credit" have been presented as "Restricted cash". These reclassifications have no impact on total assets or cash flows.

Also during the fiscal year 2026, the Company revised the presentation of revenue and cost of revenue within the consolidated statements of operations to separately present services revenue and cost of revenue and data center rental and other revenue and cost of revenue. Prior period amounts have been reclassified to conform to the current period presentation. These presentation changes had no impact on previously reported total revenue, total cost of revenue, or net loss.

Cash, Cash Equivalents, and Restricted Cash

The Company’s restricted cash balances consisted of debt service reserves and letters of credit secured by cash. The debt service reserves are held in separate accounts and are to be used to fund interest and principal on the Senior Secured Notes (as defined below) during construction. See further discussion in *Note 8 - Debt.* Additionally, the Company has letters of credit secured by cash totaling $10.5 million and $38.3 million, as of May 31, 2026 and May 31, 2025, respectively, presented on its consolidated balance sheets within restricted cash. The Company is required to keep these balances, which are held in money market funds, in separate accounts for the duration of the letter of credit agreements, which have terms of up to two years. The letters of credit secured by cash were issued in lieu of security deposits. The Company considers the money market funds to be Level 1 which the Company believes approximates fair value.

Cash, cash equivalents, and restricted cash within the consolidated balance sheets that are included in the consolidated statements of cash flows as of May 31, 2026 and May 31, 2025 were as follows (in thousands):

	May 31, 2026	May 31, 2025
Cash and cash equivalents	$ 1,591,988	$ 43,950
Restricted cash [(1)]	2,381,027	72,368
Restricted cash included in other assets	180,415	7,000
Total Cash, Cash Equivalents, and Restricted Cash	$ 4,153,430	$ 123,318

(1) Presented as restricted cash - funds for construction and restricted cash - letters of credit on the balance sheet in the prior fiscal year.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (see *Note 4 - Property and Equipment*). Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is included in earnings. Depreciation expense includes the amortization of assets recorded in association with the Company's leases. Leasehold improvements and assets recorded in association with the Company's leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset. Construction in progress represents assets received but not placed into service as of the fiscal years ended May 31, 2026 and May 31, 2025.

Impairment or Disposal of Long-Lived Assets

The Company's long-lived assets are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company also evaluates the period of depreciation and amortization of long-lived assets to determine whether events or circumstances warrant revised estimates of useful lives. When indicators of impairment are present, the Company determines the recoverability of its long-lived assets by comparing the carrying value of its long-lived assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the estimated future undiscounted cash flows demonstrate the long-lived assets are not recoverable, an impairment loss would be calculated based on the excess of the carrying amounts of the long-lived assets over their fair value. The Company's estimates of fair values are based on the best information available and require the use of estimates, judgments, and projections. The Company recorded impairment expense on long-lived assets of $0.5 million for the fiscal year ended May 31, 2024. There was no impairment expense on long-lived assets for the fiscal years ended May 31, 2026 and May 31, 2025.

Assets Held For Sale

The Company generally considers assets to be held for sale when the following criteria are met: (i) management commits to a plan to sell the property, (ii) the property is available for sale immediately, (iii) management has initiated an active program to locate a buyer or buyers and other actions required to complete the plan to sell the disposal group, (iv) the sale of the property within one year is considered probable, (v) the property is actively being marketed for sale at a price that is reasonable in relation to its current fair value and (vi) significant changes to the plan to sell are not expected. Property classified as held for sale is no longer depreciated and is reported at the lower of its carrying value or its estimated fair value less estimated costs to sell in accordance with ASC 360, *Property, Plant and Equipment - Impairment or Disposal of Long-Lived Assets*. As of May 31, 2026, the Ekso business at ChronoScale met the held for sale criteria and was classified as such on the consolidated balance sheet (see *Note 6 - Discontinued Operations*).

Discontinued Operations

The Company deems it appropriate to classify a business as a discontinued operation if the related disposal group meets all the following criteria: (i) the disposal group is a component of the Company, (ii) the component meets the held-for-sale criteria, and (iii) the disposal of the component represents a strategic shift that has a major effect on the Company's operations and financial results. As of May 31, 2026, the Ekso business at ChronoScale was deemed to be discontinued operations due to the disposal group meeting all three criteria (see *Note 6 - Discontinued Operations*).

Accounts Receivable and Loans Receivable

Accounts receivable are primarily comprised of billed and unbilled receivables for which the Company has an unconditional right to consideration and the performance obligations have been satisfied. Accounts receivable are recorded at the invoiced amount, net of an allowance for credit losses recognized in accordance with the current expected credit loss ("CECL") model under ASC 326, *Financial Instruments - Credit Losses* ("ASC 326").

The Company periodically provides financing arrangements to strategic partners and related parties. Loans receivable are recorded at amortized cost, net of an allowance for credit losses recognized in accordance with the CECL model under ASC 326.

The allowance for expected credit losses reflects management's estimate of lifetime expected credit losses on accounts receivable and loans receivable. The Company bases its estimate on multiple factors, including historical experience with bad debts, the Company's relationship with its counterparties and their credit quality, the aging of respective asset balances, current macroeconomic conditions, and management's reasonable and supportable forecasts of future economic conditions that may affect collectibility. The allowance for credit losses is reassessed each reporting period, with changes in expected credit losses recognized in earnings. The Company writes off accounts receivable and loans receivable in the period when the likelihood of collection of a balance is considered remote.

For the years ended May 31, 2026 and May 31, 2025 there was no allowance for credit losses recorded in the consolidated balance sheets. The amount of current expected credit losses recorded in the consolidated statements of operations was $9.5 million for the year ended May 31, 2025. There was no current expected credit losses recorded for the years ended May 31, 2026 and May 31, 2024. The loss recorded in the year ended May 31, 2025 was due to a trade receivable write-off from a former customer of the Cloud Services Business.

Lessee Accounting

The Company determines whether an arrangement contains a lease at the inception of the arrangement. The Company leases office space under operating leases and equipment under finance leases. If a lease is determined to exist, the term of such lease is assessed based on the commencement date, which is the date on which the underlying asset is made available for the Company's use by the lessor. For leases with renewal periods or early terminations at the Company's option, the Company determines the expected lease term based on whether the exercise of any renewal option or early termination is reasonably certain at the inception of the lease.

At the commencement date of a lease, the Company recognizes a right-of-use asset representing its right to use the underlying asset during the lease term and a lease liability for the present value of the future lease payments. As most leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available on the commencement date in determining the present value of lease payments.

For operating leases, the Company recognizes fixed lease expense on a straight-line basis over the lease term. For finance leases, the Company recognizes amortization expense on the right-of-use asset and interest expense on the lease liability over the lease term. Variable lease costs are recognized as incurred. Assets and liabilities related to finance leases are presented separately from those relating to operating leases on the consolidated balance sheets. The Company does not record lease contracts with a term of 12 months or less on the consolidated balance sheets.

Stock-based Compensation

The Company measures stock-based compensation cost at fair value on the date of grant for all share-based awards and recognizes compensation expense over the service period that the awards are expected to vest. The Company has elected to recognize compensation cost for graded-vesting awards subject only to a service condition over the requisite service period of the entire award. For performance awards without market conditions, the Company begins recognizing expense in the period in which vesting becomes probable. The Company accounts for forfeitures as they occur.

For performance awards with market conditions based on the achievement of specified Company stock price targets, compensation expense is recognized over the requisite service period regardless of whether the market condition is ultimately achieved, provided the requisite service is rendered.

Earnings per Share

Basic earnings per share is computed by dividing income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities convertible into, or other contracts to issue, common stock were exercised or converted into common stock. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of the exercise of stock warrants, the conversion of existing debt agreements, and service-based and performance-based restricted stock units, respectively, determined using the treasury stock method. Any anti-dilutive effect of equity awards outstanding is not included in the computation of diluted net income (loss) per share.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the future tax consequences attributable to differences that exist between the financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as tax attributes such as net operating loss, capital loss and tax credits carryforwards on a taxing jurisdiction basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are expected, more likely than not, to be realized in the future. A tax benefit from an uncertain income tax position may be recognized in the financial statements only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Any subsequent changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

ASC Topic 740, Income Taxes, (“ASC 740”), clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure, and transition.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as components of income tax expense.

Based on the Company's evaluation, it has been concluded that, other than the uncertain tax position disclosed in the footnotes, there are no additional significant uncertain tax positions requiring recognition in the Company's consolidated financial statements.

For further information on income taxes, see *Note 12 - Income Taxes* below.

Cash Flows Associated With Derivative Instruments

The Company's derivative instruments primarily consist of embedded derivative features and warrants. Changes in the fair value of derivative instruments are noncash and are included as adjustments to reconcile net loss to net cash provided by (used in) operating activities, as applicable. Cash receipts and payments associated with derivative instruments related to financing transactions are presented within financing activities. See *Note 10 - Derivative Assets* for further information on the Company's derivative instruments.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). This ASU is intended to enhance the transparency and decision usefulness of income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and can be applied either prospectively or retrospectively. The Company has adopted this ASU for the fiscal year beginning June 1, 2025, on a prospective basis. The adoption resulted in additional disaggregated tax information.

Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03"). This ASU is intended to enhance transparency of income statement disclosures primarily through additional disaggregation of relevant expense captions. In January 2025, the FASB issued ASU No. 2025-01, which revises the effective date of ASU 2024-03, to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The ASU allows prospective or retrospective application. The Company is currently evaluating the impact of this ASU on its financial statement presentation and disclosures and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2027.

In September 2025, the FASB issued ASU 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software ("ASU 2025-06"). This ASU is intended to simplify the capitalization guidance by removing all references to software development project stages so that the guidance is neutral to different software development methods. The amendments in ASU 2025-06 are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, with early adoption permitted. The amendments in this update permit an entity to apply the new guidance using a prospective, retrospective or modified transition approach. The Company is currently evaluating the impact of ASU 2025-06 on its financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2028.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements ("ASU 2025-11"), which is intended to improve the navigability of the guidance in ASC 270, Interim Reporting, and clarify when it applies. Under the amendments, an entity is subject to ASC 270 if it provides interim financial statements and notes in accordance with GAAP. ASU 2025-11 also addresses the form and content of such financial statements, interim disclosures requirements, and establishes a principle under which an entity must disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is currently evaluating the impact of this ASU on its financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2028.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements ("ASU 2025-12"). The amendments in this update are to make other incremental improvements to GAAP and facilitate codification updates for a broad range of Topics arising from technical corrections, unintended application of the codification, clarifications, and other minor improvements. The resulting amendments are collectively referred to as Codification improvements. ASU 2025-12 is effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The Company is currently evaluating the impact the adoption of ASU 2025-12 may have on the Company's consolidated financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2027.

In April 2026, the FASB issued ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock. The ASU provides guidance on the initial measurement of paid-in-kind ("PIK") dividends on equity-classified preferred stock and does not affect the timing of dividend recognition. The amendment is effective for fiscal years beginning after December 15, 2026, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the adoption this ASU may have on the Company's consolidated financial statements and plans to adopt this pronouncement beginning with its fiscal year beginning June 1, 2027.

3. Business Combination

On May 5, 2026, the Company, through APLD ChronoScale HoldCo LLC, a wholly owned subsidiary, ("Contributor"), completed a transaction pursuant to which Contributor contributed 100% of the equity interests of Applied Digital Cloud ("Cloud") to Ekso Bionics Holdings, Inc. ("Ekso"), a publicly traded company, in exchange for shares of Ekso common stock (the "May 2026 transaction"). Although Ekso was the legal acquirer, Cloud was identified as the accounting acquirer and the transaction was accounted for as a reverse acquisition under ASC 805, *Business Combinations*. Following the closing of the transaction, Ekso was renamed ChronoScale Corporation ("ChronoScale").

As a result of the transaction, at closing, the Company owned approximately 97% of ChronoScale's outstanding common stock, and legacy Ekso shareholders retained approximately 3% (before giving effect to any dilution from new investments) which represents a noncontrolling interest in ChronoScale.

As the transaction was accounted for as a reverse acquisition, the consideration transferred was measured based on the number of equity interests Cloud would have had to issue to provide legacy Ekso shareholders with the same percentage ownership interest in the combined company that resulted from the transaction. The fair value of the consideration transferred was approximately $57.6 million, based on 4,357,026 equity interests valued at Ekso's closing share price of $13.22 per share on the acquisition date. The consideration was entirely in the form of equity.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date:

Cash and cash equivalents	$	13,492
Accounts receivable, net of allowance for doubtful accounts		4,125
Inventory		4,562
Prepaid expenses		1,150
Property and equipment, net		1,086
Operating lease right-of-use assets, net		315
Intangible assets, net		10,950
Other assets		369
Total assets acquired	$	36,049
Accounts payable	$	(281)
Accrued expenses		(5,055)
Deferred revenues		(1,400)
Operating lease liabilities		(321)
Debt, current		(3,346)
Deferred revenues non-current		(1,288)
Debt, non-current		(464)
Operating lease liabilities, non-current		(114)
Other non-current liabilities		(3,305)
Total liabilities assumed	$	(15,574)
Total identifiable net assets	$	20,475
Less: Cash acquired through PIPE (defined below)		(15,000)
Fair value of net assets acquired		5,475
Less: Impairment for assets held for sale (see *Note 6 - Discontinued Operations*)		2,365
Fair value less costs to sell	$	3,110
Total consideration transferred	$	57,623
Less: Fair value less costs to sell		3,110
Goodwill	$	54,513

The fair value of acquired accounts receivable was approximately $4.1 million as of the acquisition date. ChronoScale expects to collect substantially all acquired receivables.

The fair value of acquired intangible assets consists of Ekso's developed technology and trade name. The valuations of the developed technology and trade name were performed by a third-party valuation specialist using the relief-from-royalty method. Acquired intangible assets are amortized over the estimated useful lives on a straight-line basis.

In connection with the transaction, ChronoScale arranged a private investment in public equity ("PIPE"), which refers to a private placement of ChronoScale's equity to select investors concurrent with closing. Pursuant to the PIPE Agreement, ChronoScale agreed to issue and sell 1,311,407 shares of its common stock to Contributor at a price of $12.01 per share, resulting in aggregate gross proceeds of approximately $15.7 million, net of $0.8 million in offering costs.

The business combination resulted in the recognition of goodwill of approximately $54.5 million, which is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired. The goodwill is primarily attributed to the expected operational synergies, assembled workforce, public company platform benefits, and other intangible benefits that do not qualify for separate recognition. The goodwill was assigned to ChronoScale, which was expected to benefit from the synergies of the acquisition. As of May 31, 2026, ChronoScale was not a separate reportable segment under ASC 280, although the Cloud Business had previously been presented as a reportable segment. The assigned goodwill is included within the reporting unit used for goodwill impairment testing. The Company expects that $0.5 million of goodwill will be deductible for tax purposes.

The acquisition-date fair value of the noncontrolling interest was approximately $4.6 million, based on the equity interests retained by legacy Ekso shareholders and Ekso's closing share price of $13.22 per share on the acquisition date. The noncontrolling interest is presented as a separate component of permanent equity in the Company’s consolidated balance sheet.

Acquisition-related costs in connection with the transaction, including legal, accounting, valuation, and other professional fees of $5.3 million were expensed as incurred and are not included as a component of consideration transferred. Total transaction costs incurred were approximately $5.3 million.

The following unaudited pro forma financial information presents the combined results of operations as if the acquisition had occurred on June 1, 2024. The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had occurred as of that date, nor is it intended to project future results.

	Fiscal Year Ended	
	May 31, 2026	**May 31, 2025**
Revenue	$ 623,068	$ 243,220
Net loss	$ (203,175)	$ (245,278)

The unaudited pro forma results include adjustments directly attributable to the acquisition, including amortization of acquired intangible assets and the related income tax effects. No additional earnings per share impacts were identified other than the impact of amortization of acquired intangible assets.

4. Property and Equipment

Property and equipment, net consisted of the following as of May 31, 2026 and 2025 (in thousands):

	Estimated Useful Life	**May 31, 2026**	**May 31, 2025**
Networking equipment, electrical equipment, and software	3 years - 5 years	$ 38,669	$ 33,611
Mechanical infrastructure	20 years	71,939	—
Electrical infrastructure	15 years	104,491	—
Electric generation and transformers	15 years - 30 years	188,110	9,914
Land and building			
Building	39 years	279,308	109,672
Building improvements	15 years - 25 years	682,348	—
Land		59,713	20,047
Land improvements	15 years	43,786	1,423
Leasehold improvements	3 years - 7 years	1,142	1,142
Construction in progress		2,776,232	1,090,587
Other equipment and fixtures	5 years - 10 years	68,128	12,447
Total cost of property and equipment		4,313,866	1,278,843
Accumulated depreciation		(77,566)	(26,556)
Property and equipment, net		$ 4,236,300	$ 1,252,287

Depreciation expense totaled $48.5 million, $12.5 million, and $15.8 million for the fiscal years ended May 31, 2026, 2025, and 2024, respectively.

5. Revenue

Below is a summary of the Company's total revenue concentration by major customer for the fiscal years ended May 31, 2026, 2025, and 2024:

	May 31, 2026	May 31, 2025	May 31, 2024
Customer A	59 %	— %	— %
Customer B	25 %	59 %	62 %
Customer C	12 %	28 %	— %
Customer D	— %	— %	12 %

Deferred Revenue

Changes in the Company's deferred revenue balances for the fiscal years ended May 31, 2026 and May 31, 2025, respectively, are shown in the following table (in thousands):

	May 31, 2026	May 31, 2025
Balance, beginning of period	$ 3,594	$ 39,366
Advance billings	487,454	184,685
Revenue recognized	(487,204)	(228,371)
Other adjustments	822	7,914
Balance, end of period	$ 4,666	$ 3,594

Unbilled Receivables

Changes in the Company's unbilled receivables balances, which are captured in the consolidated balance sheets in accounts receivable for the fiscal years ended May 31, 2026 and May 31, 2025, respectively, are shown in the following table (in thousands):

	May 31, 2026	May 31, 2025
Balance, beginning of period	$ —	$ —
Billings	(81,342)	—
Revenue recognized	124,491	—
Balance, end of period	$ 43,149	$ —

Customer Deposits

Changes in the Company's customer deposits balances for the years ended May 31, 2026 and 2025, respectively, are shown in the following table (in thousands):

	May 31, 2026	May 31, 2025
Balance, beginning of period	$ 16,125	$ 15,367
Customer deposits received	627	5,698
Customer deposits refunded	—	(3,373)
Customer deposits applied	—	(1,567)
Balance, end of period	$ 16,752	$ 16,125

6. Discontinued Operations

During the year ended May 31, 2026, the Board of Directors of ChronoScale committed to a plan to divest its wholly owned subsidiary, Ekso Bionics, Inc., a Delaware corporation ("Ekso") which had not previously been announced as being held for sale, and to focus ChronoScale's operations solely on its cloud services business. As such, legacy Ekso met the criteria to be classified as "held for sale" on the consolidated balance sheets. Therefore, upon consolidation, the Company reported Ekso's operations as discontinued operations in its consolidated statements of operations for the fiscal year ended May 31, 2026 in accordance with ASC 205-20, Discontinued Operations. ChronoScale expects to complete the divestiture of the Ekso business within 12 months from the date it met the held-for-sale criteria.

The financial results of Ekso are presented as net loss from discontinued operations on the consolidated statements of operations. The following table presents the major components of the financial results of Ekso for the periods presented (in thousands):

	Fiscal Year Ended May 31, 2026
Revenue	$ 385
Cost of revenues	302
Selling, general and administrative	1,108
Operating loss from discontinued operations	(1,025)
Interest income	5
Net loss from discontinued operations before income tax expense	(1,020)
Income tax expense	—
Net loss from discontinued operations	$ (1,020)

As of May 31, 2026, the assets and liabilities of Ekso are classified as current in the consolidated balance sheets, as it is probable that the sale will occur within one year. The following table represents the aggregated carrying amounts of classes of assets and liabilities that are classified as held for sale on the consolidated balance sheets for the periods presented (in thousands):

	Fiscal Year Ended May 31, 2026
Assets:	
Cash and cash equivalents	$ 2
Accounts receivable	3,914
Prepaid expenses and other current assets	5,604
Property and equipment, net	1,084
Operating lease right of use asset, net	284
Intangible assets	10,950
Other assets	368
Less: Impairment on assets held for sale	$ (2,365)
Total current assets held for sale	$ 19,841
Liabilities:	
Accounts payable	263
Accrued liabilities	4,205
Current portion of operating lease liability	290
Current deferred revenue	1,334
Long-term deferred revenue	1,229
Long-term portion of operating lease liability	105
Total current liabilities held for sale	$ 7,426

The following table summarizes the net cash flows from discontinued operations of Ekso for the year ended May 31, 2026 (in thousands):

	Fiscal Year Ended May 31, 2026
Net cash used in operating activities - discontinued operations	$ (1,705)
Net cash used in investing activities - discontinued operations	$ —

7. Related Party Transactions

Related Party Revenue

Related party revenue consisted of revenue from two customers, Customer E and Customer F, neither of which is currently a customer of the Company. The following table illustrates related party revenue for the fiscal years ended May 31, 2026, 2025, and 2024 (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
Customer E	$ —	$ 1,244	$ 8,005
Customer F	$ —	$ 682	$ 6,756

Customer E is a subsidiary of an entity which, during the first quarter of fiscal year 2025, was deemed to beneficially own over 5% of the Company's outstanding common stock. As of July 25, 2024, the controlling individual of the entity filed a Schedule 13G to report the fact that as of the date thereof, the entity had ceased to be a beneficial owner of more than 5% of such class of securities.

