

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2023

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 1-12711

**AULT ALLIANCE, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**94-1721931**

*(I.R.S. Employer Identification Number)*

**11411 Southern Highlands Pkwy #240**

**Las Vegas, NV 89141**

*(Address of principal executive offices) (Zip code)*

**(949) 444-5464**

*(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
Class A Common Stock, \$0.001 par value	AULT	NYSE American
13.00% Series D Cumulative Redeemable Perpetual Preferred Stock, par value \$0.001 per share	AULT PRD	NYSE American

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 year (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

At August 18, 2023, the registrant had outstanding 5,553,027 shares of common stock.

**AULT ALLIANCE, INC.**  
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**Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. Words such as “anticipates,” “expects,” “intends,” “goals,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “may,” “will,” “would,” “should,” “could,” and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and our Annual Report on Form 10-K for the year ended December 31, 2022, as amended, particularly the “Risk Factors” sections of such reports. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements in this Form 10-Q do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of the date of filing of this Quarterly Report on Form 10-Q. In addition, the forward-looking statements in this Form 10-Q are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty to update such statements, whether as a result of new information, new developments or otherwise, except to the extent that disclosure may be required by law.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

AULT ALLIANCE, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 19,705,000	\$ 10,492,000
Restricted cash	1,092,000	3,563,000
Cash and marketable securities held in trust account	-	118,193,000
Marketable equity securities	653,000	6,590,000
Accounts receivable	13,534,000	19,586,000
Inventories	20,999,000	22,080,000
Investment in promissory notes and other, related party	2,968,000	2,868,000
Loans receivable, current	1,165,000	7,593,000
Prepaid expenses and other current assets	16,745,000	14,744,000
<b>TOTAL CURRENT ASSETS</b>	<b>76,861,000</b>	<b>205,709,000</b>
Cash and marketable securities held in trust account	2,143,000	-
Intangible assets, net	17,290,000	34,786,000
Goodwill	9,158,000	27,902,000
Property and equipment, net	227,860,000	229,914,000
Right-of-use assets	7,333,000	8,419,000
Investments in common stock, related parties	5,836,000	6,449,000
Investments in other equity securities	25,856,000	42,494,000
Other assets	6,053,000	5,841,000
<b>TOTAL ASSETS</b>	<b>\$ 378,390,000</b>	<b>\$ 561,514,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 81,131,000	\$ 63,411,000
Dividend payable in TurnOnGreen common stock	5,200,000	-
Operating lease liability, current	2,479,000	2,975,000
Notes payable, net	46,434,000	39,621,000
Convertible notes payable, current	3,326,000	1,325,000
Series E Convertible Preferred Liability: \$100 stated value per share, \$0.001 par value – 83,000 shares authorized; 83,000 and 0 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$8,300,000 as of June 30, 2023)	7,055,000	-
Series G Convertible Preferred Liability: \$100 stated value per share, \$0.001 par value – 16,000 shares authorized; 14,208 and 0 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$1,421,000 as of June 30, 2023)	1,208,000	-
Redeemable noncontrolling interests in equity of subsidiaries	-	117,993,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>146,833,000</b>	<b>225,325,000</b>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (continued)**  
(Unaudited)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
<b>LONG TERM LIABILITIES</b>		
Operating lease liability, non-current	5,145,000	5,836,000
Notes payable	87,561,000	91,464,000
Convertible notes payable	11,949,000	11,451,000
Deferred underwriting commissions of Ault Disruptive Technologies Corporation (“Ault Disruptive”) subsidiary	3,450,000	3,450,000
<b>TOTAL LIABILITIES</b>	<b>254,938,000</b>	<b>337,526,000</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
Redeemable noncontrolling interests in equity of subsidiaries	1,951,000	-
<b>STOCKHOLDERS' EQUITY</b>		
Series A Convertible Preferred Stock, \$25 stated value per share, \$0.001 par value – 1,000,000 shares authorized; 7,040 shares issued and outstanding at June 30, 2023 and December 31, 2022 (liquidation preference of \$176,000 as of June 30, 2023 and December 31, 2022)	-	-
Series B Convertible Preferred Stock, \$10 stated value per share, share, \$0.001 par value – 500,000 shares authorized; 125,000 shares issued and outstanding at June 30, 2023 and December 31, 2022 (liquidation preference of \$1,190,000 at June 30, 2023 and December 31, 2022)	-	-
Series D Cumulative Redeemable Perpetual Preferred Stock, \$25 stated value per share, \$0.001 par value – 2,000,000 shares authorized; shares authorized, 425,197 shares and 172,838 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively (liquidation preference of \$10,630,000 and \$4,321,000 as of June 30, 2023 and December 31, 2022, respectively)	-	-
Class A Common Stock, \$0.001 par value – 500,000,000 shares authorized; 1,526,411 and 1,274,157 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	2,000	1,000
Class B Common Stock, \$0.001 par value – 25,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2023 and December 31, 2022	-	-
Additional paid-in capital	573,386,000	565,904,000
Accumulated deficit	(444,371,000)	(329,078,000)
Accumulated other comprehensive loss	(1,450,000)	(1,100,000)
Treasury stock, at cost	(29,919,000)	(29,235,000)
<b>TOTAL AULT ALLIANCE STOCKHOLDERS' EQUITY</b>	<b>97,648,000</b>	<b>206,492,000</b>
Non-controlling interest	23,853,000	17,496,000
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>121,501,000</b>	<b>223,988,000</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 378,390,000</b>	<b>\$ 561,514,000</b>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue, products	\$ 12,216,000	\$ 7,849,000	\$ 25,647,000	\$ 16,508,000
Revenue, cryptocurrency mining	8,368,000	3,976,000	15,715,000	7,524,000
Revenue, hotel and real estate operations	4,709,000	4,598,000	7,410,000	7,296,000
Revenue, crane operations	12,590,000	-	25,236,000	-
Revenue, lending and trading activities	9,525,000	943,000	4,586,000	18,864,000
Total revenue	<u>47,408,000</u>	<u>17,366,000</u>	<u>78,594,000</u>	<u>50,192,000</u>
Cost of revenue, products	9,036,000	5,044,000	18,823,000	10,792,000
Cost of revenue, cryptocurrency mining	9,726,000	4,453,000	17,829,000	6,950,000
Cost of revenue, hotel and real estate operations	3,120,000	2,872,000	5,808,000	5,121,000
Cost of revenue, crane operations	7,641,000	-	15,029,000	-
Cost of revenue, lending and trading activities	-	-	1,180,000	-
Total cost of revenue	<u>29,523,000</u>	<u>12,369,000</u>	<u>58,669,000</u>	<u>22,863,000</u>
Gross profit	<u>17,885,000</u>	<u>4,997,000</u>	<u>19,925,000</u>	<u>27,329,000</u>
Operating expenses				
Research and development	1,804,000	729,000	3,646,000	1,424,000
Selling and marketing	9,575,000	6,979,000	18,371,000	13,460,000
General and administrative	21,317,000	19,032,000	43,998,000	32,719,000
Impairment of goodwill and intangible assets	35,570,000	-	35,570,000	-
Impairment of mined cryptocurrency	124,000	1,976,000	263,000	2,415,000
Total operating expenses	<u>68,390,000</u>	<u>28,716,000</u>	<u>101,848,000</u>	<u>50,018,000</u>
Loss from operations	(50,505,000)	(23,719,000)	(81,923,000)	(22,689,000)
Other income (expense):				
Interest and other income	2,382,000	81,000	3,579,000	530,000
Interest expense	(15,927,000)	(2,031,000)	(29,657,000)	(31,855,000)
Loss on extinguishment of debt	(91,000)	-	(154,000)	-
Realized and unrealized (loss) gain on marketable securities	(206,000)	198,000	(244,000)	307,000
Loss from investment in unconsolidated entity	-	(391,000)	-	(924,000)
Impairment of equity securities	-	-	(9,555,000)	-
(Loss) gain on the sale of fixed assets	(1,754,000)	-	2,761,000	-
Change in fair value of warrant liability	3,217,000	(6,000)	3,217,000	(24,000)
Total other expense, net	<u>(12,379,000)</u>	<u>(2,149,000)</u>	<u>(30,053,000)</u>	<u>(31,966,000)</u>
Loss before income taxes	(62,884,000)	(25,868,000)	(111,976,000)	(54,655,000)
Income tax provision	1,368,000	217,000	1,105,000	217,000
Net loss	<u>(64,252,000)</u>	<u>(26,085,000)</u>	<u>(113,081,000)</u>	<u>(54,872,000)</u>
Net loss attributable to non-controlling interest	3,569,000	321,000	3,752,000	336,000
Net loss attributable to Ault Alliance, Inc.	<u>(60,683,000)</u>	<u>(25,764,000)</u>	<u>(109,329,000)</u>	<u>(54,536,000)</u>
Preferred dividends	(321,000)	(44,000)	(550,000)	(49,000)
Net loss available to common stockholders	<u>\$ (61,004,000)</u>	<u>\$ (25,808,000)</u>	<u>\$ (109,879,000)</u>	<u>\$ (54,585,000)</u>
Basic net loss per common share	<u>\$ (50.08)</u>	<u>\$ (26.73)</u>	<u>\$ (91.41)</u>	<u>\$ (85.83)</u>
Diluted net loss per common share	<u>\$ (50.08)</u>	<u>\$ (26.73)</u>	<u>\$ (91.41)</u>	<u>\$ (85.83)</u>
Weighted average basic and diluted common shares outstanding	<u>1,218,000</u>	<u>966,000</u>	<u>1,202,000</u>	<u>636,000</u>
Comprehensive loss				
Net loss available to common stockholders	\$ (61,004,000)	\$ (25,808,000)	\$ (109,879,000)	\$ (54,585,000)
Foreign currency translation adjustment	(520,000)	(1,471,000)	(350,000)	(1,758,000)
Other comprehensive loss	(520,000)	(1,471,000)	(350,000)	(1,758,000)
Total comprehensive loss	<u>\$ (61,524,000)</u>	<u>\$ (27,279,000)</u>	<u>\$ (110,229,000)</u>	<u>\$ (56,343,000)</u>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**Three Months Ended June 30, 2023**