Customer F is 60% owned by an individual who, during the first quarter of fiscal year 2025, was deemed to beneficially own over 5% of the Company's outstanding common stock. As of July 25, 2024, the individual filed a Schedule 13G to report the fact that as of the date thereof, the individual had ceased to be a beneficial owner of more than 5% of such class of securities.

Base Electron

Base Electron Corp., a Nevada corporation, ("Base Electron") is an independent power producer owned and managed by a combination of third parties, as well as certain officers and directors of the Company acting in their individual capacities, for the purpose of developing stabilized power generation and infrastructure to support the broader AI industry. Base Electron is considered a VIE under ASC 810; however, the Company does not consolidate Base Electron as the Company is not the primary beneficiary. See *Note 11 - Variable Interest Entities* for further discussion.

On February 1, 2026 the Company and Base Electron entered into the Intercompany Administrative Services Agreement (the "Intercompany Agreement"). Under the Intercompany Agreement, the Company may provide, at Base Electron's request, certain administrative services in an advisory capacity, while all strategic, operational, investment, financing, and governance decisions remain exclusively with Base Electron. The costs for services provided are calculated under the services cost method, as described in Treasury Regulation Section 1.482-9(b), in order to determine the applicable arm's length charges. The amount of services provided during the fiscal year ended May 31, 2026 were immaterial.

The Company was party to a Guarantee (the "Guarantee") in favor of The Babcock & Wilcox Company ("B&W"), pursuant to which it had agreed to unconditionally and irrevocably guarantee the full and timely performance by Base Electron, of its obligations under a Design-Build Agreement, dated February 26, 2026, by and between Base Electron and B&W (the "Design-Build Agreement"). The Design-Build Agreement contemplates the engineering, procurement, construction and commissioning of a power generation facility with an expected nameplate capacity of approximately 1.2 GW anticipated to expand power and capacity supplied to the grid and utility customers in the Midcontinent Independent System Operator ("MISO") region.

Following Base Electron's entry into the Design-Build Agreement and assuming all of the obligations thereunder in lieu of the Company, on March 18, 2026, the Company entered into the Partial Assignment and Assumption Agreement (the "Assignment Agreement") with Base Electron, B&W Enterprises, and B&W, pursuant to which the Company assigned to Base Electron its right to purchase an aggregate of 5,230,000 shares of common stock of B&W Enterprises. In connection therewith, B&W Enterprises issued a common stock purchase warrant with respect to such shares directly to Base Electron (the "Base Warrant").

In connection with the Assignment Agreement, on March 18, 2026, the Company entered into the Amendment and Joinder to Registration Rights Agreement with Base Electron and B&W Enterprises, whereby the Company became a party to that certain Registration Rights Agreement, dated November 4, 2025, by and between the Company and B&W Enterprises. Pursuant to the Amendment and Joinder, B&W Enterprises agreed to register the resale of the shares of its common stock issuable upon exercise of the Warrant.

In connection with and as partial consideration for the Company's entry into the Guarantee, Base Electron issued to the Company approximately 10% of Base Electron's outstanding equity. The investment in Base Electron will be accounted for at cost under ASC 321 as it is an equity security without a readily determinable fair value and will be evaluated quarterly for impairment indicators. There were no impairment indicators during the fiscal year ended May 31, 2026. As of May 31, 2026, the Company determined the fair value of the investment was $2.0 million, which was recorded as an Other asset on the consolidated balance sheets and a Gain on change in fair value of investment on the consolidated statements of operations.

Base Electron Demand Grid Promissory Note

On April 16, 2026, Base Electron entered into a promissory note with the Company (the "Demand Grid Promissory Note") for a principal sum of $15.9 million. The Demand Grid Promissory shall bear interest on the unpaid principal balance hereof at a rate equal to the Applicable Rate (defined below), compounded semi-annually as of the end of each six-calendar-month period (or portion thereof) ending June 30 or December 31, as the case may be (a "Semi-Annual Period"), and computed on the basis of the actual number of days elapsed in such Semi-Annual Period (or portion thereof), until the Lender shall, in its discretion, demand payment of the principal amount hereof and all accrued interest thereon. The "Applicable Rate" with respect to any Semi-Annual Period (or portion thereof) during which this note is outstanding shall be the short-term Applicable Federal Rate (as defined in Section 1274(d) of the Internal Revenue Code of 1986, as amended) in effect for the first month of that Semi-Annual Period (i.e., January or July, as the case may be), compounded semiannually.

On May 27, 2026, the Demand Grid Promissory Note was amended (the "Amended and Restated Demand Grid Promissory Note") to increase the aggregate amount of future advances, not to exceed $50.0 million. On May 29, 2026, the Demand Grid Promissory Note was further amended (the "Second Amended and Restated Demand Grid Promissory Note") to increase the aggregate amount of future advances, not to exceed $100.0 million.

On May 29, 2026, the Guarantee was terminated, effective upon payment of $37.0 million by the Company on behalf of Base Electron which was added to the Second Amended and Restated Demand Grid Promissory Note. As such, the Company recorded a related party loan receivable which is included within Prepaid expenses and other current assets on the consolidated balance sheets.

As of May 31, 2026, the balance of the Demand Grid Promissory Note was $58.6 million, which was recorded as a related party loan receivable and presented within Prepaid expense and other current assets on the consolidated balance sheets. During the fiscal year ended May 31, 2026, approximately $0.1 million of interest income was recognized.

Other Related Party Transactions

Related party transactions included within selling, general and administrative expense on the consolidated statement of operations include the following:

- consulting costs of $0.3 million during the fiscal year ended May 31, 2024, were incurred with a company owned by a family member of the Company's former Chief Administrative Officer.
- software license fees of $0.3 million, $0.3 million, and $0.2 million during the fiscal years ended May 31, 2026, May 31, 2025, and May 31, 2024, respectively, were incurred with a company whose chairman is also a member of the Company's Board of Directors.
- consulting fees of $43.3 thousand during the fiscal year ended May 31, 2024 were incurred with a former member of the Company's Board of Directors for sales consulting work.

8. Debt

Long-term debt consisted of the following components (in thousands):

	Interest Rate	Maturity Date	May 31, 2026	May 31, 2025
2030 Senior Secured Notes	9.25%	December 2030	$ 2,350,000	$ —
2031 Senior Secured Notes	6.75%	March 2031	2,150,000	—
Convertible Notes, senior unsecured [(1)]	2.75%	June 2030	450,000	450,000
Bridge Facility	See below	April 2027	300,000	—
SMBC Loan [(2)]	See below	August 2026	—	375,000
Starion Ellendale Loan [(3)]	7.48%	February 2028	8,108	12,283
Cornerstone Bank Loan [(4)]	8.59%	March 2029	9,910	12,866
Starion Term Loan [(5)]	6.50%	July 2027	3,900	7,061
Other debt [(6)]			34,762	12,275
Deferred financing costs, net of amortization			(330,742)	(181,329)
Less: Current portion of debt			(16,422)	(10,331)
Long-term debt, net			$ 4,959,516	$ 677,825

(1) The net carrying amount of the Convertible Notes was $276.0 million and $273.3 million and the remaining unamortized deferred financing costs related to the issuance was $174.0 million and $176.7 million, each as of May 31, 2026 and May 31, 2025, respectively.

(2) The SMBC Loan was guaranteed by APLD HPC TopCo LLC, a wholly-owned subsidiary of the Company, and was secured by a continuing security interest in all of the membership interests of the borrower, APLD HPC Holdings LLC, including a mortgage on certain properties as defined in the collateral agency, security and depositary agreement. During the year ended May 31, 2026, concurrent with the closing of the 2030 Notes Offering (see below), the Company repaid in full the aggregate principal balance plus accrued interest. As of May 31, 2025, there were $4.4 million of unamortized deferred financing costs. The average SOFR plus the applicable margin for the fiscal year ended May 31, 2025 was 7.82%.

(3) The Starion Ellendale Loan incurred by APLD ELN-01 LLC, a wholly-owned subsidiary of the Company, is guaranteed by the Company and is secured by substantially all of the assets of APLD ELN-01. APLD ELN-01 LLC is subject to a debt service coverage ratio and is in compliance as of May 31, 2026

(4) The Cornerstone Bank Loan incurred by APLD GPU-01, LLC, a wholly owned subsidiary of the Company, is guaranteed by the Company, APLD Hosting, and Sai Computing, LLC and is secured by substantially all assets of APLD GPU-01 including, among other things, APLD GPU-01's interest in electrical services agreements, and the Company's interest in the various terms of service agreements for HPC based systems related to AI Cloud Computing Services, which are to be serviced at the Jamestown hosting facility.

(5) The Starion Term Loan incurred by APLD Hosting, LLC, a wholly-owned subsidiary of the Company, is guaranteed by the Company and is secured by substantially all of the assets of APLD Hosting, and its interests in the master hosting agreements and electric services agreements related to the Jamestown hosting facility. APLD Hosting is subject to customary covenants, representations and warranties and events of default. APLD Hosting is subject to a debt service coverage ratio and is in compliance as of May 31, 2026.

(6) Inclusive in this number are two promissory notes the Company entered into during the second fiscal quarter of 2026 for a total of approximately $18.5 million, as well as $12.0 million of proceeds from the issuance of two SAFE agreements which are classified as liabilities.

Interest Expense

Interest and related amortization of debt issuance costs and discounts recognized during construction projects are capitalized and included in the cost of project. Interest expense, net of amounts capitalized, recognized for the years ended May 31, 2026, May 31, 2025, and May 31, 2024 consisted of the following (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
Interest expense	$ 85,259	$ 35,261	$ 23,448
Interest expense - related party	—	—	5,000
Interest income [(1)]	(55,743)	(3,122)	(931)
Interest expense, net	29,516	32,139	27,517
Interest capitalized	39,574	57,171	—
Total interest charges incurred	$ 69,090	$ 89,310	$ 27,517

(1) For the fiscal year ended May 31, 2026, amount includes related party interest income of $0.1 million.

Below is the weighted-average interest rate for the Company's term loans:

	May 31, 2026	May 31, 2025
Weighted-average interest rate	7.1 %	1.7 %

Remaining Principal Payments

Below is a summary of the remaining principal payments due over the life of the term loans as of May 31, 2026 (in thousands):

FY27	$ 16,591
FY28	196,648
FY29	290,798
FY30	295,689
FY31	4,194,954
Thereafter [(1)]	312,000
Total	$ 5,306,680

(1) Includes $12.0 million of proceeds from the issuance of two SAFE agreements, which are classified as liabilities.

Debt Fair Value Measurements

The carrying value of the Company's variable rate borrowings, the Bridge Facility and SMBC Loan, approximate fair value at May 31, 2026 and May 31, 2025, as applicable, each balance sheet date due to the variable nature of the interest rates and the short period between interest rate resets.

The Company has determined the fair value of its 2030 Senior Secured Notes and the 2031 Senior Secured Notes to be approximately $2.5 billion and $2.2 billion, respectively, as of May 31, 2026 using level 1 inputs. The Company has determined the fair value of its fixed rate term loans $22.4 million, in aggregate, and $31.9 million, in aggregate, as of May 31, 2026 and May 31, 2025, respectively, based on discounted cash flow analysis, which uses Level 3 inputs. The Company has determined the fair value of its Convertible Notes, senior unsecured to be $392.9 million and $341.7 million as of May 31, 2026 and May 31, 2025, respectively, based on discounted cash flow analysis, which uses Level 3 inputs.

Letters of Credit

As of May 31, 2026 and May 31, 2025, the Company had letters of credit secured by cash totaling $10.5 million and $38.3 million, respectively. The Company is required to keep these balances in separate accounts for the duration of the letter of credit agreements. The Company presents all restricted cash amounts with letter of credit terms of 12 months or less within the Restricted Cash caption within current assets and any amounts with related letter of credit terms of over 12 months in Other Assets.

MEC Promissory Note

On September 9, 2025, a subsidiary of the Company, APLD FAR-01 LLC ("APLD FAR-01"), entered into a promissory note (the “MEC Promissory Note”) with Macquarie Equipment Capital, Inc., a Delaware corporation (“MEC”). The MEC Promissory Note provided for an initial principal sum of $50 million (the “MEC Loan”), which was drawn on the Closing Date.

The MEC Loan bore interest at 8.0% per annum. From the Closing Date and for the succeeding twelve months (the “PIK Period”), accrued interest was to be paid in kind, with such payment in kind being capitalized to principal monthly and at such other times as specified in the MEC Promissory Note. After the PIK Period, accrued interest was to be paid in cash in certain circumstances. The MEC Promissory Note was to mature on the earliest of (i) the date of acceleration of the MEC Loan, (ii) February 1, 2026, if the 200 MW Lease Execution (as defined therein) has not occurred on or before October 31, 2025, or (iii) September 9, 2027.

The MEC Loan could be accelerated and APLD FAR-01 required to prepay the full outstanding principal balance of the MEC Promissory Note, together with accrued interest to the date of prepayment on the principal amount prepaid and any other amounts then due and payable, upon the occurrence of any of the following conditions: (a) a Change of Control (as defined therein), (b) within ninety (90) days following the occurrence of the 200 MW Lease Execution, and (c) within thirty (30) days following a Qualifying Preference Share Issuance (as defined therein).

APLD FAR-01 may voluntarily prepay all or part of the MEC Promissory Note at any time with no less than three (3) business days’ notice with accrued interest to the date of prepayment on the principal amount prepaid, so long as, with respect to the portion of the MEC Loan then being prepaid, in each case, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals or exceeds 1.10 to 1.00. The same 1.10x return hurdle applied to repayment at maturity. Amounts repaid under the MEC Promissory Note are not available to be re-borrowed.

Proceeds of the MEC Loan under the MEC Promissory Note were used, in part, to (i) pay transaction costs, (ii) pay transaction expenses in connection with the Note Documents (as defined therein), (iii) fund the purchase of the financed properties located on the Company’s campus in Harwood, ND (“Polaris Forge 2”), including all associated closing costs, title fees, and legal expenses, (iv) finance improvements to the Polaris Forge 2 properties, (v) fund the purchase of the Transformers (as defined therein) and other equipment expected to be installed and used for the improvements of the Polaris Forge 2 properties, (v) to pay any other costs, fees, expenses, or amounts related to or in connection with the development and construction of Polaris Forge 2, and (vi) for general corporate working capital purposes.

In connection with the MEC Loan, (i) APLD FAR-01, APLD FAR Holdings LLC, a Delaware limited liability company ("APLD FAR Holdings"), as parent of APLD FAR-01, and APLD FAR-02 LLC, a Delaware limited liability company ("APLD FAR-02"), as a subsidiary of APLD FAR Holdings, entered into a guarantee and collateral agreement, as grantors thereunder, in favor of the Lender (the “Guarantee and Collateral Agreement”).

On November 28, 2025, APLD FAR-01 repaid MEC Promissory Note in full, including all outstanding and unpaid principal, accrued interest, and rate of return. As a result, the accrued interest and rate of return on the MEC Promissory Note of $1.4 million was capitalized to CIP commensurate with the use of proceeds associated with construction.

2025 Revolving Credit Facility

On November 10, 2025, the Company entered into a loan and security agreement with First National Bank of Omaha, pursuant to which the lender agreed to make one or more revolving loans, and issue letters of credit, from time to time to the Company in an aggregate principal amount of $65 million (the “2025 Revolving Credit Facility”). Amounts borrowed and repaid are available for future borrowing. Interest accrues on the outstanding balance at a rate of SOFR plus 2.75% per annum. Additionally, there is an unused facility fee of 0.35% per annum based on the daily average unused amount, payable quarterly in arrears at the end of each quarter. The loan is secured by all of the Company’s (but none of its subsidiaries’) assets. On May 29, 2026, the 2025 Revolving Credit Facility was modified and the standby letters of credit transferred when the Company and certain of its subsidiaries entered into the 2026 Revolving Credit Facility (as discussed below).

9.250% Senior Secured Notes due 2030

On November 20, 2025, the Company's subsidiary APLD ComputeCo LLC (“APLD ComputeCo”) closed a $2.35 billion offering (the "2030 9.250% Notes Offering") of 9.25% Senior Secured Notes due 2030 (the “2030 9.250% Notes”). The 2030 9.250% Notes were sold pursuant to the terms of a purchase agreement, dated as of November 13, 2025 and as amended thereafter, entered into by and among APLD ComputeCo, the subsidiary guarantors party thereto (the “Subsidiary Guarantors”) and Morgan Stanley & Co. LLC as the representative (the “Representative”) of the several initial purchasers (the “Initial Purchasers”) in a Rule 144A/Regulation S offering.

The 2030 9.250% Notes were issued at a price equal to 97% of their aggregate principal amount APLD ComputeCo intends to use the net proceeds from the offering to fund a portion of the construction and associated expenses of its 100 MW and 150 MW data centers, ELN-02 and ELN-03, respectively (the “Ellendale Facilities”), at the Company’s 400MW Ellendale, North Dakota campus (“Polaris Forge 1”), repay the aggregate principal balance plus any accrued and unpaid interest under the SMBC Loan, fund debt service reserves, and pay transaction expenses.

Also on November 20, 2025, APLD ComputeCo, APLD HPC Holdings 2 LLC (the direct parent of APLD ComputeCo) and the Subsidiary Guarantors entered into an indenture (the “2030 9.250% Notes Indenture”) with respect to the 2030 9.250% Notes with Wilmington Trust, National Association, as trustee (the “Trustee”) and collateral agent (the “Collateral Agent”). The 2030 9.250% Notes are senior secured obligations of APLD ComputeCo and bear interest at a rate of 9.25% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2026. The 2030 9.250% Notes will mature on December 15, 2030, unless earlier redeemed or repurchased in accordance with their terms. The principal amount of the 2030 9.250% Notes will amortize on a semi-annual basis on June 15 and December 15 of each year, beginning on December 15, 2027, in amounts set forth in the 2030 9.250% Notes Indenture. Required amortization shall be subject to adjustment in case of partial redemption or repurchase or, in certain circumstances, the issuance of additional notes.

On or after December 15, 2027, APLD ComputeCo may redeem the 2030 9.250% Notes at its option, in whole at any time or in part from time to time, at the redemption prices set forth in the 2030 9.250% Notes Indenture. Prior to December 15, 2027, APLD ComputeCo may redeem the 2030 9.250% Notes at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2030 9.250% Notes redeemed, plus a “make-whole” premium and accrued and unpaid interest, if any. In addition, prior to December 15, 2027, the APLD ComputeCo may redeem up to 40% of the aggregate principal amount of the 2030 9.250% Notes in an amount not to exceed the amount of the proceeds of certain equity offerings, at the redemption price set forth in the 2030 9.250% Notes Indenture, plus accrued and unpaid interest.

The 2030 9.250% Notes Indenture limits the ability of APLD ComputeCo and the Subsidiary Guarantors to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments; (iii) make certain investments; (iv) create or incur liens; (v) consummate certain asset sales; (vi) enter into sale and lease back transactions; (vii) hold assets or conduct operations unrelated to the operation of the Ellendale Facilities and certain additional projects; (viii) engage in certain transactions with its affiliates; and (ix) merge, consolidate or transfer or sell all or substantially all of its assets. These covenants are subject to a number of important qualifications and exceptions as set forth in the 2030 9.250% Notes Indenture. Additionally, upon the occurrence of specified change of control events, APLD ComputeCo must offer to repurchase the 2030 9.250% Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date. The 2030 9.250% Notes Indenture also provides for customary events of default.

The Company will provide a customary completion guarantee with respect to each Project (as defined in the 2030 9.250% Notes Indenture) related to the Ellendale Facilities, which will require the Company to provide APLD ComputeCo funds as necessary to ensure the achievement of the applicable Commencement Date (as defined in the 2030 9.250% Notes Indenture) under the respective data center lease in the event that the proceeds of the 2030 9.250% Notes and the available funds (including previous equity contributions from the Company) are insufficient to do so.

As of May 31, 2026, remaining unamortized deferred financing costs related to the issuance of the loan was $6.1 million.