	Series A, B & D Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
BALANCES, April 1, 2023	395,062	\$ -	1,385,822	\$ 1,000	\$575,073,000	\$(378,633,000)	\$(931,000)	\$24,265,000	\$(29,432,000)	\$ 190,343,000
Preferred stock issued for cash	162,175	-	-	-	5,090,000	-	-	-	-	5,090,000
Preferred stock offering costs	-	-	-	-	(3,388,000)	-	-	-	-	(3,388,000)
Stock-based compensation	-	-	-	-	752,000	-	-	1,307,000	-	2,059,000
Issuance of common stock for cash	-	-	103,096	-	754,000	-	-	-	-	754,000
Financing cost in connection with sales of common stock	-	-	-	-	(27,000)	-	-	-	-	(27,000)
Issuance of common stock for conversion of preferred stock liabilities	-	-	37,493	-	328,000	-	-	-	-	328,000
Remeasurement of Ault Disruptive subsidiary temporary equity	-	-	-	-	-	(4,736,000)	-	-	-	(4,736,000)
Increase in ownership interest of subsidiary	-	-	-	-	2,000	-	-	(1,223,000)	-	(1,221,000)
Sale of subsidiary stock to non-controlling interests	-	-	-	-	-	-	-	3,572,000	-	3,572,000
Distribution to Circle 8 non-controlling interest	-	-	-	-	-	-	-	(500,000)	-	(500,000)
Purchase of treasury stock - Ault Alpha LP ("Ault Alpha")	-	-	-	-	-	-	-	-	(488,000)	(488,000)
Net loss	-	-	-	-	-	(60,683,000)	-	-	-	(60,683,000)
Preferred dividends	-	-	-	-	-	(321,000)	-	-	-	(321,000)
Foreign currency translation adjustments	-	-	-	-	-	-	(520,000)	-	-	(520,000)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(3,569,000)	-	(3,569,000)
Dividend payable in TurnOnGreen common stock (\$3.52 per share)	-	-	-	-	(5,200,000)	-	-	-	-	(5,200,000)
Other	-	-	-	1,000	2,000	2,000	1,000	1,000	1,000	8,000
<b>BALANCES, June 30, 2023</b>	<b>557,237</b>	<b>\$ -</b>	<b>1,526,411</b>	<b>\$ 2,000</b>	<b>\$573,386,000</b>	<b>\$(444,371,000)</b>	<b>\$(1,450,000)</b>	<b>\$23,853,000</b>	<b>\$(29,919,000)</b>	<b>\$ 121,501,000</b>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)  
**Three Months Ended June 30, 2022**

	Series A, B & D Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Non- Controlling	Treasury	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Interest	Stock	Equity
BALANCES, April 1, 2022	132,040	\$ -	225,015,203	\$ 225,000	\$ 495,536,000	\$ (174,378,000)	\$ (393,000)	\$ 1,640,000	\$ (14,172,000)	\$ 308,458,000
Issuance of common stock for restricted stock awards	-	-	429,379	-	-	-	-	-	-	-
Preferred stock issued for cash	146,618	-	-	-	3,666,000	-	-	-	-	3,666,000
Preferred stock offering costs	-	-	-	-	(537,000)	-	-	-	-	(537,000)
Stock-based compensation	-	-	-	-	983,000	-	-	36,000	-	1,019,000
Sale of common stock	-	-	98,995,997	99,000	53,180,000	-	-	-	-	53,279,000
Financing cost in connection with sales of common stock	-	-	-	-	(1,266,000)	-	-	-	-	(1,266,000)
Acquisition of non-controlling interests	-	-	-	-	(1,848,000)	-	-	(382,000)	-	(2,230,000)
Non-controlling interest from Avalanche International Corp. ("AVLP") acquisition	-	-	-	-	-	-	-	6,738,000	-	6,738,000
Non-controlling interest from The Singing Machine Company, Inc. ("SMC") acquisition	-	-	-	-	-	-	-	10,336,000	-	10,336,000
Purchase of treasury stock - Ault Alpha	-	-	-	-	-	-	-	-	(6,467,000)	(6,467,000)
Net loss	-	-	-	-	-	(25,764,000)	-	-	-	(25,764,000)
Preferred dividends	-	-	-	-	-	(44,000)	-	-	-	(44,000)
Foreign currency translation adjustments	-	-	-	-	-	-	(1,471,000)	-	-	(1,471,000)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(321,000)	-	(321,000)
Other	-	-	-	-	(1,000)	2,000	1,000	1,000	-	3,000
BALANCES, June 30, 2022	278,658	\$ -	324,440,579	\$ 324,000	\$ 549,713,000	\$ (200,184,000)	\$ (1,863,000)	\$ 18,048,000	\$ (20,639,000)	\$ 345,399,000