DevCo Facility

On December 18, 2025, a subsidiary of the Company APLD DevCo LLC (the "Borrower") entered into an ongoing credit arrangement with MEC (as defined above), for the purposes of funding the initial sourcing, planning, development and construction costs associated with a new data center project (the "DevCo Facility") and other potential projects.

The DevCo Facility is evidenced by, among other documents, that certain Promissory Note (as amended, the "DevCo Promissory Note") executed by APLD DevCo in favor of MEC. The DevCo Promissory Note provides for a principal sum of (a) $45 million (the "First Draw"), which was drawn on the Initial Closing Date, plus (b) $40 million (the "Second Draw") which was drawn on February 24, 2026, plus (c) $15 million (the "Third Draw,", and, together with the First Draw and the Second Draw, collectively, the "Initial Loan" and each, individually, a "Draw"), with the Third Draw to be funded upon APLD DevCo's request at any time after the Initial Closing Date subject to satisfaction of or waiver by MEC of certain conditions precedent on or prior to the Third Draw, plus (d) the principal sum of any Additional Loans (as defined below, and, together with the Initial Loan, the "DevCo Loan"), if applicable, made by MEC (at the mutual consent of the APLD DevCo and MEC).

In addition, the DevCo Promissory Note provides for, upon request of APLD DevCo occurring prior to the Maturity Date (as defined below), (a) rolling over of the outstanding principal balance of the DevCo Loan from time to time into one or more loans for one or more new projects (such rollovers, the "Rollover Loans"), or (b) increasing the size of the existing DevCo Loan by advancing new loans to APLD DevCo (such loans, the "Additional Loans"), in either case, for the purpose of financing development activities at new or existing data center projects at direct or indirect, wholly owned domestic subsidiaries of APLD DevCo, each of which shall become a guarantor with respect to such Additional Loans or Rollover Loans, as applicable, subject to the prior written approval of MEC (in its sole discretion) and the satisfaction of the conditions specified by MEC.

Each Draw is fully committed, but any Additional Loans or Rollover Loans made by MEC under the DevCo Promissory Note would be on an uncommitted, discretionary basis (with no specified maximum borrowing limit for any Additional Loans or Rollover Loans).

The DevCo Loan shall bear interest at 8.0% per annum, unless an Event of Default (as defined therein) has occurred and is continuing, in which case, the Secured Obligations (as defined therein) shall bear interest at the sum of 8.0% per annum plus an additional 1.50% per month (the "Post-Default Rate").

APLD DevCo may voluntarily prepay all or part of the DevCo Promissory Note at any time with no less than three (3) business days' notice with accrued interest to the date of prepayment on the principal amount prepaid, so long as, (a) with respect to the amount outstanding under the First Draw, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals 1.25 to 1.00; provided that, such rate of return shall be reduced to (i) on or prior to the date that is four (4) months after the date on which the First Draw is funded, 1.06:1.00 or (ii) after the date that is four (4) months after the date on which the First Draw is funded but prior to the date that is twelve (12) months after the date on which the First Draw is funded, 1.10:1.00; (b) with respect to the amount outstanding under the Second Draw, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return that equals 1.25 to 1.00; provided that, (x) if the Second Draw is funded within six (6) months of the date on which the First Draw is funded, and the prepayment occurs at any time thereafter, such rate of return shall be reduced to (i) on or prior to the date that is four (4) months after the date on which the Second Draw is funded, 1.06:1.00 or (ii) after the date that is four (4) months after the date on which the Second Draw is funded but prior to the date that is twelve (12) months after the date on which the Second Draw is funded, 1.10:1.00 and (y) if the Second Draw is funded more than within six (6) months after the date on which the First Draw is funded, and such prepayment occurs at any time thereafter, such rate of return shall be reduced to, after the date that is six (6) months after the date on which the First Draw is funded but prior to the date that is twelve (12) months after the date on which the First Draw is funded, 1.10:1.00; and (c) with respect to the amount outstanding under the Rollover Loans (as defined below) or any Additional Loans, such prepayment is accompanied by the payment of amounts sufficient to achieve a rate of return on capital as determined by mutual agreement of MEC and APLD DevCo. The same return hurdles apply to repayment at maturity.

The DevCo Loan matures on the earliest of (i) the date of acceleration of the DevCo Loan, (ii) July 18, 2026, if the Initial Lease Execution (as defined therein) has not occurred on or before April 18, 2026, or (iii) December 18, 2027 (the "Maturity Date"). Proceeds from the Loan were used, in part, to (i) pay transaction expenses, and (ii) fund the purchase, development and improvement of, and the purchase of equipment for, the Company's latest new project under development.

In connection with the DevCo Loan, (i) APLD Intermediate HoldCo LLC, a Delaware limited liability company, as direct parent of APLD DevCo ("Intermediate Holdings"), APLD DevCo, and APLD DevCo's subsidiaries have entered into a guarantee and collateral agreement, as grantors thereunder, in favor of MEC (the "Guarantee and Collateral Agreement"), and (ii) the Company has entered into a parent guarantee in favor of MEC to guarantee the obligations of the Note Parties under the DevCo Promissory Note.

On May 29, 2026, the Company repaid the DevCo Loan in full, including all outstanding and unpaid principal, accrued interest, and rate of return. As a result, the accrued interest and rate of return on the Loan of $9.4 million was capitalized to CIP commensurate with the use of proceeds associated with construction.

6.750% Senior Secured Notes due 2031

On March 10, 2026, the Company's subsidiary APLD ComputeCo 2 LLC ("APLD ComputeCo 2"), completed a private offering of 6.750% Senior Secured Notes due 2031 (the "2031 6.750% Notes"). The 2031 6.750% Notes were sold pursuant to the terms of a purchase agreement, dates as of March 3, 2026, entered into by and among APLD ComputeCo 2, the subsidiary guarantors thereto and Goldman Sachs & Co. LLC, as representative (the "Representative") of the several initial purchasers (the "Initial Purchasers") in a Rule 144A/Regulation S offering. The aggregate principal amount of Notes sold in the offering was $2.15 billion.

The 2031 6.750% Notes were issued at a price equal to approximately 98% of their aggregate principal amount. The gross proceeds from the offering were deposited into escrow pursuant to an escrow agreement (the "Escrow Agreement"). On June 18, 2026, the escrow release conditions were satisfied and the funds were released to the Issuer. APLD ComputeCo 2 intends to use the net proceeds from the offering to fund a portion of the construction and associated expenses of its data center projects (the "Projects"), fund debt service reserves, and pay transaction expenses. If the escrow release conditions are not satisfied by the specified outside date, APLD ComputeCo 2 will be required to redeem the 2031 6.750% Notes pursuant to a special mandatory redemption provision.

Also on March 10, 2026, APLD ComputeCo 2, its direct parent and the subsidiary guarantors entered into an indenture for the 2031 6.750% Notes (the "2031 6.750% Notes Indenture") with Wilmington Trust, National Association, as trustee (the "Trustee") and collateral agent (the "Collateral Agent"), governing the 2031 6.750% Notes. The 2031 6.750% Notes are senior secured obligations of APLD ComputeCo 2 and bear interest at a rate of 6.750% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2026. The 2031 6.750% Notes will mature on March 15, 2031, unless earlier redeemed or repurchased in accordance with their terms.

The principal amount of the 2031 6.750% Notes will amortize on a semi-annual basis beginning after the final commencement date of the Projects, in amounts set forth in the 2031 6.750% Notes Indenture. Required amortization shall be subject to adjustment in the case of partial redemption or repurchase or, in certain circumstances, the issuance of additional notes.

On or after March 15, 2028, APLD ComputeCo 2 may redeem the 2031 6.750% Notes at its option, in whole at any time or in part from time to time, at the redemption prices set forth in the 2031 6.750% Notes Indenture. Prior to March 15, 2028, APLD ComputeCo 2 may redeem the 2031 6.750% Notes at its option, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the 2031 6.750% Notes redeemed, plus a "make-whole" premium and accrued and unpaid interest, if any. In addition, prior to March 15, 2028, APLD ComputeCo 2 may redeem up to 40% of the aggregate principal amount of the 2031 6.750% Notes with the proceeds of certain equity offerings, at the redemption price set forth in the 2031 6.750% Notes Indenture, plus accrued and unpaid interest.

The 2031 6.750% Notes Indenture limits the ability of APLD ComputeCo 2 and the subsidiary guarantors to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay dividends or distributions on, or redeem or repurchase, capital stock and make other restricted payments; (iii) make certain investments; (iv) create or incur liens; (v) consummate certain asset sales; (vi) enter into sale and leaseback transactions; (vii) hold assets or conduct operations unrelated to the Projects and certain additional permitted businesses; (viii) engage in certain transactions with affiliates; and (ix) merge, consolidate or transfer or sell all or substantially all of its assets. These covenants are subject to a number of important qualifications and exceptions as set forth in the Indenture. Additionally, upon the occurrence of specified change of control events, APLD ComputeCo 2 must offer to repurchase the 2031 6.750% Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date. The 2031 6.750% Notes Indenture also provides for customary events of default.

In connection with the 2031 6.750% Notes, the Company provides a customary completion guarantee with respect to each Project, which requires the Company to provide the Issuer with funds as necessary to ensure the achievement of the applicable commencement milestones under the related data center leases in the event that the proceeds of the 2031 Notes and other available funds are insufficient.

As of May 31, 2026, remaining unamortized deferred financing costs related to the issuance of the 2031 Notes were $38.7 million.

Bridge Facility

On May 1, 2026, the Company's subsidiary APLD ComputeCo 3 LLC ("APLD ComputeCo 3"), along with APLD ComputeCo 3's wholly owned subsidiaries as subsidiary guarantors, entered into a Credit and Guaranty Agreement with Goldman Sachs Bank USA, as administrative agent and as collateral agent (in such capacity, the “Bridge Facility Collateral Agent”), and the Lenders party thereto, providing for a bridge loan facility in an aggregate principal amount of $300 million (the “Bridge Facility”). The Bridge Facility bears interest at a rate per annum equal to, depending on the type of loans under any Borrowing, either Daily Simple SOFR plus 2.75% per annum or the Base Rate plus 1.75% per annum, and matures on April 30, 2027.

Proceeds of the Bridge Facility were or will be used to (i) pay transaction expenses in connection with the Loan Documents (as defined therein), (ii) fund the construction and improvement of ELN-04, (iii) fund the purchase of equipment expected to be installed and used for the improvements of ELN-04, and (iv) pay other costs, fees, expenses or amounts related to or in connection with the development and construction of ELN-04.

In connection with the Bridge Facility, (i) APLD ComputeCo 3 and the subsidiary guarantors have entered into a Collateral Agency, Security and Depositary Agreement, as grantors thereunder, in favor of the Bridge Facility Collateral Agent, pursuant to which APLD ComputeCo 3 and the subsidiary guarantors pledged a continuing security interest in substantially all of their respective assets, (ii) APLD HPC Holdings 2 LLC, as parent of APLD ComputeCo 3, entered into a Pledge Agreement in favor of the Bridge Facility Collateral Agent, pursuant to which it pledged the equity interests in APLD ComputeCo 3, and (iii) the Company provided a full recourse parent guarantee (the “Parent Guarantee”) in favor of the Bridge Facility Collateral Agent. In accordance with ASC 470-10-45-14(a), the Company reclassified the Bridge Facility on the consolidated balance sheets to long-term given the Company had the intent and ability to refinance the short-term obligation on a long-term basis.

2026 Revolving Credit Facility

On May 29, 2026, APLD Intermediate HoldCo LLC, a subsidiary of the Company ("Intermediate HoldCo"), and certain other subsidiaries of the Company entered into a Credit Agreement with First National Bank of Omaha, as administrative agent and collateral agent, and the lenders and issuing banks party thereto, providing for a revolving credit facility in an initial aggregate principal amount of $350 million with an additional accordion option of up to $200 million (the “2026 Revolving Credit Facility”). The 2026 Revolving Credit Facility bears interest at a rate per annum equal to, at the borrower’s election, either Term SOFR plus 2.25% or the Alternate Base Rate plus 1.25%. Additionally, there is an unused commitment fee of 0.25% per annum based on the daily unused amount, payable quarterly in arrears at the end of each quarter. The 2026 Revolving Credit Facility matures on the earlier of (i) May 29, 2029 and (ii) the date that is ninety-one (91) days prior to a specified date under the Preferred Equity Purchase Agreement. The 2026 Revolving Credit Facility is guaranteed by the Company, the borrower, and certain of the Company's subsidiaries (collectively, the "2026 Revolving Credit Facility Loan Parties") and is secured by substantially all assets of the Loan Parties, subject to certain exclusions. As of May 31, 2026, approximately $65.0 million of standby letters of credit were outstanding under the 2026 Revolving Credit Facility.

9. Balance Sheet Components

Certain balance sheet components are as follows (in thousands):

	May 31, 2026	May 31, 2025
Prepaid expenses and other current assets		
Short term equipment deposit	$ 500,290	$ —
Deferred issuance costs	3,397	5,469
Short term lease incentive	6,231	1,290
Related party loan receivable (1)	58,632	—
Prepaid expenses	24,471	1,421
Other current assets	20,671	1,472
Total Prepaid expenses and other current assets	$ 613,692	$ 9,652

(1) Balance as of May 31, 2026 consists of the promissory note with Base Electron. See *Note 7 - Related Party Transactions* for further discussion.

	May 31, 2026	May 31, 2025
Other assets		
Lease incentive	$ 199,391	$ 84,416
Restricted cash	180,415	7,000
Deposits on assets and construction	47,719	69,500
Deferred construction costs	84	45
Goodwill (1)	54,513	—
Deferred lease costs	10,729	7,342
Derivative assets (2)	163,283	—
Investments in other companies (3)	123,329	6,073
Investments in related party (4)	2,000	—
Other	49,247	4,977
Total Other assets	$ 830,710	$ 179,353

(1) Balance as of May 31, 2026 consists of goodwill held at ChronoScale.

(2) Balance as of May 31, 2026 consists of the fair value of derivative assets related to the preferred units and corresponding common units held by APLD HPC TopCo 2's noncontrolling interest. See *Note 10 - Derivative Assets* and *Note 16 - Temporary Equity* for further discussion.

(3) Includes $90.8 million of warrants and $19.2 million of common shares issued by B&W to the Company in association with the Company's investment in B&W. The $19.2 million common share value is the fair value of the Company's $2.0 million investment made during the quarter ended November 30, 2025 as well as the additional investment made during the quarter ended May 31, 2026 for $10.0 million of common shares. See further discussion of the transaction in *Note 10 - Derivative Assets.*

The balance also includes an investment by the Company in Corintis SA ("Corintis") in exchange for Series A1 preferred shares. During the quarter ended November 30, 2025, the Company invested $15.0 million in exchange for approximately 6% of Corintis's outstanding equity. The Series A1 preferred shares are convertible preferred shares with no redemption rights. During the quarter ended May 31, 2026, the Company sold $5.0 million of Corintis's shares to a third party, bringing the Company's investment in Corintis to $10.0 million, or approximately 4% of Corintis's outstanding equity. The investment in Corintis is accounted for at cost under ASC 321 as it is an equity security without a readily determinable fair value and is evaluated quarterly for impairment indicators. There were no impairment indicators during the fiscal year ended May 31, 2026.

(4) Includes a $2.0 million investment in Base Electron. See further discussion of the transaction in *Note 7 - Related Party Transactions*.

	May 31, 2026	May 31, 2025
Accrued liabilities		
Accrued construction payables	$ 307,812	$ —
Accrued expenses	81,311	23,354
Accrued interest	151,215	2,694
Other accrued liabilities	8,155	4,073
Total Accrued liabilities	$ 548,493	$ 30,121

	May 31, 2026	May 31, 2025
Other current liabilities		
Construction retainer	$ 95,848	$ 19,338
Other	1,641	93
Total Other current liabilities	$ 97,489	$ 19,431

10. Derivative Assets

APLD HPC TopCo 2's Noncontrolling Interest

The preferred units and corresponding common units associated with APLD HPC TopCo 2's noncontrolling interest were determined to have embedded derivative features, the Redemption features and the Contingent Dividend Rate Increase feature, requiring bifurcation and remeasurement at fair value at each reporting date, with the changes in fair value recorded through earnings. The Redemption features are inclusive of the Investor put option upon a sale, APLD Holdings call option, and the Distribution Redemptions (all as defined within the A&R UPA). Due to these redemption rights, at each balance sheet date, the Company is required to adjust the carrying value of the derivatives to fair value and record any changes in fair value within earnings. The Company engaged a third party valuation specialist in determining the value of the embedded derivatives using a binomial lattice model, which includes Level 3 unobservable inputs. The key inputs used were the estimated credit spread of the associated preferred stock and corresponding common units, volatility, and risk-free rate of the derivative assets:

	Tranche 1 October 6, 2025	Tranche 2 November 26, 2025	Tranche 3 December 9, 2025	Tranche 4 May 31, 2026
Tranche amount	$ 112,500,000	$ 450,000,000	$ 337,500,000	$ 925,000,000
Expected maturity date	October 6, 2032	October 6, 2032	October 6, 2032	October 6, 2032
Credit spread (annual)	9.00 %	9.66 %	9.50 %	9.00 %
Yield volatility	35.0 %	35.0 %	35.0 %	40.0 %
Put right/trigger event	de minimis	de minimis	de minimis	de minimis
Risk-free rate	USD Yield Curve	USD Yield Curve	USD Yield Curve	USD Yield Curve
Number of time-steps	100	100	100	100

As of May 31, 2026, the APLD HPC TopCo 2 derivative assets were fair valued at $163.3 million. During the fiscal year ended May 31, 2026, the Company recorded a loss of $13.3 million which is included within the gain on change in fair value of derivatives assets within the consolidated statement of operations.

B&W Warrants

On November 4, 2025, the Company and B&W entered into an agreement under which the Company contributed $2.0 million to B&W in exchange for 500,000 shares of B&W's common stock and a warrant to purchase 2.6 million shares of B&W's common stock with an exercise price of $4.11 (the "Initial Warrant"). Additionally, under the agreement, to incentivize the Company to execute a definitive agreement with B&W related to B&W designing and installing natural gas technology that will provide one gigawatt of efficient energy for an APLD AI data center, B&W agreed to issue an additional warrant to purchase 7,860,000 shares of common stock for $4.11 per share (the "Additional Warrant") to the Company upon execution of such a definitive agreement.

The warrants were determined to be derivative assets and were required to be measured at fair value at issuance under ASC 815. They will be remeasured at fair value at each reporting date with changes in fair value reported on the consolidated statement of operations. To allocate the initial contribution between the common stock and the warrants, the Company determined the fair value of each and utilized the relative fair value allocation method. The B&W warrants are measured at fair value using the Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, contractual term, risk-free interest rate and dividend yield, which are considered Level 3 inputs. The estimated fair value of the B&W Warrants are based on the following significant inputs:

	Initial Warrants November 4, 2025	Additional Warrants March 18, 2026	As of May 31, 2026
Time to expiry	7 years	6.63 years	6.43 years
Stock price	$ 3.74	$ 14.17	$ 18.45
Volatility	115.0 %	110.0 %	110.0 %
Risk-free rate	3.84 %	3.98 %	4.19 %
Dividend yield	— %	— %	— %

On February 26, 2026 a definitive agreement was executed between Base Electron and B&W, with the Company as the guarantor. On March 18, 2026, the Company entered into an Assignment and Assumption Agreement, by and among the Company, Base Electron, B&W, and B&W Enterprises ("BWE"), pursuant to which the Company partially assigned its rights with respect to the Additional Warrants (such partial assignment representing the right to purchase up to 5,230,000 shares of BWE common stock) to Base Electron. The warrants were assigned by the Company to Base Electron in connection with Base Electron’s entry into a Design-Build Agreement with B&W for no consideration from Base Electron. On March 18, 2026, the Company received the remaining Additional Warrants (representing the right to purchase up to 2,630,000 shares of BWE common stock). Base Electron is an independent power producer owned and managed by a combination of third parties, as well as certain officers and directors of the Company acting in their individual capacities, for the purpose of developing stabilized power generation and infrastructure to support the broader AI industry.

During the fiscal year ended May 31, 2026, the Company recorded a gain of $89.2 million, which is included within the gain on change in fair value of derivatives assets within the consolidated statement of operations.

11. Variable Interest Entities

Based upon the criteria set forth in ASC 810, *Consolidation*, the Company consolidates VIEs in which it has a controlling financial interest and is therefore deemed the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance; and (b) the obligation to absorb the VIE losses and the right to receive benefits that are significant to the VIE.

Consolidated VIE

As of November 30, 2025, the Company has determined that it was the primary beneficiary of one VIE, APLD HPC TopCo 2 LLC (“TopCo 2”), as it has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Additionally, under the A&R UPA (as defined below), the Company is required to fund its portion of the equity to TopCo 2 for the applicable project at the rate of $750,000 per MW of capacity (less any equity capital previously invested in the project by the Company or any of its subsidiaries).

As previously disclosed, on January 13, 2025, APLD HPC Holdings LLC (formerly, APLD ELN-02 Holdings LLC), an indirect wholly owned subsidiary of the Company, entered into a Unit Purchase Agreement (the “UPA”) for its HPC Hosting Business with MIP VI HPC Holdings, LLC, an affiliate of Macquarie Asset Management (“MAM”). On February 11, 2025, APLD HPC Holdings LLC novated and assigned its rights, title and interests and duties, liabilities and obligations under the UPA to APLD HPC TopCo LLC, an indirect wholly-owned subsidiary of the Company (“TopCo 1”). On October 3, 2025, the Company, TopCo 1, APLD HPC TopCo 2 LLC, an indirect wholly-owned subsidiary of the

Company, and MIP HPC Holdings, LLC (formerly, MIP VI HPC Holdings, LLC) entered into an Amended and Restated Unit Purchase Agreement (the "A&R UPA").

On October 6, 2025, TopCo 2 completed the initial closing under its A&R UPA, selling 112,500 preferred units for \$112.5 million and issuing 75,000 common units representing 7.5% of its fully diluted common equity. In addition, pursuant to the A&R UPA, on October 6, 2025, the Company issued warrants to purchase an aggregate of 2.4 million shares of the Company's common stock as described in *Note 14 - Warrants*. On November 25, 2025, TopCo 2 completed a second closing under its A&R UPA, selling 450,000 preferred units for \$450.0 million, no common units were issued. On December 9, 2025, TopCo 2 completed a third closing under its A&R UPA, selling 337,500 preferred units for \$337.5 million and issuing an additional 27,778 common units. On May 29, 2026, TopCo 2 completed a fourth closing under its A&R UPA, selling 925,000 preferred units for \$925.0 million and issuing an additional 41,815 common units. This brought the total amount funded to date under the A&R UPA to \$1.8 billion as of May 31, 2026 and MIP HPC Holdings, LLC holdings to 13.5% of TopCo 2's fully diluted common equity. The issuance of the preferred units at closing resulted in a redeemable noncontrolling interest - see *Note 16 - Temporary Equity* for further discussion.

The purpose of TopCo 2 is to design, build and operate high-performance, sustainably engineered data centers and colocation services for artificial intelligence, cloud, and networking workloads in North Dakota. TopCo 2 is a bankruptcy-remote legal entity with separate assets and liabilities. The creditors of TopCo 2 have recourse to the Company's assets and general credits. The following table presents the assets and liabilities held by TopCo 2 as of May 31, 2026, which are included in the consolidated balance sheets (in thousands):

	May 31, 2026
Assets:	
Cash and cash equivalents	$ 3,505,509
Restricted cash	200,717
Accounts receivable	24,546
Prepaid expenses and other current assets	538,428
Property and equipment, net	4,012,167
Other assets	597,949
Total assets	$ 8,879,316
Liabilities:	
Accounts payable	$ 361,209
Accrued liabilities	523,816
Current portion of debt	293,743
Current deferred revenue	4,697
Due to customer	7,407
Other current liabilities	97,571
Long-term debt	4,349,907
Total liabilities	$ 5,638,350

Third-party equity ownership interests in TopCo 2 represents a noncontrolling interest and is presented as temporary equity in the consolidated balance sheets separate from the Company's stockholders' equity. The amount of net income (loss) attributable to noncontrolling interests is disclosed in the consolidated statement of operations.

Unconsolidated VIE

As discussed in *Note 7 - Related Party Transactions*, Base Electron is a related party formed to develop power generation and infrastructure projects supporting the broader AI industry. The Company has determined that Base Electron is a VIE because it does not have sufficient equity at risk to finance its activities without additional subordinated financial support. The Company's variable interests in Base Electron consist of its equity investment and related party promissory note.

Additionally, the Company has determined that it is not the primary beneficiary of Base Electron because it does not have the power to direct the activities that most significantly impact Base Electron's economic performance. Accordingly, the Company does not consolidate Base Electron because ASC 810 requires both power and economics for consolidation.

As of May 31, 2026, the carrying value of the Company's investment in Base Electron was $2.0 million and the outstanding balance of the related party promissory note was $58.6 million, which together reflect the Company's maximum exposure to loss. The Company is not contractually required to provide financial support to Base Electron and did not provide material non-contractual financial support during the fiscal year ended May 31, 2026.

12. Income Taxes

The components of consolidated income before taxes from continuing operations were as follows (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
United States	$ (181,532)	$ (230,963)	$ (149,575)
Foreign	—	—	—
Consolidated income before taxes from continuing operations	$ (181,532)	$ (230,963)	$ (149,575)

Income tax expense from continuing operations for the fiscal years ended May 31, 2026, 2025, and 2024 consisted of the following (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
Current expense			
Federal	$ 1,419	$ —	$ —
Foreign	—	—	—
State	368	102	96
Total current expense	1,787	102	96
Deferred expense (benefit)			
Federal	—	—	—
Foreign	—	—	—
State	—	—	—
Total deferred expense	—	—	—
Total income tax expense	$ 1,787	$ 102	$ 96

Beginning in the fiscal year ending May 31, 2026, the Company adopted ASU 2023-09 prospectively as described in *Note 2 - Significant Accounting Policies*. A reconciliation of the statutory income tax rate from continuing operations to the Company's effective tax rate pursuant to the disclosure requirements of ASU 2023-09 for the fiscal year ended May 31, 2026 is as follows:

	Amount	%
U.S. federal statutory income tax rate	$ (38,122)	21.0 %
Tax credits	—	— %
Non-taxable or non-deductible items		
Stock-based compensation	(6,593)	3.6 %
Excess officer's compensation	37,952	(20.8)%
Other	2,173	(1.1)%
Cross-border tax laws	—	— %
Other reconciling items	—	— %
Changes in tax laws	—	— %
Changes in valuation allowances	6,086	(3.5)%
State and local income taxes, net of federal income tax (1)	291	(0.2)%
Foreign tax effects	—	— %
Changes in unrecognized tax benefits	—	— %
Totals	$ 1,787	(1.0)%

(1) The state that contributes to majority of the tax effects in this category is North Dakota.

The following table reconciles the statutory rate to the Company's effective tax rate for the fiscal years ended May 31, 2025 and 2024:

	May 31, 2025	May 31, 2024
Expected income tax rate at the U.S. statutory rate	21.0 %	21.0 %
Stock-based compensation	(0.9)%	2.0 %
State income taxes, net of federal tax benefit	— %	(0.1)%
Convertible debt instruments	(12.1)%	(2.1)%
Change in valuation allowance	(7.5)%	(19.8)%
Other, net	(0.5)%	(1.1)%
Income tax expense (benefit)	— %	(0.1)%

Cash paid for income taxes, net of refunds received, by jurisdiction pursuant to disclosure requirements of ASU 2023-09 for the year ending May 31, 2026 is as follows:

	May 31, 2026
U.S. Federal	$ —
U.S. States	
Texas	$ 148
Massachusetts	64
Tennessee	25
Other	4
Foreign	—
Cash paid for income taxes, net of refunds received	$ 241

Cash paid for income taxes, net of amounts refunded, for years ending May 31, 2025 and May 31, 2024 were immaterial.

Deferred income taxes reflect the temporary differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts utilized for tax purposes. The primary components of the temporary differences that gave rise to the Company's deferred tax assets and liabilities for the fiscal years ended May 31, 2026 and 2025 are as follows (in thousands):

	May 31, 2026	May 31, 2025
Deferred tax assets		
Net operating loss	$ 159,266	$ 59,963
Stock-based compensation	3,831	2,006
Capitalized research and development	4,728	13,088
Interest expense	19,008	12,759
Lease liability	15,762	17,587
Investment in partnership	23,517	—
Other	202	824
Deferred tax assets, gross	226,314	106,227
Less: valuation allowance	(176,210)	(65,856)
Total deferred tax assets, net	50,104	40,371
Deferred tax liabilities		
Investments	(23,212)	—
Property and equipment	(8,436)	(18,887)
Right of use assets	(18,456)	(21,484)
Other	—	—
Total deferred tax liability, net	(50,104)	(40,371)
Net deferred tax asset	$ —	$ —

As of May 31, 2026, the deferred tax assets, deferred tax liabilities and valuation allowance depicted in the table above, include $63.1 million of deferred tax assets, $1.5 million of deferred tax liabilities and $61.6 million of related valuation allowances associated with discontinued operations balance sheet.

The Company had $1.0 billion and $399.6 million of federal and state tax net operating losses at May 31, 2026 and 2025, respectively. At May 31, 2026, $440.7 million is available indefinitely to offset future income. The remaining carryforward amounts expire at varying dates beginning in 2028.

A valuation allowance is provided when it is more likely than not that some portion or the entire net deferred tax asset will not be realized. The Company has recorded an increase in the valuation allowance of $110.4 million as of May 31, 2026. Of the valuation allowance increase, $8.6 million was through current year activity and $101.8 million is equity related from Purchase Accounting. The Company has provided a valuation allowance for the portion of the deferred tax assets that it has determined are not more likely than not to be recognized.

The valuation allowance is primarily attributable to deferred tax assets for net operating losses that management believes are more likely than not to expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e., capital or ordinary) during the period in which the temporary differences become deductible. Management considers, among other things, the scheduled reversals of deferred tax liabilities and the history of positive taxable income in evaluating the realizability of the deferred tax assets. Management believes that it is not likely that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company’s ownership, including a sale of the Company or significant changes in ownership due to sales of equity, may have limited, or may limit in the future, the amount of net operating loss carryforwards that could be used annually to offset future taxable income. Any potential limitations would not have a material impact on the financial statements due to the full valuation allowance maintained against the deferred taxes for net operating loss carryforwards.

The following table presents the beginning and ending balance of the Company's unrecognized tax benefits for the year ended May 31, 2026 (in thousands):

Balance, June 1, 2026	$	—
Additions based on tax positions in the current year		—
Additions based on tax positions related to prior years [(1)]	$	1,800
Reductions for tax positions of prior years		—
Settlements with taxing authorities		—
Expiration of statue of limitations		—
Balance, May 31, 2026	$	1,800

(1) The Company recognized $1.8 million of unrecognized tax benefits for the year ended May 31, 2026, all of which relate to discontinued operations from the Ekso business at ChronoScale. The Company did not have any unrecognized tax benefits for the year ended May 31, 2025.

The Company recognizes interest expense related to unrecognized tax benefits in income tax expense. The Company did not have any interest expense or expense for penalties related to unrecognized tax benefits for the reported periods.

The Company is subject to U.S. federal and state income tax examinations. Tax years ending May 31, 2023 through May 31, 2026 are open to examination by the major taxing jurisdictions to which the Company is subject, as carryforward attributes generated in these years may still be adjusted upon examination by the Internal Revenue Service (IRS) or other authorities if they have or will be used in a future period. The Company is not currently under examination by the IRS or any other taxing jurisdictions for any tax years.

13. Stockholders' Equity

Common Stock

June 2025 At-the-Market Sales Agreement

On June 2, 2025, the Company entered into a Sales Agreement with Northland Securities, Inc. and Wells Fargo Securities, LLC (the “June 2025 Sales Agreement”), pursuant to which, up to $200,000,000 of shares of the Company's common stock may be issued if and when sold. As of the date of this report, the Company has issued and sold approximately 15.3 million shares under the June 2025 Sales Agreement for gross proceeds of approximately $196.4 million.

Increase In Authorized Shares

On November 5, 2025, at the Annual Stockholders’ Meeting, the Company’s stockholders approved an amendment to the Second Amended and Restated Articles of Incorporation, increasing the number of shares of common stock authorized for issuance thereunder to 600,000,000 shares, which became effective upon filing on November 6, 2025.

Treasury Stock

Retirement

On October 7, 2025, the Board of Directors authorized and approved 9,291,199 shares of the Company’s capital stock that was currently held in treasury stock to be retired and returned to the authorized but unissued capital stock.

Settlement of Prepaid Forward Transaction

On November 3, 2025, the Company’s Prepaid Forward Transaction associated with the Convertible Notes matured and the Company received 7,165,300 shares of common stock which are now held in treasury stock as of May 31, 2026.

14. Warrants

A summary of warrant activity for the year ended May 31, 2026 is presented below:

	Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
Outstanding at June 1, 2025	18,097,718	$ 7.63	8.52
Granted	10,793,611	10.20	8.27
Forfeited	—	—	—
Exercised	(800,300)	7.83	—
Outstanding at May 31, 2026	28,091,029	$ 8.61	7.86

AI Warrants

The Company issued warrants to purchase up to 3,000,000 shares of Common Stock related to the AI Bridge Loan during the fiscal year ended May 31, 2024 (the "AI Warrants"). The AI Warrants are exercisable upon payment of the applicable exercise price in cash or through cashless exercise for a period of five years. 1,500,000 AI Warrants have an exercise price of $10.00 per share of Common Stock and 1,500,000 AI Warrants have an exercise price of $7.50 per share of Common Stock. As of May 31, 2026, all of the AI Warrants were outstanding.

Macquarie Warrants

On November 27, 2024, as partial consideration for the Macquarie Promissory Note, the Company issued warrants to purchase up to 1,035,197 shares of the Company's common stock (the "Macquarie Warrants") to Macquarie Equipment Capital, Inc. ("MEC"). The Macquarie Warrants are exercisable from and after the date that is six months following the date of issuance thereof and will have a five and one-half-year term and an exercise price of $9.66 per share, which exercise price must be paid in cash. The Macquarie Warrants survived the termination of the Macquarie Promissory Note and remain outstanding as of May 31, 2026. On October 31, 2025, MEC assigned the Macquarie Warrants and its rights under the Registration Rights Agreement in connection therewith to Jane Street Global Trading, LLC ("Jane Street") and on or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to Macquarie Warrants to Wells Fargo Bank, National Association ("WFBNA").

STB Warrant

On February 27, 2025, the Company issued a warrant to STB Applied Holdings LLC to purchase 1,000,000 shares of the Company's common stock at the exercise price of $7.83 per share (the "STB Warrant") for consideration of $50,000. The warrant is exercisable upon payment of the applicable exercise price in cash or through cashless exercise for a period of five years from the Initial Exercise Date. As of May 31, 2026, 800,000 of the STB Warrants have been exercised for $6.3 million.

CoreWeave Warrants

On May 28, 2025, in connection with the entry into the data center leases with CoreWeave for Building 2 and Building 3 (the "CoreWeave Leases"), the Company issued to CoreWeave a warrant (the "CoreWeave Warrant") to acquire up to 13,062,521 shares of the Company's common stock at an exercise price of $7.19 per share, subject to adjustment in accordance with the terms and conditions set forth in the CoreWeave Warrant. The CoreWeave Warrant is exercisable upon issuance, upon payment of the applicable exercise price in cash or through cashless exercise for a period of 10 years. On June 9, 2025, CoreWeave assigned a portion of the CoreWeave Warrant to acquire up to 6,531,261 shares of the Company's common stock to PEAK6 Capital Management, LLC (the "PEAK6 Warrant"). CoreWeave concurrently assigned the remaining portion of the CoreWeave Warrant to acquire up to 6,531,260 shares of the Company's common stock to Jane Street (the "Jane Street CW Warrant"), and on or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to the Jane Street CW Warrant to WFBNA. As of May 31, 2026, 300 warrant shares have been exercised through cashless exercise.

Additionally, on August 28, 2025, in connection with the entry into the Building 4 Lease, the Company issued to CoreWeave a warrant (the “Building 4 Warrant”) to acquire up to 8,393,611 shares of the Company’s common stock at an exercise price of $10.75 per share, subject to adjustment in accordance with the terms and conditions set forth in the Building 4 Warrant. The Building 4 Warrant is on the same Form of Warrant as the initial CoreWeave Warrant. On October 31, 2025, CoreWeave assigned the Building 4 Warrant and its rights under the CoreWeave Registration Rights Agreement to Jane Street and on or around May 15, 2026, Jane Street assigned all of its right, title and interest in and to the Building 4 Warrant to WFBNA.

The Building 4 Warrant was measured at fair value using the Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, contractual term, risk-free interest rate and dividend yield, which are considered Level 3 inputs. The estimated fair value of the Building 4 Warrant was based on the following significant inputs:

	Building 4 Warrant
Contractual term	10 years
Volatility	80 %
Risk-free rate	4.18 %
Dividend yield	— %

The resulting fair value of the Building 4 Warrant was $14.44 per share, totaling $121.2 million, which was recorded to lease incentive asset and additional paid in capital on the Company's consolidated balance sheets, and will be amortized over the life of the Building 4 Lease once it commences.

MAM Warrants

On October 6, 2025, in connection with the Amended and Restated Unit Purchase Agreement dated October 3, 2025 (the “Purchase Agreement”), the Company issued MIP VI REIT AIV, L.P. and MIP VI DC REIT AIV, L.P. two warrants (the “MAM Warrants”) to acquire up to 2,400,000 shares of the Company’s common stock at an exercise price of $8.29 per share, subject to adjustment in accordance with the terms and conditions set forth in the warrants.

The MAM Warrants were measured at fair value using the Black-Scholes Option Pricing model. Inherent in pricing models are assumptions related to expected share-price volatility, contractual term, risk-free interest rate and dividend yield, which are considered Level 3 inputs. The estimated fair value of the MAM Warrants are based on the following significant inputs:

	MAM Warrants
Contractual term	5.5 years
Volatility	95 %
Risk-free rate	3.76 %
Dividend yield	— %

The resulting fair value of the MAM Warrants was $24.47 per share, totaling $58.7 million. The Company elected a relative fair value approach to record the warrants as part of the overall MAM transaction and as such, $34.2 million, net of issuance costs, was recorded as additional paid in capital on the Company's consolidated balance sheets.

15. Stock-Based Compensation Plans

Management Incentive Plan

On May 5, 2026, the Company completed the separation of its cloud business in a series of transactions that resulted in the Company owning approximately 97% of the issued and outstanding equity of ChronoScale Corporation. On July 1, ChronoScale Corporation completed a holding company transaction, as a result of which the holding company became the public parent, ChronoScale Holdings Corporation ("ChronoScale").

Prior to the transaction close, the Company established a management incentive plan (the "MIP") designed to align the interests of key management personnel of the Company with the long-term performance of ChronoScale. The MIP was established through newly formed entities within the ChronoScale holding structure, including APLD ChronoScale HoldCo

LLC (“HoldCo”) and APLD ChronoScale Management LLC (“Management LLC”). Management LLC was formed solely to hold Class B units of HoldCo and to issue corresponding MIP units to participants. Each MIP unit issued by Management LLC corresponds on a one-for-one basis to a Class B unit held by Management LLC in HoldCo.

The MIP units granted during the year ended May 31, 2026 were fully vested on the grant date of April 9, 2026 and did not contain substantive service, performance, or market conditions. Accordingly, the Company recognized the grant-date fair value of the MIP units as stock-based compensation expense on the grant date. Because the awards are equity-classified, the grant-date fair value is not subsequently remeasured unless the awards are modified. Any future distributions on vested MIP units will be recorded as reductions to retained earnings.

During the year ended May 31, 2026, the Company granted approximately 9,266,082 MIP units with a weighted-average grant-date fair value of $5.17 per unit. The Company recognized stock-based compensation expense of $47.9 million related to the MIP units during the year ended May 31, 2026. As of May 31, 2026, there was no remaining unrecognized compensation cost related to the MIP units as the awards were fully vested on the grant date.

2024 Plan

On October 8, 2024, the Company’s Board of Directors approved the Applied Digital Corporation 2024 Omnibus Equity Incentive Plan (the “2024 Plan”), which the Company’s stockholders approved on November 20, 2024. The 2024 Plan provides for grants of various equity awards to eligible employees, officers, non-employee directors and other service providers. Upon stockholder approval of the 2024 Plan, the 2022 Plans (as defined below) were terminated; provided that all awards (as defined in the 2022 Plans) outstanding under the 2022 Plans continued in effect in accordance with their terms.

On November 5, 2025, at the Annual Stockholders’ Meeting, the Company’s stockholders approved an amendment to the 2024 Plan to increase the number of shares of common stock authorized for issuance thereunder by 15 million shares.

2022 Plans

On October 9, 2021, the Company’s Board of Directors (the “Board”) approved two equity incentive plans, which the Company’s stockholders approved on January 20, 2022. The two plans consist of the 2022 Incentive Plan, previously referred to in the Company’s SEC filings as the 2021 Incentive Plan (the “Incentive Plan”), which provided for grants of various equity awards to the Company’s employees and consultants, and the 2022 Non-Employee Director Stock Plan previously referred to in the Company’s SEC filings as the 2021 Non-Employee Director Stock Plan (the “Director Plan” and, together with the Incentive Plan, the “2022 Plans”), which provides for grants of restricted stock to non-employee directors and for potential deferral of cash and stock compensation.