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)  
Six Months Ended June 30, 2023

	Series A, B & D Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
BALANCES, January 1, 2023	304,878	\$ -	1,274,157	\$ 1,000	\$ 565,904,000	\$ (329,078,000)	\$ (1,100,000)	\$ 17,496,000	\$ (29,235,000)	\$ 223,988,000
Issuance of common stock for restricted stock awards	-	-	4,974	-	-	-	-	-	-	-
Preferred stock issued for cash	252,359	-	-	-	6,309,000	-	-	-	-	6,309,000
Preferred stock offering costs	-	-	-	-	(3,431,000)	-	-	-	-	(3,431,000)
Stock-based compensation	-	-	-	-	4,683,000	-	-	1,924,000	-	6,607,000
Issuance of common stock for cash	-	-	209,787	-	4,912,000	-	-	-	-	4,912,000
Financing cost in connection with sales of common stock	-	-	-	-	(132,000)	-	-	-	-	(132,000)
Issuance of common stock for conversion of preferred stock liabilities	-	-	37,493	-	328,000	-	-	-	-	328,000
Remeasurement of Ault Disruptive subsidiary temporary equity	-	-	-	-	-	(5,415,000)	-	-	-	(5,415,000)
Increase in ownership interest of subsidiary	-	-	-	-	13,000	-	-	(1,245,000)	-	(1,232,000)
Non-controlling position at BitNile Metaverse, Inc. ("BMI") subsidiary acquired	-	-	-	-	-	-	-	6,357,000	-	6,357,000
Sale of subsidiary stock to non-controlling interests	-	-	-	-	-	-	-	3,572,000	-	3,572,000
Distribution to Circle 8 non-controlling interest	-	-	-	-	-	-	-	(500,000)	-	(500,000)
Purchase of treasury stock - Ault Alpha	-	-	-	-	-	-	-	-	(685,000)	(685,000)
Net loss	-	-	-	-	-	(109,329,000)	-	-	-	(109,329,000)
Preferred dividends	-	-	-	-	-	(550,000)	-	-	-	(550,000)
Foreign currency translation adjustments	-	-	-	-	-	-	(350,000)	-	-	(350,000)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(3,752,000)	-	(3,752,000)
Dividend payable in TurnOnGreen common stock (\$3.52 per share)	-	-	-	-	(5,200,000)	-	-	-	-	(5,200,000)
Other	-	-	-	1,000	-	1,000	-	1,000	1,000	4,000
<b>BALANCES, June 30, 2023</b>	<b>557,237</b>	<b>\$ -</b>	<b>1,526,411</b>	<b>\$ 2,000</b>	<b>\$ 573,386,000</b>	<b>\$ (444,371,000)</b>	<b>\$ (1,450,000)</b>	<b>\$ 23,853,000</b>	<b>\$ (29,919,000)</b>	<b>\$ 121,501,000</b>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Unaudited)  
Six Months Ended June 30, 2022

	Series A, B & D Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
BALANCES, January 1, 2022	132,040	\$ -	84,344,607	\$ 84,000	\$ 385,644,000	\$ (145,600,000)	\$ (106,000)	\$ 1,613,000	\$ (13,180,000)	\$ 228,455,000
Issuance of common stock for restricted stock awards	-	-	441,879	-	-	-	-	-	-	-
Preferred stock issued for cash	146,618	-	-	-	3,666,000	-	-	-	-	3,666,000
Preferred stock offering costs	-	-	-	-	(537,000)	-	-	-	-	(537,000)
Stock-based compensation	-	-	-	-	3,627,000	-	-	77,000	-	3,704,000
Sale of common stock	-	-	239,654,093	240,000	163,186,000	-	-	-	-	163,426,000
Financing cost in connection with sales of common stock	-	-	-	-	(4,024,000)	-	-	-	-	(4,024,000)
Acquisition of non-controlling interests	-	-	-	-	(1,848,000)	-	-	(382,000)	-	(2,230,000)
Non-controlling interest from AVLP acquisition	-	-	-	-	-	-	-	6,738,000	-	6,738,000
Non-controlling interest from SMC acquisition	-	-	-	-	-	-	-	10,336,000	-	10,336,000
Purchase of treasury stock - Ault Alpha	-	-	-	-	-	-	-	-	(7,459,000)	(7,459,000)
Net loss	-	-	-	-	-	(54,536,000)	-	-	-	(54,536,000)
Preferred dividends	-	-	-	-	-	(49,000)	-	-	-	(49,000)
Foreign currency translation adjustments	-	-	-	-	-	-	(1,758,000)	-	-	(1,758,000)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(336,000)	-	(336,000)
Other	-	-	-	-	(1,000)	1,000	1,000	2,000	-	3,000
BALANCES, June 30, 2022	278,658	\$ -	324,440,579	\$ 324,000	\$ 549,713,000	\$ (200,184,000)	\$ (1,863,000)	\$ 18,048,000	\$ (20,639,000)	\$ 345,399,000

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (113,081,000)	\$ (54,872,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,383,000	6,618,000
Amortization of debt discount	16,418,000	26,493,000
Amortization of right-of-use assets	1,446,000	511,000
Impairment of goodwill and intangible assets	35,570,000	-
Stock-based compensation	6,607,000	3,704,000
Gain on the sale of fixed assets	(2,761,000)	-
Impairment of equity securities	11,555,000	-
Impairment of cryptocurrencies	263,000	2,415,000
Realized gain on the sale of cryptocurrencies	(348,000)	(261,000)
Revenue, cryptocurrency mining	(15,715,000)	(7,524,000)
Realized losses on sale of marketable securities	(2,946,000)	(18,585,000)
Unrealized gains on marketable securities	(3,367,000)	9,669,000
Unrealized losses on investments in common stock, related parties	628,000	9,048,000
Unrealized gains on equity securities	-	(17,021,000)
Income from cash held in trust	(2,533,000)	-
Loss from investment in unconsolidated entity	-	924,000
Loss on remeasurement of investment in unconsolidated entity	-	2,700,000
Provision for loan losses	1,180,000	-
Change in the fair value of warrant liability	(3,217,000)	24,000
Other	54,000	(712,000)
Changes in operating assets and liabilities:		
Proceeds from the sale of cryptocurrencies	15,040,000	4,377,000
Marketable equity securities	41,197,000	50,734,000
Accounts receivable	6,088,000	(2,311,000)
Inventories	1,124,000	(2,646,000)
Prepaid expenses and other current assets	(1,077,000)	2,399,000
Other assets	(211,000)	(384,000)
Accounts payable and accrued expenses	8,148,000	4,706,000
Lease liabilities	(1,532,000)	(626,000)
Net cash provided by operating activities	<u>12,913,000</u>	<u>19,380,000</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(11,346,000)	(72,779,000)
Investment in promissory notes and other, related parties	-	(2,200,000)
Investments in common stock and warrants, related parties	-	(4,663,000)
Purchase of SMC, net of cash received	-	(8,239,000)
Cash received upon acquisition of AVL P	-	1,245,000
Acquisition of non-controlling interests	-	(2,230,000)
Purchase of marketable equity securities	-	(1,981,000)
Sales of marketable equity securities	-	11,733,000
Investments in loans receivable	(181,000)	(2,728,000)
Principal payments on loans receivable	-	10,525,000
Investments in equity securities	(10,544,000)	(15,820,000)
Proceeds from the sale of fixed assets	4,515,000	-
Other	(1,310,000)	-
Net cash used in investing activities	<u>(18,866,000)</u>	<u>(87,137,000)</u>

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

**AULT ALLIANCE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
(Unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from financing activities:</b>		
Gross proceeds from sales of common stock	\$ 4,912,000	\$ 163,426,000
Financing cost in connection with sales of common stock	(132,000)	(4,024,000)
Proceeds from sales of preferred stock	6,309,000	3,666,000
Financing cost in connection with sales of preferred stock	(3,431,000)	(537,000)
Proceeds from subsidiaries' sale of stock to non-controlling interests	3,572,000	-
Distribution to Circle 8 non-controlling interest	(500,000)	-
Proceeds from notes payable	30,665,000	4,945,000
Repayment of margin accounts	(767,000)	(18,488,000)
Payments on notes payable	(34,057,000)	(65,999,000)
Payments of preferred dividends	(550,000)	(49,000)
Purchase of treasury stock	(685,000)	(7,459,000)
Proceeds from sales of convertible notes	7,817,000	-
Payments on convertible notes	(360,000)	-
Net cash provided by financing activities	<u>12,793,000</u>	<u>75,481,000</u>
Effect of exchange rate changes on cash and cash equivalents	(98,000)	(152,000)
Net increase in cash and cash equivalents and restricted cash	6,742,000	7,572,000
Cash and cash equivalents and restricted cash at beginning of period	14,055,000	21,233,000
Cash and cash equivalents and restricted cash at end of period	<u>\$ 20,797,000</u>	<u>\$ 28,805,000</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	\$ 4,658,000	\$ 4,104,000
<b>Non-cash investing and financing activities:</b>		
Settlement of accounts payable with digital currency	\$ 13,000	\$ 413,000
Conversion of investment in unconsolidated entity for acquisition of AVL P	\$ -	\$ 23,406,000
Conversion of convertible notes payable, related party into shares of common stock	\$ 400,000	\$ 400,000
Conversion of debt and equity securities to marketable securities	\$ 23,703,000	\$ 24,828,000
Conversion of loans receivable to marketable securities	\$ 5,430,000	\$ 3,600,000
Conversion of interest receivable to marketable securities	\$ -	\$ 231,000
Recognition of new operating lease right-of-use assets and lease liabilities	\$ -	\$ 2,188,000
Remeasurement of Ault Disruptive temporary equity	\$ 5,415,000	\$ -
Preferred stock exchanged for notes payable	\$ 8,591,000	\$ -
Redeemable noncontrolling interests in equity of Ault Disruptive paid with cash and marketable securities held in trust account	\$ 120,064,000	\$ -
Dividend payable in TurnOnGreen common stock in additional paid-in capital	\$ 5,200,000	\$ -

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

## 1. DESCRIPTION OF BUSINESS

Ault Alliance, Inc., a Delaware corporation (“Ault Alliance” or the “Company”) is a diversified holding company pursuing growth by acquiring undervalued businesses and disruptive technologies with a global impact. Through its wholly- and majority-owned subsidiaries and strategic investments, the Company owns and operates a data center at which it mines Bitcoin and offers colocation and hosting services for the emerging artificial intelligence ecosystems and other industries, and provides mission-critical products that support a diverse range of industries, including metaverse platform, oil exploration, crane services, defense/aerospace, industrial, automotive, medical/biopharma, consumer electronics, hotel operations and textiles. In addition, the Company extends credit to select entrepreneurial businesses through a licensed lending subsidiary.

Ault Alliance was founded by Milton “Todd” Ault, III, its Executive Chairman and is led by Milton “Todd” Ault, III, William B. Horne, its Chief Executive Officer and Vice Chairman and Henry Nisser, its President and General Counsel. Together, they constitute the Executive Committee, which manages the day-to-day operations of the Company. All major investment and capital allocation decisions are made for the Company by the Executive Committee. The Company has the following nine reportable segments:

- Energy and Infrastructure (“Energy”) – crane operations, advanced textiles processing and oil exploration;
- Technology and Finance (“Fintech”) – commercial lending, activist investing, stock trading, media, and digital learning;
- The Singing Machine Company, Inc. (“SMC”) – consumer electronics;
- Sentinum, Inc. (“Sentinum”) – cryptocurrency mining operations and colocation and hosting services for the emerging artificial intelligence ecosystems and other industries;
- Giga-tronics Incorporated (“GIGA”) – defense industry;
- Imperialis Holding Corp., d/b/a TurnOnGreen, Inc. (“TurnOnGreen”) – commercial electronics solutions;
- BitNile Metaverse, Inc. (“BMI”) – immersive metaverse platform;
- Ault Global Real Estate Equities, Inc. (“AGREE”) – hotel operations and other commercial real estate holdings; and
- Ault Disruptive Technologies Corporation (“Ault Disruptive”) – a special purpose acquisition company.

### *Reverse Stock Split*

On May 15, 2023, pursuant to the authorization provided by the Company’s stockholders at a special meeting of stockholders, the Company’s board of directors approved an amendment to the Certificate of Incorporation to effectuate a reverse stock split of the Company’s issued and outstanding common stock by a ratio of one-for-three hundred (the “Reverse Split”). The Reverse Split did not affect the number of authorized shares of common stock, preferred stock or their respective par value per share. As a result of the Reverse Split, each three hundred shares of common stock issued and outstanding prior to the Reverse Split were converted into one share of common stock. The Reverse Split became effective in the State of Delaware on May 17, 2023. All share amounts in these financial statements have been updated to reflect the Reverse Split.

## 2. LIQUIDITY AND FINANCIAL CONDITION

As of June 30, 2023, the Company had cash and cash equivalents of \$19.7 million, negative working capital of \$70.0 million and a history of net operating losses. The Company has financed its operations principally through issuances of convertible debt, promissory notes and equity securities. These factors create substantial doubt about the Company’s ability to continue as a going concern for at least one year after the date that these condensed consolidated financial statements are issued.

The condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the condensed consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

In making this assessment management performed a comprehensive analysis of the Company's current circumstances, including its financial position, cash flow and cash usage forecasts, as well as obligations and debts. Although management has a long history of successful capital raises, the analysis used to determine the Company's ability as a going concern does not include cash sources beyond the Company's direct control that management expects to be available within the next 12 months.

Management expects that the Company's existing cash and cash equivalents, accounts receivable and marketable securities as of June 30, 2023, will not be sufficient to enable the Company to fund its anticipated level of operations through one year from the date these financial statements are issued. Management anticipates raising additional capital through the private and public sales of the Company's equity or debt securities and selling its marketable securities and digital currencies, or a combination thereof. Although management believes that such capital sources will be available, there can be no assurances that financing will be available to the Company when needed in order to allow the Company to continue its operations, or if available, on terms acceptable to the Company. If the Company does not raise sufficient capital in a timely manner, among other things, the Company may be forced to scale back its operations or cease operations altogether.

### 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and do not include all the information and disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). The Company has made estimates and judgments affecting the amounts reported in the Company's condensed consolidated financial statements and the accompanying notes. The actual results experienced by the Company may differ materially from the Company's estimates. The condensed consolidated financial information is unaudited but reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company's amended Annual Report on Form 10-K/A for the year ended December 31, 2022 (the "2022 Annual Report"), filed with the Securities and Exchange Commission (the "SEC") on May 22, 2023. The condensed consolidated balance sheet as of December 31, 2022 was derived from the Company's audited 2022 financial statements contained in the above referenced 2022 Annual Report. Results of the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full year ending December 31, 2023.