As of May 31, 2026, the Company had issued awards of approximately 23.2 million shares of common stock of the Company under the 2022 Plans, 19.7 million shares of common stock under the 2024 Plan, and 600,000 shares of common stock outside of either plan, related to an employment inducement award. As of May 31, 2026, there are approximately 6.0 million shares of common stock available for issuance under the 2024 Plan. During the third fiscal quarter of the year ended May 31, 2026, under the 2024 Plan, the Company issued 100,000 shares to certain consultants in settlement of outstanding awards.

The Company capitalizes a portion of stock-based compensation costs for employees who work directly on construction and development of the Company's data centers. The Company recognized stock-based compensation associated with the 2022 and 2024 Plans as follows (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
Services cost of revenue	$ 3,202	$ 2,936	$ 1,955
Data center rental and other cost of revenue	519	$ —	$ —
Selling, general, and administrative	216,402	18,094	15,153
Capitalized [1]	5,012	1,465	207
Total stock-based compensation	$ 225,135	$ 22,495	$ 17,315

[1] Capitalized to CIP in the consolidated balance sheets.

Restricted Stock Awards

The following is a summary of the activity and balances for unvested restricted stock awards outstanding:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of June 1, 2025	271,444	$ 3.55
Granted	—	—
Vested	(235,722)	3.52
Forfeited	—	—
Outstanding as of May 31, 2026	35,722	$ 3.73

As of May 31, 2026, total remaining expense to be recognized related to these awards was $0.1 million and the weighted average remaining recognition period for the unvested awards was 0.8 years.

Restricted Stock Units

The following is a summary of the activity and balances for unvested restricted stock units outstanding:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of June 1, 2025	6,659,830	$ 6.56
Granted	6,301,840	26.41
Vested	(4,464,156)	8.85
Forfeited	(531,681)	8.42
Outstanding as of May 31, 2026	7,965,833	$ 20.87

As of May 31, 2026, total remaining expense to be recognized related to these awards was $144.0 million and the weighted average remaining recognition period for the unvested awards was 2.6 years.

Performance Stock Units

Performance stock units ("PSUs") represent a right to receive a certain number of shares of common stock based on the achievement of performance goals and continued employment during the vesting period (provided that the PSUs may remain outstanding and eligible to vest following certain terminations). PSUs granted by the Company vest depending on the achievement of certain Company and individual performance financial, operational and/or market-price driven measures, which must occur on or prior to the deadline set forth in each applicable PSU award. The fair value of PSUs, except PSUs for which vesting is based on the market price, is based on the closing price on the date of grant. The compensation expense related to these PSUs is recognized over the vesting period when the achievement of the performance conditions becomes probable. The total compensation cost for the PSUs is determined based on the most likely outcome of the performance conditions and the number of awards expected to vest.

PSUs that Vest Based on Market Price

On January 6, 2026, the Company granted the CEO 4.5 million PSUs with market-price based and service-based vesting conditions. The awards vest based on the achievement of certain stock price targets, subject to his continued full-time employment with the Company through the applicable vesting date (except that continued employment is not required if his employment is terminated by the Company without "cause," he resigns for "good reason," he dies or incurs a "disability," or the Company elects not to renew his employment term). The total grant date fair value of the awards was determined to be $122.1 million, with each tranche of the awards representing approximately $42.7 million, $40.6 million, and $38.8 million of the total expense, respectively.

The fair value of the PSUs was calculated on the grant date using a Monte Carlo simulation model. The estimated fair value at grant date was based on the following significant inputs:

	January 6, 2026
Valuation date stock price	$30.26
Simulation term	5.0 years
Expected volatility	100.62 %
Risk-free rate	3.69 %
Dividend yield	— %

The following is a summary of the activity and balances for unvested performance stock units outstanding:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding as of June 1, 2025	7,207,500	$ 6.59
Awarded	7,485,000	29.42
Vested	—	—
Forfeited	(306,250)	7.23
Outstanding as of May 31, 2026	14,386,250	$ 18.45

As of May 31, 2026, total remaining expense to be recognized related to these awards was $135.1 million and the weighted average remaining recognition period for the unvested awards was 2.5 years.

16. Temporary Equity

Preferred Stock

The following is a summary of the activity and balances for preferred stock during the fiscal years ended May 31, 2025 and May 31, 2026 (in thousands, other than share data):

	Series E Redeemable Preferred Stock		Series F Convertible Preferred Stock		Series E-1 Redeemable Preferred Stock		Series G Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding as of June 1, 2024	—	$ —	—	$ —	—	$ —	—	$ —
Issuances, net of costs	301,673	6,932	53,191	48,350	62,500	57,026	78,000	72,094
Conversions	—	—	(53,191)	(48,350)	—	—	—	—
Redemptions	—	—	—	—	(15)	(15)	—	—
Outstanding as of May 31, 2025	301,673	$ 6,932	—	$ —	62,485	$ 57,011	78,000	$ 72,094
Issuances, net of costs	—	—	—	—	—	10	835,800	803,091
Conversions	—	—	—	—	—	—	(913,800)	(875,185)
Redemptions	(25,000)	(626)	—	—	(576)	(561)	—	—
Outstanding as of May 31, 2026	276,673	$ 6,306	—	$ —	61,909	$ 56,460	—	$ —

Series E Redeemable Preferred Stock

During the fiscal year ended May 31, 2025, the Company closed on four offerings of the Series E Redeemable Preferred Stock (the "Series E Preferred Stock"). The Company sold total shares of 301,673 for proceeds of $6.9 million net of issuance costs of $0.6 million. The Series E Preferred Stock offering was terminated on August 9, 2024.

The shares of Series E Preferred Stock have no voting or conversion rights. Holders of the Series E Preferred Stock are entitled to receive cumulative dividends at a fixed rate of 9.0% per annum. Dividends are calculated based on a 360-day year, declared and accrued monthly, and payable at the discretion of the Board of Directors out of legally available funds. Dividends must be fully paid for all past periods before any distributions can be made to common stockholders or any junior series of equity securities. During the fiscal years ended May 31, 2026 and May 31, 2025, the Company declared and paid approximately $655,000 and $610,000, respectively, of dividends related to Series E Preferred Stock as presented on the consolidated statement of operations.

The Series E Preferred Stock ranks senior to all classes of common stock and junior to all existing and future debt of the Company. Additionally, it is on parity with any future series of preferred stock with substantially identical terms but may rank junior to any future series of preferred stock if the holders of such series are entitled to rights and preferences with priority over the holders of the Series E Preferred Stock. In the event of liquidation, holders are entitled to receive $25.00 per share (the “Series E Stated Value”) plus any accrued but unpaid dividends before any distributions are made to common stockholders. The Series E Preferred Stock has no stated maturity and remains outstanding indefinitely unless redeemed or repurchased by the Company.

Holders may require the Company to redeem any portion of their Series E Preferred Stock at any time for a "Settlement Amount" calculated as the Series E Stated Value plus any unpaid dividends, less a Holder Optional Redemption Fee, equal to a percentage of the Series E Stated Value based on the year when the redemption occurs as follows: 9.00% prior to the first anniversary of the respective tranche closing date (the "Original Issuance Date"); 7.00% on or after the first anniversary but prior to the second anniversary of the Original Issuance Date; 5.00% on or after the second anniversary but prior to the third anniversary of the Original Issuance Date: and 0.00% on or after the third anniversary of the Original Issuance Date. The Settlement Amount can be settled in cash or shares of common stock, subject to a share cap, which limits the total shares deliverable upon redemption to 19.99% of the common stock outstanding prior to the Series E Preferred Stock offering (25,475,751 shares, the “Share Cap”). Any portion of the Settlement Amount exceeding the Share Cap will be settled in cash.

The Company may also redeem shares of Series E Preferred Stock after the second anniversary of the original issuance date, with a minimum notice of 10 days, at the Company Optional Redemption Settlement Amount, which is equal to the Series E Stated Value per share plus any unpaid and accrued dividends. If the Company elects to pay the redemption amount in shares, then the number of shares to be delivered will be calculated as the Company Optional Redemption Settlement Amount divided by the closing price per share of the common stock on the date of the Company Optional Redemption exercise, subject to the Share Cap. During the fiscal year ended May 31, 2026, 25,000 shares of Series E Preferred Stock were redeemed.

Series E-1 Redeemable Preferred Stock

On September 23, 2024, the Company entered into a dealer manager agreement for the offering of up to 62,500 shares of Series E-1 Redeemable Preferred Stock, par value $0.001 per share (“Series E-1 Preferred Stock”), at a price per share of $1,000 (the “Series E-1 Stated Value”). During the fiscal year ended May 31, 2025, the Company closed on eight offerings in which the Company issued 62,500 shares for gross proceeds of $62.5 million. The Series E-1 Preferred Stock offering was completed as of May 31, 2025.

The shares of Series E-1 Preferred Stock have no voting or conversion rights. Holders of the Series E-1 Preferred Stock are entitled to receive cumulative dividends at a fixed rate of 9.0% per annum of the Series E-1 Stated Value. Dividends are calculated based on a 360-day year, declared and accrued monthly, and payable at the discretion of the Board of Directors out of legally available funds. Dividends on the shares of Series E-1 Preferred Stock must be fully paid for all past periods before any distributions can be made to common stockholders or any junior series of equity securities. During the fiscal years ended May 31, 2026 and May 31, 2025, the Company declared and paid approximately $5.6 million and $1.7 million, respectively, of dividends related to Series E-1 Preferred Stock as presented on the consolidated statement of operations.

The Series E-1 Preferred Stock ranks senior to all classes or series of common stock and junior to all existing and future debt of the Company. Additionally, the Series E-1 Preferred Stock is on parity with the Series E Preferred Stock and any future series of preferred stock with substantially identical terms but may rank junior to any future series of preferred stock if the holders of such series are entitled to rights and preferences with priority over the holders of the Series E-1 Preferred Stock. In the event of liquidation, holders of the Series E-1 Preferred Stock and holders of shares of any other class or series of capital stock ranking senior to or on a parity with the Series E-1 Preferred Stock, are entitled to receive an amount per share equal to the Series E-1 Stated Value plus an amount per share that is issuable as a result of any accrued but unpaid dividends before any distributions are made to common stockholders. The Series E-1 Preferred Stock has no stated maturity and remains outstanding indefinitely unless redeemed or repurchased by the Company.

Holders may require the Company to redeem any portion of their Series E-1 Preferred Stock at any time for a "Settlement Amount" calculated as the Series E-1 Stated Value plus any unpaid dividends, less a Holder Optional Redemption Fee equal to a percentage of the Series E-1 Stated Value based on the year when the redemption occurs as follows: 9.00% prior to the first anniversary of the respective tranche closing date (the "Original Issuance Date"); 7.00% on or after the first anniversary but prior to the second anniversary of the Original Issuance Date; 5.00% on or after the second anniversary but prior to the third anniversary of the Original Issuance Date: and 0.00% on or after the third anniversary of the Original Issuance Date. The Settlement Amount can be settled in cash or shares of common stock at the sole option of the Company, subject to a share cap (if required by Nasdaq rules and regulations), which limits the total shares deliverable upon redemption to 19.99% of the common stock outstanding immediately prior to the Series E-1 Preferred Stock offering (25,889,470 shares, the “Share Cap”), unless approval by the Company’s stockholders is obtained to exceed the Share Cap. Any portion of the Settlement Amount exceeding this cap will be settled in cash. Holders may not redeem any shares of Series E-1 Preferred Stock for common stock prior to the first anniversary of the Original Issuance Date.

The Company may also redeem shares of the Series E-1 Preferred Stock after the second anniversary of the Original Issuance Date, with a minimum notice of 10 days, at a redemption price equal to the Series E-1 Stated Value plus any accrued but unpaid dividends. If the Company elects to pay the redemption amount in shares, then the number of shares to be delivered will be calculated as the Settlement Amount divided by the closing price per share of the common stock on the last trading day prior to the date upon which notice was provided to the holder, subject to the Share Cap, if applicable. During the fiscal year ended May 31, 2026, 576 shares of Series E-1 Preferred Stock were redeemed.

Series G Convertible Preferred Stock

On April 30, 2025, the Company entered into the Preferred Equity Purchase Agreement (the “PEPA”) with certain investors for the issuance and sale of up to 156,000 shares of Series G Convertible Preferred Stock (the “Series G Preferred Stock”) in a transaction (the “Private Placement”) pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The shares of the Series G Preferred Stock may be put to the investors from time to time at the Company’s discretion during the period commencing on April 30, 2025 (the “Commitment Date”) and terminating on the earlier of (i) the 36-month anniversary of the Commitment Date or (ii) such date as there ceases to be a sufficient number of authorized but unissued shares of common stock remaining under the Exchange Cap (as defined in the PEPA).

The Series G Preferred Stock became convertible on June 3, 2025, the Registration Effective Date (as defined in the PEPA). Pursuant to the PEPA, the Company filed a registration statement with the SEC, registering the resale of the shares of common stock issuable upon the conversion of the shares of Series G Preferred Stock, on June 3, 2025, as amended by the post-effective amendments filed with the SEC on September 23, 2025 and November 12, 2025, each of which was automatically effective upon filing. Conversion of the Series G Preferred Stock is subject to a customary 4.99% beneficial ownership limitation, as well as a 19.99% conversion limitation pursuant to the applicable Nasdaq Listing Rules (the “Exchange Cap”).

The Series G Preferred Stock ranks senior to all classes of common stock and junior to all existing and future debt of the Company. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of the Series G Preferred Stock will be entitled to receive distributions out of the assets of the Company in an amount per share equal to the then-current Series G Preferred Stock stated value, whether capital or surplus, before any distributions are made on any shares of the Company's common stock. The Series G Preferred Stock is on parity with the Series E Preferred Stock, Series E-1 Preferred Stock and any future series of preferred stock with substantially identical terms.

Holders have the right to require the Company to redeem the Series G Preferred Stock under certain conditions, such as a Trading Failure, as defined in the Series G Preferred Stock certificate of designation. If there is a Trading Failure, the redemption price is the greater of the Series G Preferred Stock stated value or the product of the lowest conversion price during the period beginning on the date immediately preceding the Trading Failure and ending on the date the holder delivers a Redemption Notice, multiplied by the number of shares of common stock into which the preferred stock is convertible at the then-effective conversion price.

If any Investor is prevented from converting any portion of its Series G Preferred Stock because of the Exchange Cap, and such limitation continues for 18 months following the date that is 18 months following the issuance of such Series G Preferred Stock, or, if earlier, the date that is 36 months following the Commitment Date, then the portion of the Series G Preferred Stock held by such Investor at such time shall be redeemed by the Company, within 10 trading days after such earlier date, at a price equal to 110% of the stated value of such Series G Preferred Stock.

On each conversion date, the conversion price for the Series G Preferred Stock being converted (the "Conversion Price") will equal the greater of (i) 95% of the lowest daily Volume Weighted Average Price for each of the five trading days immediately preceding the conversion date and (ii) the initial floor price of $4.25, which may be reduced by the Company at any time in its sole discretion, but in no event below $1.34 (as may be adjusted from time to time, the "Floor Price"). Based on its initial stated value of $1,000 per share and the $4.25 initial Floor Price, each share of Series G Preferred Stock would be convertible into an aggregate of 236 shares of common stock.

On August 14, 2025, the Company entered into the first amendment (the "First Amendment") to the PEPA to, among other things, (i) increase the aggregate commitment amount of the shares of Series G Preferred Stock from $150 million to $300 million, and (ii) increase its access to capital by removing the Put Limitation (as defined in the PEPA) that had previously limited the aggregate purchase price for any Put Issuance (as defined in the PEPA) to no more than $75 million. In connection with the First Amendment, on August 14, 2025, the Company filed an amendment (the "First CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025. The First CoD Amendment amends the Series G Certificate of Designation to, among other things, (i) increase the initial Floor Price (as set forth in Section 1.5(c)(i) of the Series G Certificate of Designation) to $12.50 from $4.25, (ii) change the limit below which the Floor Price may not be reduced (as set forth in Section 1.5(c)(ii) of the Series G Certificate of Designation) to $4.33 from $1.34 and (iii) removed the limitation on conversion in excess of $30.0 million of stated value, in the aggregate, per month. The Floor Price sets the minimum floor for the conversion price of the Series G Preferred Stock, which price may not be reduced unless the Company determines to do so in its discretion. The First CoD Amendment further amended the status of converted or repurchased preferred stock such that any shares of Series G Preferred Stock that have been or will be converted will be retired and resume the status of authorized but unissued shares.

On September 11, 2025, the Company entered into the second amendment (the "Second Amendment") to the PEPA, as amended by the First Amendment, dated August 14, 2025 to, among other things, increase the aggregate commitment amount of the shares of Series G Convertible Preferred Stock from $300 million to $450 million. In connection with the Second Amendment, on September 11, 2025, the Company filed an amendment (the "Second CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended. The Second CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the number of shares authorized for issuance as Series G Preferred Stock from 156,000 to 204,000 shares.

On September 25, 2025, the Company filed an amendment (the "Third CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended. The Third CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to $22.00 from $12.50.

On October 7, 2025, the Company entered into the third amendment (the "Third Amendment") to the PEPA to, among other things, increase the aggregate commitment amount of the shares of the Series G Preferred Stock from $450.0 million to $590.0 million. In addition, on October 14, 2025, the Company filed a fourth amendment (the "Fourth CoD Amendment") to the Series G Certificate of Designation, as amended. The Fourth CoD Amendment amended the Series G Certificate of Designation, as amended, to increase the Floor Price (as set forth in Section 1.5(c)(i) of the Certificate of Designation) to $34.00 from $22.00.

On October 21, 2025, the Company entered into the fourth amendment (the "Fourth Amendment") to the PEPA to, among other things: (i) increase the aggregate commitment amount of the shares of Series G Preferred Stock, from $590.0 million to $1.59 billion; (ii) subject to waiver by a majority-in-interest of the investors, (a) set the maximum put issuance amount to $75.0 million per issuance, (b) set the limit to one put issuance per seven (7) business day period, and (c) set the maximum aggregate stated value of Series G Preferred Stock outstanding at any one time to $75.0 million; (iii) increase the original discount from 2% to 3%; (iv) eliminate the placement agent fee; and (v) eliminate the prohibition on Variable Rate Transactions (as defined in the PEPA). On October 21, 2025, in connection with the entry into the Fourth Amendment, the Company filed an amendment (the "Fifth CoD Amendment") to the Series G Certificate of Designation, originally filed with the Secretary of State of the State of Nevada on April 30, 2025, as amended on each of August 14, 2025, September 11, 2025, September 25, 2025 and October 14, 2025 (as amended, the "Certificate of Designations"). The Fifth CoD Amendment amended the Certificate of Designations to, among other things, (i) increase the authorized shares of Series G Preferred Stock from 204,000 shares to 1,030,000 shares, and (ii) increase the limit below which the Floor Price (as defined in Section 1.5(c)(ii) of the Certificate of Designations) may not be reduced from $4.33 to $4.48. In addition, under the Fifth CoD Amendment, the Company's Board of Directors may increase or decrease the applicable Floor Price with respect to any put, at its sole discretion.

On May 29, 2026, the Company entered into the fifth amendment (the "Fifth Amendment") to the PEPA. The Fifth Amendment amended the PEPA to, among other things: (i) set the maximum put issuance amount to $150,000,000 per issuance, (ii) set the limit to one put issuance per seven (7) calendar day period, (iii) set the maximum aggregate stated value of Series G Preferred Stock outstanding at any one time to $150,000,000, (iv) create a controlled account for which proceeds from the put issuance will be funded, (v) extend the term of the PEPA to August 29, 2029, and (vi) provide a cure period for the investors to pay the purchase price for any put issuance.

As Series G Preferred Stock may be reissued, during the fiscal years ended May 31, 2026 and May 31, 2025, the Company issued and sold 835,800 and 78,000 shares of Series G Preferred Stock, respectively, for gross proceeds of $815.0 million and $75.0 million, respectively. During the fiscal year ended May 31, 2026, 913,800 shares of Series G Preferred Stock were converted into 51.0 million shares of the Company's common stock. As of May 31, 2026, no shares of Series G Preferred Stock were issued and outstanding.

Redeemable Noncontrolling Interest

APLD HPC TopCo 2 LLC

As discussed within *Note 11 - Variable Interest Entities* above, APLD HPC TopCo 2 LLC ("TopCo 2") completed four closings under its A&R UPA as of May 31, 2026, issuing 1,825,000 preferred units and 144,593 corresponding common units for $1.8 billion to MIP HPC Holdings, LLC, which resulted in a redeemable noncontrolling interest.

The preferred units accrue dividends at a rate of 12.75% per annum, which accrue daily and compound semi-annually, and which, if not redeemed by then, will increase by 87.5 basis points on each of October 7, 2030 and October 7, 2031, and by 200 basis points on October 7, 2035 and each one-year anniversary thereof, up to a maximum rate of 16.75%. The dividend rate will be further increased (i) by the amount that the weighted average all-in annual interest rate on certain indebtedness exceeds 8.75% per annum for so long as such indebtedness is outstanding and (ii) for so long as certain significant events of default or other "trigger events" under the A&R LLCA remain uncured, by 200 basis points per annum. Subject to limited exceptions, the dividends are payable (i) from the initial closing through October 6, 2035, at TopCo 2's election, either in cash or in kind, and (ii) after October 6, 2035, in cash only.

Additionally, the preferred units carry a minimum 1.80x multiple of invested capital liquidation preference, inclusive of the value of the common units; provided, that (x) in connection with an initial public offering or a drag-along sale in which the sellers receive highly liquid securities, the minimum multiple of invested capital increases to 2.00x and (y) with respect to any additional equity contributions with respect to the Polaris Forge 1 (other than pursuant to the additional closings under the A&R UPA), the then applicable minimum multiple of invested capital will be reduced by an amount that reflects the time between when MIP HPC Holdings, LLC first committed to make the investment and when the actual contribution is made, calculated as interest at a fixed annual rate of 12.75%, accruing daily, on the amount of such additional equity contribution for such period.

The preferred units and the common units are redeemable after April 6, 2028, in exchange for: (i) from April 6, 2028 up to October 6, 2029, the sum of (x) the applicable minimum multiple of invested capital, plus (y) 120% of the fair market value of such common unit(s); (ii) from October 6, 2029 up to October 6, 2030, the sum of (x) the applicable minimum multiple of invested capital, plus (y) 112.5% of the fair market value of such common unit(s); and (iii) from and after October 6, 2030, the greater of (x) the accreted amount, plus any accrued and unpaid dividend, plus the fair market value of such common units, plus certain indemnity payments by TopCo 2 for breaches of business representations of the TopCo 2 under the A&R UPA, if any, and (y) the applicable multiple of invested capital minus certain indemnity payments by the

Company for breaches of fundamental representations of the Company under the A&R UPA (such greater amount, the “Liquidation Preference Amount”).

If the preferred units and common units are outstanding on October 6, 2032, or if certain trigger events occurs and are not cured within specified time periods, MIP HPC Holdings, LLC may require TopCo 2 to commence a customary marketed sale process managed by an independent investment bank, where the proceeds of any such sale are to be used to redeem the preferred units and the common units on the terms set forth above.

Distributions of available excess cash will be made in accordance with a multi-tiered waterfall, generally as follows: (i) first, to MIP HPC Holdings, LLC, to pay certain specified losses under the A&R UPA, if any; (ii) second, to MIP HPC Holdings, LLC, to pay any accrued but unpaid dividends on its preferred units; (iii) third, to the MIP HPC Holdings, LLC, until it has received its Liquidation Preference Amount; and (iv) fourth, to the holders of common units, pro rata in accordance with the number of common units held by them.

The preferred units and corresponding common units were determined to have embedded derivative features, the Redemption features and the Contingent Dividend Rate Increase feature, requiring bifurcation and remeasurement at fair value at each reporting date, with the changes in fair value recorded through earnings. The Redemption features are inclusive of the Investor put option upon a Sale, APLD Holdings call option, and the Distribution Redemptions (all as defined within the A&R UPA). The Company engaged a third party valuation specialist in determining the value of the embedded derivatives using a binomial lattice model, which includes Level 3 unobservable inputs. See *Note 10 - Derivative Assets* for further details. As the noncontrolling interest has embedded features that require bifurcation, the fair value at issuance was allocated between the components. As such, the net proceeds were first allocated to the derivatives at their fair value. The remainder of the proceeds were then allocated to the warrants and noncontrolling interests based on their relative fair values.

The balance sheets and operating activities of TopCo 2 are included in the Company's consolidated financial statements. The Company adjusts net income in the consolidated statements of operations to exclude the proportionate share of results that is attributable to the noncontrolling interest. Additionally, the Company presents the proportionate share that is attributable to the noncontrolling interest as temporary equity within the consolidated balance sheets. This temporary equity presentation is the result of the noncontrolling interest being subject to certain redemption rights that are not entirely within the Company's control. Due to these redemption rights, at each balance sheet date, the Company is required to adjust the carrying value of the derivatives to fair value and record any changes in fair value within earnings. The Company will adjust noncontrolling interest for the attribution of net income (loss) and preferred dividends of TopCo 2 to the noncontrolling interest holder.

Net loss attributable to MIP HPC Holdings, LLC was $65.4 million for the fiscal year ended May 31, 2026. The proportionate share of net income was accounted for as a reduction in deriving net income attributable to common stock in the Company's consolidated statements of operations.

The carrying value of the noncontrolling interest was $2.0 billion as of May 31, 2026. There was no noncontrolling interest at May 31, 2025. The change in noncontrolling interest consists of $1.9 billion of contributions from the noncontrolling interest, net of costs, $62.7 million of preferred stock dividends paid in-kind, and $2.7 million in current year net loss attributable to the non-controlling interest.

17. Leases

Lessor Accounting

CoreWeave Leases

On May 28, 2025, APLD ELN-02 LLC and APLD ELN-03 LLC, the Company's subsidiaries, each entered into a data center lease with CoreWeave, Inc. (together, the "CoreWeave Leases") to deliver up to an aggregate of 250 MW of infrastructure to host CoreWeave’s HPC operations at Polaris Forge 1. The first lease is for the full capacity of Building 2, the Company's 100 MW data center, which was completed and became operational in November 2025. The second lease is for the full capacity of Building 3, a 150 MW data center that is also under construction and is expected to become operational during the calendar year 2026.

On August 28, 2025, APLD ELN-02 C LLC, a subsidiary of the Company, entered into a third data center lease with CoreWeave to deliver an additional 150MW at Polaris Forge 1, bringing the total capacity under contract at Polaris Forge 1 to 400 MW. The Company has guaranteed the obligations of APLD ELN-02 C LLC under the data center lease. The third lease is for the full capacity of Building 4, which is currently in the design phase and is expected to be service-ready in middle of calendar year 2027.

On March 30, 2026, the Company and CoreWeave amended the lease for Building 2 (the "ELN-02 Parent Lease") to suspend the term for two of the four data halls covered by the lease (the "ELN-02 Parent Lease Amendment") and the Company entered into a new data center lease with CoreWeave Compute Acquisition Co. VIII, LLC ("CoreWeave SPV"), a wholly owned subsidiary of CoreWeave, for those same two data halls on substantially the same terms as the ELN-02 Parent Lease (the "ELN-02 SPV Lease"). The ELN-02 SPV Lease is conterminous with the initial term of the ELN-02 Parent Lease. Upon the expiration or earlier termination of the ELN-02 SPV Lease, the suspended term under the ELN-02 Parent Lease will resume and all four data halls of Building 2 will once again be governed by the ELN-02 Parent Lease.

As further credit enhancement, CoreWeave delivered to APLD ELN-02 LLC an Unconditional Springing Guaranty of Payment and Performance (the "ELN-02 Guaranty") in connection with CoreWeave SPV's obligations under the ELN-02 SPV Lease. CoreWeave is obligated to provide a letter of credit in the amount of $50 million to secure obligations under the ELN-02 Parent Lease within 30 days of March 30, 2026.

In addition, on March 30, 2026, CoreWeave entered into an Assignment, Assumption and Consent Agreement with CoreWeave SPV and APLD ELN-03 LLC (the "Assignment Agreement"), assigning all of CoreWeave's rights and obligations under its lease with the Company for Building 3 (the "ELN-03 Parent Lease") to CoreWeave SPV for the remaining term of the ELN-03 Parent Lease and releasing CoreWeave from the ELN-03 Parent Lease. In addition, CoreWeave also provided an Unconditional Springing Guaranty of Payment and Performance in connection with CoreWeave SPV's obligations under the ELN-03 Parent Lease (the "ELN-03 Guaranty"), similar to the ELN-02 Guaranty.

Hyperscaler Leases

On October 20, 2025, APLD FAR-01 LLC and APLD FAR-02 LLC, the Company's subsidiaries, entered into a data center lease with a U.S. based investment grade hyperscaler to deliver 200MW of critical IT load to support the hyperscaler's AI and HPC infrastructure at Polaris Forge 2, which is currently under construction. The initial 200 MW are phased within two buildings expected to begin to come online during the calendar year 2026.

On April 20, 2026 and April 22, 2026, APLD AEX-01 LLC and APLD AEX-02 LLC, respectively, each a subsidiary of the Company, entered into separate data center leases with a second U.S. based investment grade hyperscaler to deliver a combined 300MW of critical IT load to support the hyperscaler's AI and HPC infrastructure at Delta Forge 1. Initial operations at Delta Forge 1 are anticipated to commence during the calendar year 2027.

On May 20, 2026, the Company entered into a data center lease with the second U.S. based investment grade hyperscaler to deliver a combined 300MW of critical IT load to support the second hyperscaler's AI and HPC infrastructure at Polaris Forge 3. Initial operations at Polaris Forge 3 are anticipated to commence during the calendar year 2027.

A summary of minimum lease payments due from these leases is shown below. These amounts do not reflect future data center rental revenues from renewal or replacement of existing leases unless the Company is reasonably certain it will exercise the option or the lessee has the sole ability to exercise the option. Reimbursements of operating expenses and variable rent increases are excluded from the table below (in thousands):

	Minimum Contracted Payments
FY27	$ 451,065
FY28	1,453,748
FY29	2,251,769
FY30	2,280,829
FY31	2,299,574
Thereafter	27,107,897
Total	$ 35,844,882

Lessee Accounting

The Company enters into leases for equipment and office space. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company presents operating and finance right of use assets and liabilities separately on the balance sheet as their own captions, with the liabilities split between current and long-term, respectively.

Components of lease expense were as follows (in thousands):

	May 31, 2026	May 31, 2025	May 31, 2024
Operating lease cost:			
Operating lease expense	$ 7,709	$ 36,764	$ 16,700
Short-term lease expense	1,175	769	57
Total operating lease cost	8,884	37,533	16,757
Finance lease expense:			
Amortization of right-of-use assets[1]	27,405	85,653	63,930
Interest on lease liabilities	3,612	18,583	10,597
Total finance lease cost	31,017	104,236	74,527
Variable lease cost	2,580	2,612	169
Sublease Income	—	—	(70)
Total net lease cost	$ 42,481	$ 144,381	$ 91,383

[1] Amortization of right-of-use assets is included within cost of revenues and selling, general and administrative expense in the consolidated statements of operations.

The following table represents the Company's future minimum lease payments as of May 31, 2026 (in thousands):

	Operating Leases	Finance Leases	Total
FY27	$ 22,218	$ 51,069	$ 73,287
FY28	23,853	10,968	34,821
FY29	18,391	—	18,391
FY30	4,812	—	4,812
FY31	1,315	—	1,315
Thereafter	4,553	—	4,553
Total lease payments	75,142	62,037	137,179
Less: imputed interest	(9,480)	(3,721)	(13,201)
Total lease liabilities	65,662	58,316	123,978
Less: Current portion of lease liability	(18,484)	(47,585)	(66,069)
Long-term portion of lease liability	$ 47,178	$ 10,731	$ 57,909

Supplemental cash flow and other information related to leases is as follows:

	Fiscal Year Ended	
	May 31, 2026	May 31, 2025
Weighted-average years remaining (in years):		
Finance leases	1.0 years	0.7 years
Operating leases	3.4 years	3.0 years
Weighted-average discount rate:		
Finance leases	9.9 %	9.9 %
Operating leases	7.7 %	7.6 %

18. Commitments and Contingencies

Commitments

Energy Contracts

As of May 31, 2026, the Company had a minimum commitment of approximately $19.2 million related to the energy services agreement for its Jamestown, North Dakota co-hosting facility payable over, approximately, the next 0.7 years.

Construction Contracts

The Company routinely engages with construction vendors for the construction of its facilities. These engagements are governed by contracts containing standard terms and conditions, including certain milestones that obligate the Company to pay as work is completed. In the event of termination of any of these contracts by the Company, the Company would be liable for all work that has been completed or in process, plus any applicable fees. The Company generally has the right to cancel these open purchase orders prior to delivery or terminate the contracts without cause.

B&W Guarantee

The Company was party to a guarantee (the "Guarantee") in favor of The Babcock & Wilcox Company ("B&W"), pursuant to which it had agreed to unconditionally and irrevocably guarantee the full and timely performance by Base Electron, Inc., a Nevada corporation ("Base Electron"), of its obligations under a Design-Build Agreement, dated February 26, 2026, by and between Base Electron and B&W (the "Design-Build Agreement"). The Design-Build Agreement contemplates the engineering, procurement, construction and commissioning of a power generation facility with an expected nameplate capacity of approximately 1.2 GW anticipated to expand power and capacity supplied to the grid and utility customers in the MISO region.

On May 29, 2026, the Guarantee was terminated, effective upon payment of $37.0 million by or on behalf of Base Electron, as discussed in *Note 7 - Related Party Transactions.*

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business.

Securities Lawsuit

The Company, Wes Cummins, the Company's Chief Executive Officer, and David Rench, the Company's then Chief Financial Officer, have been named as defendants in a putative securities class action lawsuit in the matter styled, McConnell v. Applied Digital Corporation, et al., Case No. 3:23-cv-1805, filed in August 2023 in the U.S. District Court for the Northern District of Texas (the "Securities Lawsuit"). Specifically, the complaint asserts claims pursuant to Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 based on allegedly false or misleading statements regarding the company's business, operations, and compliance policies, including claims that the Company overstated the profitability of its Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Company's board of directors was not "independent" within the meaning of Nasdaq listing rules. On May 22, 2024, the court appointed lead plaintiff and approved lead counsel, and on July 22, 2024, lead plaintiff filed an amended complaint which asserts the same claims based on similar allegations in the original complaint. On September 20, 2024, the defendants filed a motion to dismiss the amended complaint. On November 20, 2024, lead plaintiff filed his opposition to the Motion to Dismiss. On January 3, 2025, the defendants filed their reply in further support of the Motion to Dismiss. On September 8, 2025, the Court issued an order staying the Securities Lawsuit and administratively closing it pending resolution of the Motion to Dismiss.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in the Securities Lawsuit. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

Derivative Lawsuit

On November 15, 2023, a derivative action was filed in the matter styled, Weich v. Cummins, et al., Case No. A-23-881629-C in the District Court of Clark County, Nevada (the "Derivative Lawsuit"). The Weich complaint named as defendants certain members of the Company's Board of Directors and its Chief Executive Officer Wesley Cummins and purports to name the Company's then Chief Financial Officer David Rench as a defendant. The complaint asserted claims for breach of fiduciary duties, corporate waste and unjust enrichment based upon allegations that the defendants caused or allowed the Company to make materially false and misleading statements regarding the Company's business, operations, and compliance policies. Specifically, the complaint alleged that the Company overstated the profitability of the Data Center Hosting Business and its ability to successfully transition into a low-cost cloud services provider and that the Board was not "independent" within the meaning of Nasdaq listing rules. On February 27, 2024, the derivative plaintiff filed an amended complaint asserting the same claims as the original complaint.

On June 5, 2024, following briefing and argument on the defendants' motion to dismiss the Derivative Lawsuit, the Court entered an order granting the defendants' motion without prejudice and dismissing all claims against all defendants, including the Company, on the grounds that the plaintiff failed to plead (1) demand futility as to each of plaintiff's claims or (2) a claim for breach of fiduciary duty. The order dismissed all claims against all defendants, including the Company. The plaintiff can seek leave to file an amended complaint but to date has not done so.

The Company is unable to estimate a range of loss, if any, that could result were there to be an adverse final decision in this action. If an unfavorable action were to occur, it is possible that the impact could be material to the Company's results of operations in the period(s) in which any such outcome becomes probable and estimable.

As of May 31, 2026, there were no other pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are also no legal proceedings in which any of the Company's management or affiliates is an adverse party or has a material interest adverse to the Company's interest.

19. Business Segments

As discussed above, prior to the May 2026 transaction, the Cloud Services Business was identified as a reportable segment. Following the May 2026 transaction and formation of ChronoScale, the Cloud Services Business is no longer a reportable segment because its activities are not regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer, for purposes of resource allocation and performance assessment. As such, the results of ChronoScale, inclusive of the Cloud Services Business, which is now part of ChronoScale, are included in Other and are not separately presented as a segment for all periods presented.

As of May 31, 2026, the Company's business is made up of two operating segments: the Data Center Hosting Business and the HPC Hosting Business. These segments represent management's view of the business for which separate financial information is available and evaluated regularly by the Company's CODM.

The Company's CODM evaluates performance and makes operating decisions primarily based on revenue and segment profit (loss) on a consolidated basis and for each of the Company's reportable segments. Operating results by segment include costs or expenses directly attributable to each segment, which include selling, general, and administrative expenses, loss (gain) on classification of held for sale, loss on abandonment of assets, and loss from legal settlement. The Company derives the segment results from its internal management reporting system. The accounting policies the Company uses to derive reportable segment results are the same as those used for external reporting purposes. Segment revenues and segment profit are regularly reviewed by the CODM and compared against historical results, forecast and budget information in order to make decisions about how to allocate capital and other resources to each segment.

The Company does not allocate interest (income) expense, net, gain on change in fair value of derivatives, gain on change in fair value of investments, loss on conversion of debt, loss on change in fair value of debt, loss on change in fair value of related party debt, loss on extinguishment of debt, loss on extinguishment of related party debt, loss on change in fair value of warrants, loss on change in fair value of related party warrants or income tax expense to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance.

The following tables present segment information, including revenue by segment and segment profit (loss) for the fiscal years ended May 31, 2026, 2025, and 2024 (in thousands):

	Fiscal Year Ended May 31, 2026	
	Data Center Hosting Business	**HPC Hosting Business**
Revenue:		
Services revenue	$ 154,403	$ 270,602
Data center rental and other revenue	$ —	$ 114,702
Total segment revenue	154,403	385,304
Costs and expenses:		
Services cost of revenue	102,980	258,147
Data center rental and other cost of revenue	—	56,773
Selling, general and administrative	2,516	30,017
Loss on abandonment of assets	570	1,240
Total costs and expenses	106,066	346,177
Segment profit	$ 48,337	$ 39,127

	Fiscal Year Ended May 31, 2025	
	Data Center Hosting Business	**HPC Hosting Business**
Revenue:		
Services revenue	$ 142,267	$ —
Data center rental and other revenue	$ —	$ —
Related party revenue	1,926	—
Total segment revenue	144,193	—
Costs and expenses:		
Services cost of revenue	100,744	143
Data center rental and other cost of revenue	—	—
Selling, general and administrative	3,006	11,943
Loss on classification of held for sale	(24,616)	—
Loss on abandonment of assets	1,132	—
Total costs and expenses	80,266	12,086
Segment profit (loss)	$ 63,927	$ (12,086)

	Fiscal Year Ended May 31, 2024	
	Data Center Hosting Business	**HPC Hosting Business**
Revenue:		
Services revenue	$ 121,857	$ —
Data center rental and other revenue	$ —	$ —
Related party revenue	14,761	—
Total segment revenue	136,618	—
Costs and expenses:		
Services cost of revenue	106,022	50
Data center rental and other cost of revenue	—	—
Selling, general and administrative	10,367	4,761
Loss on classification of held for sale	15,417	—
Total costs and expenses	131,806	4,811
Segment profit (loss)	$ 4,812	$ (4,811)

The following table presents a reconciliation to net loss from continuing operations before income tax expense (in thousands):

	Fiscal Year Ended		
	May 31, 2026	**May 31, 2025**	**May 31, 2024**
Segment profit (loss)			
Data Center Hosting Business	$ 48,337	$ 63,927	$ 4,812
HPC Hosting Business	39,127	(12,086)	(4,811)
Total segment profit	87,464	51,841	1
Other [(1)]	(323,926)	(124,016)	(98,339)
Operating loss	(236,462)	(72,175)	(98,338)
Interest expense, net	29,516	32,139	27,517
Gain on change in fair value of derivatives	(75,818)	—	—
Gain on change in fair value of investments	(10,840)	—	—
Loss on conversion of debt	—	33,612	—
Loss on change in fair value of debt	—	85,439	7,401
Loss on change in fair value of related party debt	—	—	8,116
Loss on extinguishment of debt	—	1,177	—
Loss on extinguishment of related party debt	—	—	2,507
Loss on change in fair value of warrants	2,212	6,421	—
Loss on change in fair value of related party warrants	—	—	5,696
Net loss from continuing operations before income tax expenses	$ (181,532)	$ (230,963)	$ (149,575)

(1) Other includes corporate related items not allocated to reportable segments and ChronoScale.