#### *Significant Accounting Policies*

Other than as noted below, there have been no material changes to the Company's significant accounting policies previously disclosed in the 2022 Annual Report.

#### *Revenue Recognition – Bitcoin Mining*

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

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

The Company has entered into a digital asset mining pool by executing a contract with a mining pool operator to provide computing power to the mining pool. The Company's customer, as defined in ASC 606-10-20, is with the mining pool operator with whom the Company has agreed to the terms of service and user service agreement. The Company supplies computing power, in exchange for consideration, to the pool operator who in turn provides transaction verification services to third parties via a mining pool that includes other participants.

The Company's enforceable right to compensation begins only when, and lasts as long as, the Company provides computing power to the mining pool operator and is created as power is provided over time. The only consideration due to the Company relates to the provision of computing power. The contracts are terminable at any time by and at no cost to the Company, and by the pool operator. Providing computing power in digital asset transaction verification services is an output of the Company's ordinary activities. Providing such computing power is the only performance obligation in the Company's contracts with mining pool operators.

The transaction consideration the Company receives, if any, is non-cash consideration in the form of Bitcoin. Changes in the fair value of the non-cash consideration due to form of the consideration (changes in the market price of Bitcoin) are not included in the transaction price and therefore, are not included in revenue. The mining pool operator charges fees to cover the costs of maintaining the pool and are deducted from amounts the Company may otherwise earn and are treated as a reduction to the consideration received. Fees fluctuate and historically have been approximately 0.3% per reward earned, on average.

In exchange for providing computing power, the Company is entitled to a Full-Pay-Per-Share payout of Bitcoin based on a contractual formula, which primarily calculates the hash rate provided by the Company to the mining pool as a percentage of total network hash rate, and other inputs. The Company is entitled to consideration even if a block is not successfully placed by the mining pool operator. The contract is in effect until terminated by either party.

All consideration pursuant to this arrangement is variable. It is not probable that a significant reversal of cumulative revenue will occur and the Company is able to calculate the payout based on the contractual formula, non-cash revenue is estimated and recognized based on the spot price of the Company's principal market for Bitcoin at the inception of each contract, which is determined to be daily. Non-cash consideration is measured at fair value at contract inception. Fair value of the crypto asset consideration is determined using the spot price of the Company's principal market for Bitcoin at the beginning of the contract period. This amount is estimated and recognized in revenue upon inception, which is when hash rate is provided.

There is no significant financing component in these transactions.

Expenses associated with running the cryptocurrency mining business, such as equipment depreciation and electricity costs, are recorded as a component of cost of revenues.

### ***Preferred Stock Liabilities***

The Company follows Accounting Standards Codification ("ASC") 480-10, "Distinguishing Liabilities from Equity" in its evaluation of the accounting for the Preferred Shares (as defined in Note 16). ASC 480-10-25-14 requires liability accounting for certain financial instruments, including shares that embody an unconditional obligation to transfer a variable number of shares, provided that the monetary value of the obligation is based solely or predominantly on one of the following three characteristics:

- A fixed monetary amount known at inception;
- Variations in something other than the fair value of the issuer's equity shares; or
- Variations in the fair value of the issuer's equity shares, but the monetary value to the counterparty moves in the opposite direction as the value of the issuer's shares.

The number of shares delivered is determined on the basis of (1) the fixed monetary amount determined as the stated value and (2) the current stock price at settlement, so that the aggregate fair value of the shares delivered equals the monetary value of the obligation, which is fixed or predominantly fixed. Accordingly, the holder is not significantly exposed to gains and losses attributable to changes in the fair value of the Company's equity shares. Instead, the Company is using its own equity shares as currency to settle a monetary obligation.

## Reclassifications

Certain prior period amounts have been reclassified for comparative purposes to conform to the current-period financial statement presentation. These reclassifications had no effect on previously reported results of operations.

## Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments - Credit Losses,” (“ASU No. 2016-13”) to improve information on credit losses for financial assets and net investment in leases that are not accounted for at fair value through net income. ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. This guidance was effective for the Company beginning on January 1, 2023. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,” which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, “Revenue from Contracts with Customers.” The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements.

## 4. REVENUE DISAGGREGATION

The following tables summarize disaggregated customer contract revenues and the source of the revenue for the three and six months ended June 30, 2023 and 2022. Revenues from lending and trading activities included in consolidated revenues were primarily interest, dividend and other investment income, which are not considered to be revenues from contracts with customers under GAAP.

The Company’s disaggregated revenues consisted of the following for the three months ended June 30, 2023 (excludes Ault Disruptive, as that segment has no revenue):

	<u>GIGA</u>	<u>TurnOn Green</u>	<u>Fintech</u>	<u>Sentinum</u>	<u>AGREE</u>	<u>SMC</u>	<u>BMI</u>	<u>Energy</u>	<u>Total</u>
<b>Primary Geographical Markets</b>									
North America	\$ 2,856,000	\$ 541,000	\$ -	\$ 8,693,000	\$ 4,384,000	\$ 2,625,000	\$ 45,000	\$ 12,590,000	\$ 31,734,000
Europe	2,270,000	7,000	-	-	-	-	-	82,000	2,359,000
Middle East and other	3,614,000	176,000	-	-	-	-	-	-	3,790,000
Revenue from contracts with customers	8,740,000	724,000	-	8,693,000	4,384,000	2,625,000	45,000	12,672,000	37,883,000
Revenue, lending and trading activities (North America)	-	-	9,525,000	-	-	-	-	-	9,525,000
<b>Total revenue</b>	<b>\$ 8,740,000</b>	<b>\$ 724,000</b>	<b>\$ 9,525,000</b>	<b>\$ 8,693,000</b>	<b>\$ 4,384,000</b>	<b>\$ 2,625,000</b>	<b>\$ 45,000</b>	<b>\$ 12,672,000</b>	<b>\$ 47,408,000</b>
<b>Major Goods or Services</b>									
RF/microwave filters	\$ 1,972,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,972,000
Power supply units & systems	1,564,000	645,000	-	-	-	-	-	-	2,209,000
Healthcare diagnostic systems	1,101,000	-	-	-	-	-	-	-	1,101,000
Defense systems	3,899,000	-	-	-	-	-	-	-	3,899,000
Digital currency mining	-	-	-	8,368,000	-	-	-	-	8,368,000
Hotel and real estate operations	-	-	-	325,000	4,384,000	-	-	-	4,709,000
Karaoke machines and related consumer goods	-	-	-	-	-	2,625,000	-	-	2,625,000
Crane rental	-	-	-	-	-	-	-	12,590,000	12,590,000
Other	204,000	79,000	-	-	-	-	45,000	82,000	410,000
Revenue from contracts with customers	8,740,000	724,000	-	8,693,000	4,384,000	2,625,000	45,000	12,672,000	37,883,000
Revenue, lending and trading activities	-	-	9,525,000	-	-	-	-	-	9,525,000
<b>Total revenue</b>	<b>\$ 8,740,000</b>	<b>\$ 724,000</b>	<b>\$ 9,525,000</b>	<b>\$ 8,693,000</b>	<b>\$ 4,384,000</b>	<b>\$ 2,625,000</b>	<b>\$ 45,000</b>	<b>\$ 12,672,000</b>	<b>\$ 47,408,000</b>
<b>Timing of Revenue Recognition</b>									
Goods transferred at a point in time	\$ 4,720,000	\$ 722,000	\$ -	\$ 8,693,000	\$ 4,384,000	\$ 2,625,000	\$ 45,000	\$ 82,000	\$ 21,271,000
Services transferred over time	4,020,000	2,000	-	-	-	-	-	12,590,000	16,612,000
Revenue from contracts with customers	\$ 8,740,000	\$ 724,000	\$ -	\$ 8,693,000	\$ 4,384,000	\$ 2,625,000	\$ 45,000	\$ 12,672,000	\$ 37,883,000