The Company also provides the following additional segment disclosures (in thousands):

	Fiscal Year Ended		
	May 31, 2026	**May 31, 2025**	**May 31, 2024**
Depreciation and amortization:			
Data Center Hosting Business	$ 12,888	$ 13,312	$ 19,948
HPC Hosting Business	34,414	3,733	1,233
Other [(1)]	20,087	117,664	58,179
Total depreciation and amortization [(2)]	$ 67,389	$ 134,709	$ 79,360
Capital expenditures:			
Data Center Hosting Business	$ (1,234)	$ 9,320	$ 38,266
HPC Hosting Business	2,988,712	976,506	207,299
Other [(1)]	54,678	995	84,373
Total capital expenditures	$ 3,042,156	$ 986,821	$ 329,938

(1) Other includes corporate related items not allocated to reportable segments.

(2) Includes amortization of the finance lease right-of-use assets.

Information on segment assets and a reconciliation to consolidated assets are as follows (in thousands):

	Fiscal Year Ended	
	May 31, 2026	May 31, 2025
Data Center Hosting Business	$ 113,788	$ 141,764
HPC Hosting Business	8,999,081	1,363,341
Total segment assets	9,112,869	1,505,105
Other [1]	816,443	364,985
Total assets	$ 9,929,312	$ 1,870,090

[1] Other includes corporate related items not allocated to reportable segments.

20. Loss Per Share

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

Potentially dilutive securities are excluded from the computation of diluted net loss per share as their inclusion would be anti-dilutive. The table below shows the calculation for earnings per share:

	Fiscal Year Ended		
	May 31, 2026	May 31, 2025	May 31, 2024
Net loss	$ (184,339)	$ (231,065)	$ (149,671)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	(59,665)	—	(397)
Preferred dividends	(6,259)	(2,615)	—
Net loss attributable to common stockholders	$ (250,263)	$ (233,680)	$ (149,274)
Net loss attributable to common stockholders:			
Continuing operations	$ (249,243)	$ (233,680)	$ (149,274)
Discontinued operations	(1,020)	—	—
Net loss	$ (250,263)	$ (233,680)	$ (149,274)
Basic and diluted net loss per share attributable to common stockholders:			
Continuing operations	$ (0.91)	$ (1.16)	$ (1.31)
Discontinued operations	—	—	—
Basic and diluted net loss per share	$ (0.91)	$ (1.16)	$ (1.31)
Basic and diluted weighted average number of shares outstanding	275,194,755	201,194,451	114,061,414

As of May 31, 2026, 2025, and 2024, the Company had approximately 22,352,083, 14,138,774, and 12,103,986 shares, respectively, of granted but unvested performance stock and restricted stock units that would have a potentially dilutive effect on earnings per share.

As of May 31, 2026, 2025, and 2024 the Company had approximately 1.5 million, 21.7 million, and 19.0 million respectively, shares associated with the Company's preferred stock which have been excluded from the calculation of earnings per share because the effect of those shares would be antidilutive. Additionally, the Company had approximately 28.1 million, 17.1 million, and 12.3 million warrants outstanding as of May 31, 2026, May 31, 2025, and May 31, 2024, respectively, which have been excluded from the calculations of earnings per share because the effect of those shares would be antidilutive.

Lastly, if the Company's Convertible Notes were converted into shares of the Company's common stock as of May 31, 2026, 2025, and 2024, approximately 46.1 million shares were excluded from the calculations of earnings per share because the effect of those shares would be antidilutive.

21. Subsequent Events

Cloud SAFE Payoff

During the fiscal year ended May 31, 2025, the Company entered into two Simple Agreements for Future Equity ("SAFEs") with an investor for equity in Cloud, which was, at that time, a wholly-owned subsidiary, for aggregate proceeds of $12.0 million. On June 2, 2026, following an agreement reached with the investor, the Company paid off all amounts outstanding under the SAFEs, totaling $13.3 million.

Delta Forge 2 Lease

On June 5, 2026, the Company entered into an approximately 15-year lease (with three five-year renewal options) with a high investment-grade hyperscaler at its Delta Forge 2 210 MW critical IT load campus located in its southern region, comprising a single building under construction. The lease is for the full 210 MW of critical IT load, representing approximately $5.2 billion of contracted revenue over the base term, with expected delivery in the first half of calendar year 2028.

$1.59 billion Senior Secured Notes

On June 16, 2026, APLD ComputeCo 3 LLC refinanced the Bridge Facility with the closing of a $1.59 billion offering (the "2031 7.000% Notes Offering") of 7.000% senior secured notes due 2031 (the "2031 7.000% Notes") at an issue price of 100.000% of par. The 2031 7.000% Notes are senior secured obligations of APLD ComputeCo 3 and bear interest at a rate of 7.000% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2026. The principal amount of the 2031 7.000% Notes will amortize on a semi-annual basis on June 15 and December 15 of each year, in amounts set forth in the Indenture. The 2031 7.000% Notes will mature on June 15, 2031, unless earlier redeemed or repurchased in accordance with their terms. The 2031 7.000% Notes are fully and unconditionally guaranteed by the subsidiary guarantors, all of which are wholly owned subsidiaries of APLD ComputeCo 3. The Company provided a customary completion guarantee for the 2031 7.000% Notes Offering.

Series G

On June 17, 2026 and June 22, 2026, the Company issued an aggregate of 154,500 shares of Series G Preferred Stock for total gross proceeds of $150.0 million. Of the 154,500 shares of Series G Preferred Stock issued, 81,346 shares have been converted into an aggregate of 1,787,825 shares of the Company's common stock and 73,154 shares remain outstanding.

On June 26, 2026, the Company entered into the sixth amendment to the PEPA to increase the aggregate commitment amount under the PEPA for the issuance of shares of Series G Preferred Stock from $1,590,000,000 to $2,000,000,000.

Satisfaction of Escrow Release Condition for 6.750% Senior Secured Notes due 2031

On June 18, 2026, APLD ComputeCo 2 satisfied the escrow release condition under the escrow agreement for the 2031 6.750% Notes and executed and delivered to the escrow agent an escrow release certificate directing the escrow agent to release the funds in the escrow account to APLD ComputeCo 2 and apply such funds in accordance with the escrow agreement and the Indenture for the 2031 6.750% Notes.

Upsize of 2026 Revolving Credit Facility

On June 26, 2026, in connection with the 2026 Revolving Credit Facility, the Company, APLD Intermediate HoldCo, and the subsidiary guarantors party to the Revolving Credit Agreement entered into an Incremental Assumption Agreement No. 1 (the "Assumption Agreement"), with the Revolving Credit Collateral Agent and the lenders and issuing banks party thereto, providing for an Incremental Revolving Facility Commitment in an aggregate principal amount of up to $80,000,000 (the "Incremental Revolving Financing"). After giving effect to the Assumption Agreement, the aggregate revolving commitments under the 2026 Revolving Credit Facility increased to $430.0 million, with an additional

$120 million accordion option remaining. The Incremental Revolving Financing constitutes a part of the 2026 Revolving Credit Facility and is subject to the terms and conditions of the Revolving Credit Agreement and the other loan documents entered into in connection therewith.

Loan and Security Agreement

On June 30, 2026, the Company entered into a Loan and Security Agreement (the "Texas Capital Loan Agreement") with Texas Capital Bank ("Texas Capital") and a related Promissory Note in favor of Texas Capital in the stated principal amount of $58.5 million (the "Texas Capital Note"). The Texas Capital Loan Agreement contains standard terms, conditions and covenants. Interest is payable on the Texas Capital Note at the sum of an adjusted term SOFR plus an applicable margin. The Texas Capital Note matures on June 30, 2031.

ChronoScale Holding Company Transaction

On July 1, 2026, ChronoScale, the Company's majority owned public subsidiary, completed a holding company formation transaction (the “Holding Company Transaction”) that created a new parent holding company as the public company, called ChronoScale Holdings Corporation, a Nevada corporation (“ChronoScale Holdings”), with its operating companies as wholly-owned subsidiaries. The holding company structure better reflects ChronoScale’s individual operating businesses, allows for and can accommodate future growth from internal operations and generally provides for greater administrative and operational flexibility. ChronoScale Holdings has the exact same classes and number of shares outstanding after the Holding Company Transaction as ChronoScale had outstanding immediately before the Holding Company Transaction, and as such, the shareholders of ChronoScale were not be diluted as a result of the Holding Company Transaction. Following the Holding Company Transaction, ChronoScale Holdings became the successor issuer to ChronoScale and continues to trade on Nasdaq under the ticker symbol “CHRN” with the same CUSIP.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed 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 SEC's rules and forms and that such information is accumulated and communicated to the our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer and principal accounting officer), as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act), have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of May 31, 2026.

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 Exchange Act Rule 13a-15(f) and 15d(f). 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 United States generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We completed our transaction with Ekso Bionics Holdings, Inc. ("Ekso") on May 5, 2026. Consistent with guidance issued by the SEC that an assessment of a recently acquired business may be omitted from management's report on internal control over financial reporting in the year of acquisition, management elected to exclude an assessment of the effectiveness of the Company's internal control over financial reporting related to Ekso. Total assets and total revenues of Ekso that were excluded from management's assessment constitute 0.2% of the Company's total assets and 0.1% of total revenues as of and for the year ended May 31, 2026.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of May 31, 2026, our internal controls over financial reporting were effective.

Previously Reported Material Weakness and Remediation

In connection with the preparation of our consolidated financial statements for the fiscal year ended May 31, 2025, we previously identified a material weakness in the design of our internal controls as we did not design and maintain effective controls around the accounting and assessment of complex financial instruments.

During the quarter ended August 31, 2025, we completed our testing and evaluation of the newly designed and implemented controls around the accounting and assessment of complex financial instruments and determined that as of August 31, 2025, the controls have been in place and have operated effectively for a sufficient period of time for management to conclude the material weakness has been remediated. Remediation measures included hiring additional qualified accounting personnel, as well as engaging with a third-party consultant to assist with analyzing and documenting the treatment of complex financial instruments.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the three months ended May 31, 2026, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders and Board of Directors of Applied Digital Corporation

Opinion on Internal Control over Financial Reporting

We have audited Applied Digital Corporation's (the "Company") internal control over financial reporting as of May 31, 2026, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2026, based on criteria established in COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet as of May 31, 2026 and the related consolidated statements of operations, changes in temporary equity and stockholders' equity, and cash flows and the related notes (collectively referred to as the "financial statements") for the year ended May 31, 2026 of the Company, and our report dated July 29, 2026 expressed an unqualified opinion on those financial statements.

Explanatory Paragraph – Excluded Subsidiary

As described in "Management's Annual Report on Internal Control over Financial Reporting", management has excluded its subsidiary, Ekso Bionics Holdings, Inc., from its assessment of internal control over financial reporting as of May 31, 2026 because this entity was acquired by the Company in a business combination during the year ended May 31, 2026. We have also excluded Ekso Bionics Holdings, Inc. from our audit of internal control over financial reporting. This subsidiary's combined total assets and total revenues represent approximately 0.2% and 0.1%, respectively, of the related consolidated financial statement amounts as of and for the year ended May 31, 2026.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

/s/ CBIZ CPAs P.C.

CBIZ CPAs P.C.

New York, NY
July 29, 2026

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable**.**

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The Company has an insider trading policy governing the purchase, sale and other dispositions of the Company's securities that applies to all Company personnel, including directors, officers, employees, and other covered persons. The Company believes that its insider trading policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to the Company. A copy of the Company's insider trading policy is filed as Exhibit 19.1 to this Form 10-K.

The remaining information required by this Item 10 will be included in our definitive Proxy Statement for the 2026 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this Item 11 will be included in our definitive Proxy Statement for the 2026 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item 12 will be included in our definitive Proxy Statement for the 2026 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item 13 will be included in our definitive Proxy Statement for the 2026 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this Item 14 will be included in our definitive Proxy Statement for the 2026 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation, as amended from time to time. (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K, filed with the SEC on August 2, 2023).
3.1.1	Certificate of Amendment to the Certificate of Designations for the Series E Redeemable Preferred Stock. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 16, 2024).
3.1.2	Certificate of Amendment, dated June 11, 2024, to Second Amended and Restated Articles of Incorporation, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2024).
3.1.3	Certificate of the Designations, Powers, Preferences and Rights of Series F Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).
3.1.4	Certificate, Amendment or Withdrawal of Designation, relating to the Series A Preferred Stock, filed with the Secretary of State of Nevada on October 21, 2024 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 24, 2024).

3.1.5	Certificate, Amendment or Withdrawal of Designation, relating to the Series B Preferred Stock, filed with the Secretary of State of Nevada on October 21, 2024 (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on October 24, 2024).
3.1.6	Certificate, Amendment or Withdrawal of Designation, relating to the Series D Preferred Stock, filed with the Secretary of State of Nevada on October 21, 2024 (Incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed with the SEC on October 24, 2024).
3.1.7	Certificate of Designations of the Powers, Preferences and Relative, Participating, Optional and Other Restrictions of Series E-1 Preferred Stock filed with the Secretary of State of the State of Nevada on November 8, 2024 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 14, 2024).
3.1.8	Certificate, Amendment or Withdrawal of Designation, relating to the Series F Preferred Stock, filed with the Secretary of State of Nevada on April 11, 2025 (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on April 14, 2025).
3.1.9	Certificate of the Designations of Powers, Preferences and Rights of Series G Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 1, 2025).
3.1.10	Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on August 14, 2025 (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on August 15, 2025).
3.1.11	Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on September 11, 2025 (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 12, 2025).
3.1.12	Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on September 25, 2025 (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 26, 2025).
3.1.13	Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on October 14, 2025 (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on October 17, 2025).
3.1.14	Amendment to Certificate of the Designations, Powers, Preferences and Rights of Series G Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on October 21, 2025 (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on October 21, 2025).
3.2	Certificate of Amendment, dated November 20, 2024, to Second Amended and Restated Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
3.3	Third Amended and Restated Bylaws of the Company. (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on April 29, 2024).
3.4	Certificate of Amendment, dated November 6, 2025, to the Second Amended and Restated Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on November 6, 2025).
4.1	Right of First Refusal and Co-Sale Agreement, dated as of April 15, 2021, by and between the Company, the Key Holders and Investors (Incorporated by reference to Exhibit 4.3 to the Company’s Registration Statement on Form S-1, filed with the SEC on August 13, 2021).
4.2	Right of First Refusal and Co-Sale Agreement, dated as of July 30, 2021, by and between the Company, the Key Holders and Investors. (Incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-1, filed with the SEC on August 13, 2021).
4.3	Form of Warrant. (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on April 30, 2024).
4.4	Form of Subscription Agreement. (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on May 16, 2024).
4.5	Form of Warrant. (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on August 14, 2024).
4.6	Indenture, dated as of November 4, 2024, between Applied Digital Corporation and Wilmington Trust, National Association, as trustee, relating to the 2.75% convertible senior notes (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 5, 2024).

4.7	Form of note representing the 2.75% Convertible Senior Notes due 2030 (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 5, 2024).
4.8	Form of Warrant (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 2, 2024).
4.9†	Form of Restricted Stock Unit Award Agreement, by and between the Company and Laura Laltrello (Incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8, filed with the SEC on January 6, 2025).
4.1	Warrant, dated February 27, 2025, by and between Applied Digital Corporation and STB Applied Holdings LLC (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on April 14, 2025).
4.11	Form of Warrant (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 2, 2025).
4.12	Indenture, dated as of November 20, 2025, among APLD ComputeCo LLC, APLD HPC Holdings 2 LLC, the Subsidiary Guarantors as defined therein and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 9.250% senior secured notes (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 20, 2025).
4.13	Form of Note representing the 9.250% Senior Secured Notes due 2030 (Incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K, filed with the SEC on November 20, 2025).
4.14	Indenture, dated as of March 10, 2026, among APLD ComputeCo 2 LLC, the Subsidiary Guarantors as defined therein and Wilmington Trust, National Association, as trustee and collateral agent, relating to the 6.750% senior secured notes (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K, filed with the SEC on March 10, 2026).
4.15	Form of Note representing the 6.750% Senior Secured Notes due 2031 (Incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K, filed with the SEC on March 10, 2026).
4.16*	Description of Securities.
10.1	Master Professional Services Agreement between Ulteig Engineers, Inc. and APLD Hosting, LLC. (Incorporated by reference to Exhibit 10.2 to the Company’s Registration Statement on Form S-1, filed with the SEC on August 13, 2021).
10.2#	Service Framework Agreement, dated July 5, 2021, by and between APLD Hosting, LLC and JointHash Holding Limited (Incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 2, 2021).
10.3#	Amended and Restated Electric Services Agreement, dated September 13, 2021, by and between APLD Hosting, LLC and [Redacted] (Incorporated by reference to Exhibit 10.6 to Amendment No. 1 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 2, 2021).
10.4	Sublease Agreement, dated as of May 19, 2021, by and between the Company and Encap Investments L.P. (Incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form S-1, filed with the SEC on August 13, 2021).
10.5#	Service Framework Agreement, dated July 5, 2021, by and between APLD Hosting, LLC and Bitmain Technologies Limited (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K, filed with the SEC on August 29, 2022).
10.6#	Master Hosting Agreement, dated as of September 20, 2021, by and between APLD Hosting, LLC and F2Pool Mining, Inc. (Incorporated by reference to Exhibit 10.9 to Amendment No. 1 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 2, 2021).
10.7#	Master Hosting Agreement, dated as of October 12, 2021, by and between APLD Hosting, LLC and Hashing LLC. (Incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 2, 2021).
10.8	Services Agreement, effective as of October 12, 2021, by and among Applied Blockchain, LTD and Xsquared Holding Limited. (Incorporated by reference to Exhibit 10.11 to Amendment No. 1 to the Company’s Registration Statement on Form S-1, filed with the SEC on November 2, 2021).
10.9†	2022 Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.9.1†	Form of Employee Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.9.2†	Form of Restricted Stock Unit Award Agreement (Employees). (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.9.3†	Form of Restricted Stock Unit Award Agreement (Consultants). (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.9.4†	Amendment to 2022 Incentive Plan (Incorporated by reference to Exhibit 10.12.4 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024).

10.10†	2022 Non-Employee Director Stock Plan. (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.10.1†	First Amendment to the 2022 Non-Employee Director Stock Plan, dated April 4, 2023. (Incorporated by reference to Exhibit 10.13.1 to the Company's Annual Report on Form 10-K, filed with the SEC on August 2, 2023).
10.10.2	Form of Director Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-8, filed with the SEC on June 17, 2022).
10.11#	Limited Liability Company Agreement, dated as of January 6, 2022, by and between the Company and Antpool Capital Asset Investment L.P. (Incorporated by reference to Exhibit 10.14 to Amendment No. 5 to the Company's Registration Statement on Form S-1, filed with the SEC on January 24, 2022).
10.12†	Employment Agreement, effective as of November 1, 2021, by and between the Company and Wes Cummins. (Incorporated by reference to Exhibit 10.15 to Amendment No. 5 to the Company's Registration Statement on Form S-1, filed with the SEC on January 24, 2022).
10.12.1†	Amendment No. 1 to Executive Employment Agreement, dated as of September 25, 2023, by and between the Company and Wes Cummins. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 28, 2023).
10.13†	Employment Agreement, effective as of November 1, 2021, by and between the Company and David Rench. (Incorporated by reference to Exhibit 10.16 to Amendment No. 5 to the Company's Registration Statement on Form S-1, filed with the SEC on January 24, 2022).
10.13.1†	Amendment No. 1 to Executive Employment Agreement, dated as of September 25, 2023, by and between the Company and David Rench. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 28, 2023).
10.14	Ground Lease, effective as of April 13, 2022, by and between EDB, Ltd and APLD - Rattlesnake Den I LLC. (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K, filed with the SEC on August 2, 2023).
10.15†	Employment Agreement, effective as of November 1, 2021, by and between the Company and Regina Ingel (Incorporated by reference to Exhibit 10.17 to Amendment No. 5 to the Company's Registration Statement on Form S-1, filed with the SEC on January 24, 2022).
10.15.1†	Amendment dated August 1, 2022 to Employment Agreement between Applied Blockchain, Inc. and Regina Ingel. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 5, 2022).
10.16	Loan Agreement dated as of March 11, 2022 by and between APLD Hosting, LLC, Vantage Bank Texas and Applied Blockchain, Inc. (Incorporated by reference to Exhibit 10.20 to Amendment No. 6 the Company's Registration Statement on Form S-1, filed with the SEC on April 12, 2022).
10.17	Continuing Guaranty Agreement dated as of March 11, 2022 by Applied Blockchain, Inc. for the benefit of Vantage Bank Texas. (Incorporated by reference to Exhibit 10.21 to Amendment No. 6 the Company's Form S-1, filed with the SEC on April 12, 2022).
10.18	Letter between Applied Blockchain, Inc. and Xsquared Holding Limited dated June 6, 2022. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 8, 2022).
10.19	Hosting Agreement, dated as of July 12, 2022, by and between Marathon Digital Holdings, Inc. and Applied Blockchain, Inc. (Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on October 12, 2022).
10.20	Loan Agreement, dated as of July 25, 2022, by and among APLD Hosting, LLC, Starion Bank, and Applied Blockchain, Inc. as Guarantor. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2022).
10.21	Security Agreement, dated of July 25, 2022, by and between APLD Hosting, LLC and Starion Bank. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2022).
10.22	Security Agreement, dated of July 25, 2022, by and among APLD Hosting, LLC, Applied Blockchain, Inc., as Grantor, and Starion Bank. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2022).
10.23	Unlimited Commercial Corporate Guaranty of Applied Blockchain, Inc. dated as of July 25, 2022. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on August 12, 2022).
10.24	Loan Agreement by and among APLD - Rattlesnake Den I, LLC, as borrower, Vantage Bank Texas, as lender, and the Company, as guarantor, entered into as of November 7, 2022. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 14, 2022).