The Company's disaggregated revenues consisted of the following for the six months ended June 30, 2023 (excludes Ault Disruptive, as that segment has no revenue):

	<u>GIGA</u>	<u>TurnOn Green</u>	<u>Fintech</u>	<u>Sentinum</u>	<u>AGREE</u>	<u>SMC</u>	<u>BMI</u>	<u>Energy</u>	<u>Total</u>
<b>Primary Geographical Markets</b>									
North America	\$ 5,190,000	\$ 1,326,000	\$ -	\$ 16,498,000	\$ 6,627,000	\$ 6,008,000	\$ 45,000	\$ 25,675,000	\$ 61,369,000
Europe	4,711,000	11,000	-	-	-	-	-	107,000	4,829,000
Middle East and other	7,547,000	263,000	-	-	-	-	-	-	7,810,000
Revenue from contracts with customers	17,448,000	1,600,000	-	16,498,000	6,627,000	6,008,000	45,000	25,782,000	74,008,000
Revenue, lending and trading activities (North America)	-	-	4,586,000	-	-	-	-	-	4,586,000
<b>Total revenue</b>	<b>\$ 17,448,000</b>	<b>\$ 1,600,000</b>	<b>\$ 4,586,000</b>	<b>\$ 16,498,000</b>	<b>\$ 6,627,000</b>	<b>\$ 6,008,000</b>	<b>\$ 45,000</b>	<b>\$ 25,782,000</b>	<b>\$ 78,594,000</b>
<b>Major Goods or Services</b>									
RF/microwave filters	\$ 3,219,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,219,000
Power supply units & systems	4,678,000	1,470,000	-	-	-	-	-	-	6,148,000
Healthcare diagnostic systems	2,238,000	-	-	-	-	-	-	-	2,238,000
Defense systems	6,564,000	-	-	-	-	-	-	-	6,564,000
Digital currency mining	-	-	-	15,715,000	-	-	-	-	15,715,000
Hotel and real estate operations	-	-	-	783,000	6,627,000	-	-	-	7,410,000
Karaoke machines and related consumer goods	-	-	-	-	-	6,008,000	-	-	6,008,000
Crane rental	-	-	-	-	-	-	-	25,236,000	25,236,000
Other	749,000	130,000	-	-	-	-	45,000	546,000	1,470,000
Revenue from contracts with customers	17,448,000	1,600,000	-	16,498,000	6,627,000	6,008,000	45,000	25,782,000	74,008,000
Revenue, lending and trading activities	-	-	4,586,000	-	-	-	-	-	4,586,000
<b>Total revenue</b>	<b>\$ 17,448,000</b>	<b>\$ 1,600,000</b>	<b>\$ 4,586,000</b>	<b>\$ 16,498,000</b>	<b>\$ 6,627,000</b>	<b>\$ 6,008,000</b>	<b>\$ 45,000</b>	<b>\$ 25,782,000</b>	<b>\$ 78,594,000</b>
<b>Timing of Revenue Recognition</b>									
Goods transferred at a point in time	\$ 10,126,000	\$ 1,595,000	\$ -	\$ 16,498,000	\$ 6,627,000	\$ 6,008,000	\$ 45,000	\$ 546,000	\$ 41,445,000
Services transferred over time	7,322,000	5,000	-	-	-	-	-	25,236,000	32,563,000
Revenue from contracts with customers	\$ 17,448,000	\$ 1,600,000	\$ -	\$ 16,498,000	\$ 6,627,000	\$ 6,008,000	\$ 45,000	\$ 25,782,000	\$ 74,008,000

The Company's disaggregated revenues consisted of the following for the three months ended June 30, 2022:

	<u>Three months ended June 30, 2022</u>						<u>Total</u>
	<u>GWW</u>	<u>TurnOnGreen</u>	<u>Fintech</u>	<u>Sentinum</u>	<u>AGREE</u>		
<b>Primary Geographical Markets</b>							
North America	\$ 1,111,000	\$ 822,000	\$ 12,000	\$ 4,248,000	\$ 4,598,000	\$ -	\$ 10,791,000
Europe	2,540,000	28,000	-	-	-	-	2,568,000
Middle East and other	2,852,000	212,000	-	-	-	-	3,064,000
Revenue from contracts with customers	6,503,000	1,062,000	12,000	4,248,000	4,598,000	-	16,423,000
Revenue, lending and trading activities (North America)	-	-	943,000	-	-	-	943,000
<b>Total revenue</b>	<b>\$ 6,503,000</b>	<b>\$ 1,062,000</b>	<b>\$ 955,000</b>	<b>\$ 4,248,000</b>	<b>\$ 4,598,000</b>	<b>\$ -</b>	<b>\$ 17,366,000</b>
<b>Major Goods or Services</b>							
RF/microwave filters	\$ 559,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 559,000
Power supply units & systems	2,307,000	1,016,000	-	-	-	-	3,323,000
Healthcare diagnostic systems	1,992,000	-	-	-	-	-	1,992,000
Defense systems	953,000	-	-	-	-	-	953,000
Digital currency mining	-	-	-	3,976,000	-	-	3,976,000
Hotel and real estate operations	-	-	-	272,000	4,598,000	-	4,870,000
Other	692,000	46,000	12,000	-	-	-	750,000
Revenue from contracts with customers	6,503,000	1,062,000	12,000	4,248,000	4,598,000	-	16,423,000
Revenue, lending and trading activities	-	-	943,000	-	-	-	943,000
<b>Total revenue</b>	<b>\$ 6,503,000</b>	<b>\$ 1,062,000</b>	<b>\$ 955,000</b>	<b>\$ 4,248,000</b>	<b>\$ 4,598,000</b>	<b>\$ -</b>	<b>\$ 17,366,000</b>
<b>Timing of Revenue Recognition</b>							
Goods transferred at a point in time	\$ 3,601,000	\$ 1,062,000	\$ 12,000	\$ 4,248,000	\$ 4,598,000	\$ -	\$ 13,521,000
Services transferred over time	2,902,000	-	-	-	-	-	2,902,000
Revenue from contracts with customers	\$ 6,503,000	\$ 1,062,000	\$ 12,000	\$ 4,248,000	\$ 4,598,000	\$ -	\$ 16,423,000

The Company's disaggregated revenues consisted of the following for the six months ended June 30, 2022:

	<b>Six months ended June 30, 2022</b>					
	<b>GWW</b>	<b>TurnOnGreen</b>	<b>Fintech</b>	<b>Sentinum</b>	<b>AGREE</b>	<b>Total</b>
<b>Primary Geographical Markets</b>						
North America	\$ 2,622,000	\$ 1,834,000	\$ 19,000	\$ 8,074,000	\$ 7,296,000	\$ 19,845,000
Europe	4,719,000	47,000	-	-	-	4,766,000
Middle East and other	6,407,000	310,000	-	-	-	6,717,000
Revenue from contracts with customers	13,748,000	2,191,000	19,000	8,074,000	7,296,000	31,328,000
Revenue, lending and trading activities (North America)	-	-	18,864,000	-	-	18,864,000
Total revenue	<u>\$ 13,748,000</u>	<u>\$ 2,191,000</u>	<u>\$ 18,883,000</u>	<u>\$ 8,074,000</u>	<u>\$ 7,296,000</u>	<u>\$ 50,192,000</u>
<b>Major Goods or Services</b>						
RF/microwave filters	\$ 2,070,000	\$ -	\$ -	\$ -	\$ -	\$ 2,070,000
Power supply units & systems	4,786,000	2,112,000	-	-	-	6,898,000
Healthcare diagnostic systems	1,992,000	-	-	-	-	1,992,000
Defense systems	4,208,000	-	-	-	-	4,208,000
Digital currency mining	-	-	-	7,524,000	-	7,524,000
Hotel and real estate operations	-	-	-	550,000	7,296,000	7,846,000
Other	692,000	79,000	19,000	-	-	790,000
Revenue from contracts with customers	13,748,000	2,191,000	19,000	8,074,000	7,296,000	31,328,000
Revenue, lending and trading activities	-	-	18,864,000	-	-	18,864,000
Total revenue	<u>\$ 13,748,000</u>	<u>\$ 2,191,000</u>	<u>\$ 18,883,000</u>	<u>\$ 8,074,000</u>	<u>\$ 7,296,000</u>	<u>\$ 50,192,000</u>
<b>Timing of Revenue Recognition</b>						
Goods transferred at a point in time	\$ 7,113,000	\$ 2,191,000	\$ 19,000	\$ 8,074,000	\$ 7,296,000	\$ 24,693,000
Services transferred over time	6,635,000	-	-	-	-	6,635,000
Revenue from contracts with customers	<u>\$ 13,748,000</u>	<u>\$ 2,191,000</u>	<u>\$ 19,000</u>	<u>\$ 8,074,000</u>	<u>\$ 7,296,000</u>	<u>\$ 31,328,000</u>

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy:

	Fair Value Measurement at June 30, 2023			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Investment in common stock of Alzamend Neuro, Inc. ("Alzamend") – a related party	\$ 5,836,000	\$ 5,836,000	\$ -	\$ -
Investments in marketable equity securities	653,000	653,000	-	-
Cash and marketable securities held in trust account	2,143,000	2,143,000	-	-
Total assets measured at fair value	\$ 8,632,000	\$ 8,632,000	\$ -	\$ -
<b>Liabilities:</b>				
Series E and G preferred stock liabilities	\$ 8,263,000	\$ -	\$ -	\$ 8,263,000
Warrant and embedded conversion feature liabilities	5,605,000	-	-	5,605,000
Convertible promissory notes	15,275,000	-	-	15,275,000
Total liabilities measured at fair value	\$ 29,143,000	\$ -	\$ -	\$ 29,143,000
<b>Fair Value Measurement at December 31, 2022</b>				
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Investment in common stock of Alzamend – a related party	\$ 6,449,000	\$ 6,449,000	\$ -	\$ -
Investments in marketable equity securities	6,590,000	6,590,000	-	-
Cash and marketable securities held in trust account	118,193,000	118,193,000	-	-
Investments in other equity securities	13,340,000	-	-	13,340,000
Total assets measured at fair value	\$ 144,572,000	\$ 131,232,000	\$ -	\$ 13,340,000
<b>Liabilities:</b>				
Warrant and embedded conversion feature liabilities	\$ 2,967,000	\$ -	\$ -	\$ 2,967,000
Convertible promissory notes	12,776,000	-	-	12,776,000
Total liabilities measured at fair value	\$ 15,743,000	\$ -	\$ -	\$ 15,743,000

The Company assesses the inputs used to measure fair value using the three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. For investments where little or no public market exists, management's determination of fair value is based on the best available information which may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration various factors including earnings history, financial condition, recent sales prices of the issuer's securities and liquidity risks.

The following table summarizes the changes in investments in other equity securities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for the six months ended June 30, 2023:

	Investments in other equity securities
Balance at January 1, 2023	\$ 13,340,000
Conversion to Level 1 marketable securities	(13,340,000)
Balance at June 30, 2023	\$ -

### Equity Investments for Which Measurement Alternative Has Been Selected

As of June 30, 2023 and December 31, 2022, the Company held equity investments in other securities, which consisted of investments in preferred stock, valued at \$25.9 million and \$29.2 million, respectively, that were valued using a measurement alternative. These investments are included in other equity securities in the accompanying condensed consolidated balance sheets.

### Measurement Alternative Impairment

The Company has made cumulative downward adjustments for impairments for equity securities that do not have readily determinable fair values as of June 30, 2023, totaling \$11.6 million. Approximately \$9.6 million of these adjustments have been reflected in other income (expense) and \$2.0 million of these adjustments related to Fintech lending operations and have been recorded against revenue from lending and trading activities on the consolidated statement of operations and comprehensive loss.

### 6. MARKETABLE EQUITY SECURITIES

Marketable equity securities with readily determinable market prices consisted of the following as of June 30, 2023 and December 31, 2022:

	Marketable equity securities at June 30, 2023			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Common shares	\$ 5,131,000	\$ 9,000	\$ (4,487,000)	\$ 653,000

	Marketable equity securities at December 31, 2022			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Common shares	\$ 10,271,000	\$ 383,000	\$ (4,064,000)	\$ 6,590,000

The Company's investment in marketable equity securities is revalued on each balance sheet date.

### 7. DIGITAL CURRENCIES

The following table presents the activities of the digital currencies (included in prepaid expenses and other current assets) for the six months ended June 30, 2023 and 2022:

	Digital Currencies
Balance at January 1, 2023	\$ 554,000
Additions of mined digital currencies	14,714,000
Payments to vendors	(13,000)
Impairment of mined cryptocurrency	(263,000)
Sale of digital currencies	(15,040,000)
Realized gain on sale of digital currencies	348,000
Balance at June 30, 2023	\$ 300,000

	Digital Currencies
Balance at January 1, 2022	\$ 2,165,000
Additions of mined digital currencies	7,524,000
Payments to vendors	(412,000)
Impairment of mined cryptocurrency	(2,415,000)
Sale of digital currencies	(4,377,000)
Realized gain on sale of digital currencies	260,000
Balance at June 30, 2022	\$ 2,745,000

## 8. PROPERTY AND EQUIPMENT, NET

At June 30, 2023 and December 31, 2022, property and equipment consisted of:

	June 30, 2023	December 31, 2022
Building and improvements	\$ 87,159,000	\$ 81,102,000
Bitcoin mining equipment	50,640,000	42,438,000
Crane rental equipment	32,681,000	32,453,000
Land	25,646,000	25,646,000
Computer, software and related equipment	27,358,000	23,168,000
Aircraft	15,983,000	15,983,000
Vehicles	4,702,000	3,314,000
Office furniture and equipment	3,210,000	2,854,000
Oil and natural gas properties, unproved properties	3,564,000	972,000
	<u>250,943,000</u>	<u>227,930,000</u>
Accumulated depreciation and amortization	(23,083,000)	(9,344,000)
Property and equipment placed in service, net	227,860,000	218,586,000
Deposits on cryptocurrency machines	-	11,328,000
Property and equipment, net	<u>\$ 227,860,000</u>	<u>\$ 229,914,000</u>