10.25#	Loan Agreement, dated as of February 16, 2023 by and among APLD ELN-01 LLC, Starion Bank, and Applied Digital Corporation as Guarantor. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023).
10.26#	Security Agreement, dated as of February 16, 2023 by and between APLD ELN-01 LLC and Starion Bank. (Incorporated by referenced to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023).
10.27	Security Agreement, dated as of February 16, 2023 by and among APLD ELN-01 LLC, Applied Digital Corporation and Starion Bank. (Incorporated by referenced to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023).
10.28	Unlimited Commercial Corporate Guaranty of Applied Digital Corporation dated as of February 16, 2023. (Incorporated by referenced to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023).
10.29†	Form of Amendment No. 1 to Restricted Stock Unit Award. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on September 28, 2023).
10.30†	Form of Amendment No. 1 to Performance Stock Unit Award. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on September 28, 2023).
10.31	Form of Indemnification Agreement by and between Applied Digital Corporation and individual directors or officers. (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, filed with the SEC on January 16, 2024).
10.32	Unsecured Promissory Note, dated January 30, 2024, issued by the Company and payable to AI Bridge Funding LLC. (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed with the SEC on February 5, 2024).
10.32.1	Waiver, Consent and Amendment by and between the Company and AI Bridge Funding LLC, dated March 27, 2024. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on April 1, 2024).
10.32.2	Amendment No. 2 to Unsecured Promissory Note, dated April 26, 2024, by and between Applied Digital Corporation and AI Bridge Funding LLC. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on April 30, 2024).
10.33#	Loan Agreement, dated as of February 28, 2024, by and between APLD GPU-01, LLC and Cornerstone Bank. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 5, 2024).
10.34	Security Agreement, dated as of February 28, 2024, by and between APLD GPU-01, LLC and Cornerstone Bank. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on March 5, 2024).
10.35	Form of Guaranty Agreement, dated as of February 28, 2024, made by each of Applied Digital Corporation, SAI Computing, LLC and APLD Hosting, LLC in favor of Cornerstone Bank. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on March 5, 2024).
10.36	Consent to Transfer Interest in Real Property Subject to Mortgage and Subordination Agreement, dated as of February 28, 2024, made by Starion Bank, in favor of APLD Hosting, LLC. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on March 5, 2024).
10.37#	Collateral Assignment of Customer GPU Contracts and Consent, dated as of February 28, 2024, by Applied Digital Corporation, in favor of Cornerstone Bank. (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on March 5, 2024).
10.38%	Purchase and Sale Agreement, dated March 14, 2024, by and between APLD - Rattlesnake Den I LLC and Mara Garden City LLC. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 15, 2024).
10.39	Prepaid Advance Agreement by and between Applied Digital Corporation and YA II PN, LTD., dated March 27, 2024. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 1, 2024).
10.4	Convertible Promissory Note issued by Applied Digital Corporation and payable to YA II PN, LTD., dated March 27, 2024. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 1, 2024).
10.41	Guaranty made by APLD-ELN-02 LLC in favor of YA II PN, LTD., dated March 27, 2024. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on April 1, 2024).
10.42	Convertible Promissory Note issued by Applied Digital Corporation and payable to YA II PN, LTD., dated April 24, 2024. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 30, 2024).

10.43	Cooperation and Standstill Agreement, dated as of April 30, 2024, by and between Applied Digital Corporation, a Nevada Corporation, and Oasis Management Co., Ltd. (Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K, filed with the SEC on May 1, 2024).
10.44	Services Agreement, dated as of May 16, 2024, by and between Applied Digital Corporation and Preferred Shareholder Services, LLC. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on May 16, 2024).
10.45	Prepaid Advance Agreement by and between Applied Digital Corporation and YA II PN, LTD., dated May 24, 2024. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on May 24, 2024).
10.46	Convertible Promissory Note issued by Applied Digital Corporation and payable to YA II PN, LTD., dated May 24, 2024. (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on May 24, 2024).
10.47	Guaranty made by APLD-ELN-02 LLC in favor of YA II PN, LTD., dated May 24, 2024. (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on May 24, 2024).
10.48	Amendment by and between the Company and YA II PN, LTD., dated May 24, 2024. (Incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K, filed with the SEC on May 24, 2024).
10.49#	Promissory Note, dated June 7, 2024, issued by APLD Holdings 2 LLC and payable to CIM APLD Lender Holdings, LLC. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on June 10, 2024).
10.50 .	Parent Guaranty, dated June 7, 2024, issued by Applied Digital Corporation in favor of CIM APLD Lender Holdings, LLC. (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on June 10, 2024).
10.51%	Guarantee and Collateral Agreement, dated June 7, 2024, by and among APLD Hosting, LLC, APLD ELN-01 LLC, APLD ELN-02 LLC, APLD Holdings 1 LLC, APLD Holdings 2 LLC, APLD ELN-02 Holdings LLC and CIM APLD Lender Holdings, LLC (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on June 10, 2024).
10.52	Consent, Waiver and First Amendment to Prepaid Advance Agreements, dated June 7, 2024, by and between Applied Digital Corporation and YA II PN, LTD. (Incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K, filed with the SEC on June 10, 2024).
10.53	Registration Rights Agreement, dated June 7, 2024, by and between Applied Digital Corporation and CIM APLD Lender Holdings, LLC (Incorporated by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024).
10.54	Security Agreement, dated June 21, 2024, by and between Applied Digital Cloud Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024).
10.55	Waiver Agreement, dated August 11, 2024, by and between APLD Holdings 2 LLC and CIM APLD Lender Holdings, LLC. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on August 14, 2024).
10.56	Standby Equity Purchase Agreement, dated August 28, 2024, by and between Applied Digital Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.60 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024).
10.57	First Amendment to the Standby Equity Purchase Agreement, dated August 29, 2024, by and between Applied Digital Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024).
10.58	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).
10.59	Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).
10.60 .	Irrevocable Proxy, dated August 30, 2024, by YA II PN, LTD (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).
10.61	Consent, Waiver and Second Amendment to Prepaid Advance Agreements, dated August 21, 2024, by and between Applied Digital Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).
10.62	Consent, Waiver and Third Amendment to Prepaid Advance Agreements, dated August 29, 2024, by and between Applied Digital Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on August 30, 2024).

10.63	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 10, 2024).
10.64	Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 10, 2024).
10.65	Dealer Manager Agreement, dated September 23, 2024, by and between Applied Digital Corporation and Preferred Capital Securities, LLC (Incorporated by reference to Exhibit 10.70 to the Company's Registration Statement on Form S-1, filed with the SEC on September 23, 2024).
10.66	Amended and Restated Services Agreement, dated September 23, 2024, by and between Applied Digital Corporation and Preferred Shareholder Services, LLC (Incorporated by reference to Exhibit 10.71 to the Company's Registration Statement on Form S-1, filed with the SEC on September 23, 2024).
10.67	Form of Selected Dealer Agreement (Incorporated by reference to Exhibit 10.72 to the Company's Registration Statement on Form S-1, filed with the SEC on September 23, 2024).
10.68	First Amendment to Promissory Note and Waiver Agreement, dated October 8, 2024, by and between APLD Holdings 2 LLC and CIM APLD Lender Holdings, LLC (Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on October 9, 2024).
10.69†	Restricted Stock Unit Award, dated October 10, 2024, by and between Applied Digital Corporation and Wes Cummins (Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on January 14, 2025).
10.70 .	Letter Agreement, dated October 16, 2024, by and between Applied Digital Corporation and YA II PN, LTD (Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on January 14, 2025).
10.71†	Restricted Stock Unit Award, dated October 17, 2024, by and between Applied Digital Corporation and Saidal Mohmand (Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on January 14, 2025).
10.72†	Restricted Stock Unit Award, dated November 15, 2024, by and between Applied Digital Corporation and David Rench (Incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on January 14, 2025).
10.73†	Mohmand Offer Letter, dated October 11, 2024, by and between Applied Digital Corporation and Saidal Mohmand (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 15, 2024).
10.74†	Amendment No. 2 to Executive Employment Agreement, dated October 15, 2024, by and between Applied Digital Corporation and David Rench (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on October 15, 2024).
10.75†	Executive Employment Agreement, dated October 10, 2024, by and between Applied Digital Corporation and Wes Cummins (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on October 15, 2024).
10.76	Form of Capped Call Confirmation (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 5, 2024).
10.77†	Offer Letter, dated November 15, 2024, by and between Applied Digital Corporation and David Rench (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.78†	Applied Digital Corporation 2024 Omnibus Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.79†	Form of Incentive Stock Option Grant Agreement (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.80†	Form of Nonqualified Stock Option Grant Agreement (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.81†	Form of Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.82†	Form of Restricted Stock Award Agreement (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.83†	Form of Performance Stock Award Agreement (Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2024).
10.84#	Promissory Note, dated November 27, 2024, issued by APLD ELN-02 Holdings LLC and payable to Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 2, 2024).

10.85	Limited Parent Guarantee, dated November 27, 2024, issued by APLD Holdings 2 LLC in favor of Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 2, 2024).
10.86%	Guarantee and Collateral Agreement, dated November 27, 2024, by and among APLD ELN-02 Holdings LLC, APLD ELN-02 LLC, APLD ELN-02 A LLC, APLD ELN-02 B LLC, APLD ELN-02 C LLC and Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on December 2, 2024).
10.87	Pledge Agreement, dated November 27, 2024, issued by APLD Holdings 2 LLC in favor of Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on December 2, 2024).
10.88†	Offer Letter, effective November 27, 2024, by and between Applied Digital Corporation and Laura Laltrello (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 4, 2024).
10.89†	Performance Stock Unit Award, dated January 7, 2025, by and between Applied Digital Corporation and Wes Cummins (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 8, 2025).
10.90†	Performance Stock Unit Award, dated January 7, 2025, by and between Applied Digital Corporation and Saidal Mohmand (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 8, 2025).
10.91†	Performance Stock Unit Award, dated January 7, 2025, by and between Applied Digital Corporation and David Rench (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on January 8, 2025).
10.92%	Unit Purchase Agreement, dated January 13, 2025, by and among Applied Digital Corporation, APLD HPC Holdings LLC and MIP VI Holdings II, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 14, 2025).
10.93%	Credit and Guaranty Agreement, dated as of February 11, 2025, by and among APLD HPC Holdings LLC, the Subsidiary Guarantors, the Lenders and Sumitomo Mitsui Banking Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2025).
10.94	Pledge Agreement, dated as of February 11, 2025, by and among APLD HPC Holdings LLC, APLD HPC TopCo LLC and Sumitomo Mitsui Banking Corporation (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2025).
10.95	Parent Guarantee, dated as of February 11, 2025, by and among APLD HPC Holdings LLC, Applied Digital Corporation and Sumitomo Mitsui Banking Corporation (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2025).
10.96%	Collateral Agency, Security and Depositary Agreement, dated as of February 11, 2025, by and among APLD HPC Holdings LLC, the Subsidiary Guarantors and Sumitomo Mitsui Banking Corporation (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2025).
10.97%	First Amendment to Unit Purchase Agreement, dated February 11, 2025, by and between Applied Digital Corporation, APLD HPC Holdings LLC, APLD HPC TopCo LLC, and MIP VI HPC Holdings, LLC (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2025).
10.98†	Transition Agreement, dated February 18, 2025, by and between the Company and David Rench (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2025).
10.99†	Separation Agreement, dated February 20, 2025, by and between the Company and Michael Maniscalco (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2025).
10.100%	Form of Preferred Equity Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 1, 2025)
10.101#%	Building 2 Datacenter Lease, dated May 28, 2025, by and between APLD ELN-02 LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 2, 2025).
10.102#%	Building 3 Datacenter Lease, dated May 28, 2025, by and between APLD ELN-03 LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 2, 2025).
10.103%	Registration Rights Agreement, dated May 28, 2025, by and between Applied Digital Corporation and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on June 2, 2025).

10.104%	Letter Agreement, dated May 28, 2025, by and between Applied Digital Corporation and Coreweave, Inc. (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on June 2, 2025).
10.105†#%	Employment Agreement, dated August 1, 2025, by and between Applied Digital Corporation and Jason Zhang (Incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q, filed with the SEC on October 9, 2025).
10.106	Form of First Amendment to Preferred Equity Purchase Agreement, dated August 14, 2025, by and between the Company and the investors signatory thereto (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on August 15, 2025).
10.107%	Building 4 Datacenter Lease, dated August 28, 2025, by and between APLD ELN-02 C LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K/A, filed with the SEC on September 3, 2025).
10.108#	Promissory Note, dated September 9, 2025, issued by APLD FAR-01 LLC and payable to Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 12, 2025).
10.109	Parent Guarantee, dated September 9, 2025, issued by Applied Digital Corporation in favor of Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on September 12, 2025).
10.110%	Guarantee and Collateral Agreement, dated September 9, 2025, by and among APLD FAR-01 LLC, APLD FAR Holdings LLC, APLD FAR-02 LLC, and Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on September 12, 2025).
10.111%	Form of Second Amendment to Preferred Equity Purchase Agreement, dated September 11, 2025, by and between the Company and the investors signatory thereto (Incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K, filed with the SEC on September 12, 2025).
10.112%	Third Amendment to Preferred Equity Purchase Agreement, dated October 7, 2025, by and between the Company and the investors signatory thereto (Incorporated by reference to Exhibit 10.5 to the Company’s Quarterly Report on Form 10-Q, filed with the SEC on October 9, 2025).
10.113%	Amended and Restated Unit Purchase Agreement, dated October 3, 2025, by and among Applied Digital Corporation, APLD HPC TopCo LLC, APLD HPC TopCo 2 LLC and MIP HPC Holdings, LLC (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on October 9, 2025).
10.114#%	Amended and Restated Limited Liability Company Agreement of APLD HPC Topco 2 LLC, dated October 6, 2025, by and among APLD Holdings 2 LLC and MIP HPC Holdings, LLC, and solely for limited purposes as set forth therein, Macquarie Infrastructure Partners VI SCSp, Macquarie Infrastructure Partners VI, L.P. and Applied Digital Corporation (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on October 9, 2025).
10.115	Registration Rights Agreement, dated October 6, 2025, by and between Applied Digital Corporation, MIP VI DC REIT AIV, L.P. and MIP VI REIT AIV, L.P. (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on October 9, 2025).
10.116	Form of Fourth Amendment to Preferred Equity Purchase Agreement, dated October 21, 2025, by and between the Company and the investors signatory thereto (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on October 21, 2025).
10.117	First Amendment to the Applied Digital Corporation 2024 Omnibus Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on November 6, 2025).
10.118#%	Promissory Note, dated December 18, 2025, issued by APLD DevCo LLC and payable to Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on December 22, 2025).
10.119#	Parent Guarantee, dated December 18, 2025, issued by Applied Digital Corporation in favor of Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on December 22, 2025).
10.120#%	Guarantee and Collateral Agreement, dated December 18, 2025, by APLD DevCo LLC, APLD Intermediate HoldCo LLC, and the other Grantors defined therein in favor of Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on December 22, 2025).
10.121†	Performance Stock Unit Award, dated January 6, 2026, by and between Applied Digital Corporation and Wes Cummins (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on January 8, 2026).

10.122†	Restricted Stock Unit Award, dated January 6, 2026, by and between Applied Digital Corporation and Wes Cummins (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 8, 2026).
10.123†	Amendment to the Employment Agreement, dated August 1, 2025, by and between Applied Digital Corporation and Jason Zhang (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 16, 2026).
10.124†	Performance Stock Unit Award, dated February 6, 2026, by and between Applied Digital Corporation and Jason Zhang (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 9, 2026).
10.125†	Performance Stock Unit Award, dated February 6, 2026, by and between Applied Digital Corporation and Saidal Mohmand (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 9, 2026).
10.126†	Restricted Stock Unit Award, dated February 6, 2026, by and between Applied Digital Corporation and Jason Zhang (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on February 9, 2026).
10.127†	Restricted Stock Unit Award, dated February 6, 2026, by and between Applied Digital Corporation and Saidal Mohmand (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on February 9, 2026).
10.128#	Contribution and Exchange Agreement, dated February 15, 2026, by and among Ekso Bionics Holdings, Inc., APLD ChronoScale Holdco LLC, APLD Intermediate Holdco LLC, and Applied Digital Cloud Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 17, 2026).
10.129	Form of Investor Rights Agreement by and between ChronoScale Corporation and APLD ChronoScale Holdco LLC (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 17, 2026).
10.130	Amendment No. 1, effective as of February 24, 2026, to the Promissory Note, dated December 18, 2025, issued by APLD DevCo LLC and payable to Macquarie Equipment Capital, Inc. (Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on April 8, 2026).
10.131	Guarantee, dated February 26, 2026, by Applied Digital Corporation in favor of The Babcock & Wilcox Company (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 4, 2026).
10.132†	Amended and Restated Performance Stock Unit Award, by and between Applied Digital Corporation and Jason Zhang (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on For 8-K/A, filed with the SEC on March 13, 2026).
10.133#%	Unconditional Springing Guaranty of Payment and Performance, dated March 30, 2026, by and between APLD ELN-02 LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A, filed with the SEC on April 1, 2026).
10.134#%	Unconditional Springing Guaranty of Payment and Performance, dated March 30, 2026, by and between APLD ELN-03 LLC and CoreWeave, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A, filed with the SEC on April 1, 2026).
10.135#	Assignment, Assumption and Consent, dated March 30, 2026, by and among APLD ELN-03 LLC, CoreWeave, Inc. and CoreWeave Compute Acquisition Co. VIII, LLC (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A, filed with the SEC on April 1, 2026).
10.136#%	Securities Purchase Agreement by and between ChronoScale Corporation and Applied Digital Corporation, dated May 1, 2026 (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on May 5, 2026).
10.137†#%	Management Advisory and Corporate Services Agreement, by and between ChronoScale Corporation and Applied Digital Corporation, dated May 5, 2026 (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on May 5, 2026).
10.138%	Investor Rights Agreement, by and between ChronoScale Corporation and APLD ChronoScale HoldCo LLC, dated May 5, 2026 (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on May 5, 2026).
19.1*	Amended and Restated Insider Trading Policy
21.1*	List of Subsidiaries.
23.1*	Consent of CBIZ CPAs P.C.
23.2*	Consent of Marcum LLP
24.1*	Power of Attorney (contained on signature page).

31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b).
32.2**	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b).
97.1†	Compensation Recovery Policy. (Incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K, filed with the SEC on August 30, 2024)

* Filed herewith.

** Furnished, not filed.

† Management compensatory agreement.

Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and is a type of information that the registrant treats as private or confidential.

% The schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Registrant agrees to furnish supplementally a copy of all omitted schedules to the Securities and Exchange Commission upon its request.

Item 16. Form 10-K Summary

None.

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, in the City of Dallas, Texas on July 29, 2026.

APPLIED DIGITAL CORPORATION

By: */s/ Wes Cummins*

Name: Wes Cummins

Title: Chief Executive Officer, Secretary and Treasurer (Principal Executive Officer)

By: */s/ Saidal Mohmand*

Name: Saidal Mohmand

Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Wes Cummins and Saidal Mohmand, and each of them individually, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments to this Report together with all schedules and exhibits thereto, (ii) act on, sign and file with the Securities and Exchange Commission any and all exhibits to this Report and any and all exhibits and schedules thereto, (iii) act on, sign and file any and all such certificates, notices, communications, reports, instruments, agreements and other documents as may be necessary or appropriate in connection therewith and (iv) take any and all such actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, and hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact, any of them or any of his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Wes Cummins Wes Cummins	Chief Executive Officer and Chairman (Principal Executive Officer)	July 29, 2026
/s/ Saidal Mohmand Saidal Mohmand	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 29, 2026
/s/ Chuck Hastings Chuck Hastings	Director	July 29, 2026
/s/ Douglas Miller Douglas Miller	Director	July 29, 2026
/s/ Richard Nottenburg Richard Nottenburg	Director	July 29, 2026
/s/ Rachel Lee Rachel Lee	Director	July 29, 2026
/s/ Ella Benson Ella Benson	Director	July 29, 2026