Summary of depreciation expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Depreciation expense	<u>\$ 7,966,000</u>	<u>\$ 3,725,000</u>	<u>\$ 13,876,000</u>	<u>\$ 6,287,000</u>

## 9. INTANGIBLE ASSETS, NET

At June 30, 2023 and December 31, 2022, intangible assets consisted of:

	Useful Life	June 30, 2023	December 31, 2022
Developed technology	3-8 years	\$ 7,984,000	\$ 24,584,000
Customer list	8-10 years	5,829,000	5,865,000
Trade names	5-10 years	3,916,000	4,316,000
Trade name and trademark	Indefinite life	1,513,000	1,493,000
Domain name and other intangible assets	5 years	599,000	630,000
		<u>19,841,000</u>	<u>36,888,000</u>
Accumulated amortization		(2,551,000)	(2,102,000)
Intangible assets, net		<u>\$ 17,290,000</u>	<u>\$ 34,786,000</u>

The Company's trade names and trademarks were determined to have an indefinite life. The remaining definite lived intangible assets are primarily being amortized on a straight-line basis over their estimated useful lives.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Amortization expense	<u>\$ 254,000</u>	<u>\$ 79,000</u>	<u>\$ 507,000</u>	<u>\$ 158,000</u>

As of June 30, 2023, intangible assets subject to amortization have an average remaining useful life of 8.2 years. The following table presents estimated amortization expense for each of the succeeding five calendar years and thereafter.

2023	\$	1,029,000
2024		2,026,000
2025		1,926,000
2026		1,826,000
2027		1,826,000
Thereafter		7,144,000
	\$	<u>15,777,000</u>

#### ***Impairment of AVLP Intangible Assets***

Due to indicators of impairment, AVLP intangible assets were tested for impairment as of June 30, 2023. Based on internally developed forecasts of undiscounted expected future cash flows, it was determined that the carrying amount of the assets were not recoverable and, based on an assessment of the fair value of the assets, impairment of \$17.0 million was recognized as a non-cash impairment charge during the six months ended June 30, 2023.

The tradenames and patents/developed technology intangible assets were valued using the relief-from-royalty method. The relief-from-royalty method is one of the methods under the income approach wherein estimates of a company's earnings attributable to the intangible asset are based on the royalty rate the company would have paid for the use of the asset if it did not own it. Royalty payments are estimated by applying royalty rates of 18% for patents and developed technology and 0.25% for trademarks. The resulting net annual royalty payments are then discounted to present value using a discount factor of 25.7%.

#### **10. GOODWILL**

The following table summarizes the changes in the Company's goodwill for the six months ended June 30, 2023:

	<b>Goodwill</b>
Balance as of January 1, 2023	\$ 27,902,000
Acquisition of BMI	17,000
Impairment of goodwill	(18,570,000)
Effect of exchange rate changes	(191,000)
Balance as of June 30, 2023	<u>\$ 9,158,000</u>

#### ***Impairment of AVLP Goodwill***

The Company tests the recorded amount of goodwill for impairment on an annual basis on December 31 or more frequently if there are indicators that the carrying amount of the goodwill exceeds its carried value. The Company performed a goodwill impairment test as of June 30, 2023 related to AVLP as there were indicators of impairment related to certain unforeseen business developments and changes in financial projections.

The valuation of the AVLP reporting unit was determined using a market and income approach methodology of valuation.

The income approach was based on the projected cash flows discounted to their present value using discount rates, that in the Company's judgment, consider the timing and risk of the forecasted cash flows using internally developed forecasts and assumptions. Under the income approach, the discount rate used is the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. The analysis included assumptions regarding AVLP's revenue forecast and discount rates of 26.7% using a weighted average cost of capital analysis. The market approach utilized the guideline public company method.

The results of the quantitative test indicated the fair value of the AVLP reporting unit did not exceed its carrying amounts, including goodwill, in excess of the carrying value of the goodwill. As a result, the entire \$18.6 million carrying amount of AVLP's goodwill was recognized as a non-cash impairment charge during the six months ended June 30, 2023.

## 11. CONSOLIDATED VARIABLE INTEREST ENTITY - SMC

During the quarter ended June 30, 2023, the Company's voting interest in SMC was less than 50%. As a result, the Company assessed its interest in SMC under the Variable Interest Entity Model. As a result of that assessment, the Company consolidates SMC as a variable interest entity (a "VIE") due to the Company's significant level of influence and control of SMC, the size of its investment, and its ability to participate in policy making decisions. As a result, the Company is considered the primary beneficiary of the VIE.

## 12. BUSINESS COMBINATION

### *BMI Acquisition*

On March 6, 2023, the Company closed a Share Exchange Agreement (the "Agreement") with BMI and sold to BMI all of the outstanding shares of capital stock of the Company's subsidiary, BitNile.com, Inc. ("BitNile.com") as well as Ault Iconic, Inc. (formerly Ault Media Group, Inc.) and the securities of Earnity, Inc. ("Earnity") beneficially owned by BitNile.com as of the date of the Agreement (the "Transaction"). As consideration for the acquisition, BMI issued shares of preferred stock convertible into common stock of BMI representing approximately 73.2% of BMI's outstanding common stock. Pending approval of the transaction by the Nasdaq Stock Market and BMI's shareholders, the preferred stock combined are subject to a 19.9% beneficial ownership limitation. The Transaction benefits the Company as BMI is a publicly traded company and provides BitNile.com access to capital markets as the primary focus for BMI to fund the expected growth of the BMI metaverse platform. In addition, there are certain synergies between the Company's Bitcoin mining operations and BMI's Agora Digital mining business.

The holders of preferred stock will be entitled to receive dividends at a rate of 5% of the stated value of the preferred stock.

The Company is entitled to appoint three members to the board of directors of BMI and, following shareholder approval, a majority of the board, in each case subject to the approval of the Nasdaq Stock Market.

The Company consolidates BMI as a VIE due to its significant level of influence and control of BMI, the size of its investment, and its ability to participate in policy making decisions. The Company is considered the primary beneficiary of the VIE.

<b>Ault Alliance investment in BMI</b>	<b>Amount</b>
Common stock	\$ 287,000

The total purchase price to acquire BMI has been allocated to the assets acquired and assumed liabilities based upon preliminary estimated fair values, with any excess purchase price allocated to goodwill. The goodwill resulting from this acquisition is not tax deductible. The fair value of the acquired assets and assumed liabilities as of the date of acquisition are based on preliminary estimates provided, in part, by a third-party valuation expert. The estimates are subject to change upon the finalization of appraisals and other valuation analyses, which are expected to be completed no later than one year from the date of acquisition. Although the completion of the valuation activities may result in asset and liability fair values that are different from the preliminary estimates included herein, it is not expected that those differences would alter the understanding of the impact of the Transaction on the consolidated financial position and results of operations of the Company.

The preliminary purchase price allocation is as follows:

	<b>Preliminary Allocation</b>
Fair value of Company interest	\$ 287,000
Fair value of non-controlling interest	6,357,000
Total consideration	<u>\$ 6,644,000</u>
<b>Identifiable net assets acquired:</b>	
Cash	\$ 67,000
Investment in equity securities	8,076,000
Prepaid expenses and other current assets	172,000
Property and equipment, net	4,109,000
Right-of-use assets	339,000
Accounts payable and accrued expenses	(5,790,000)
Lease liabilities	(346,000)
Net assets acquired	<u>6,627,000</u>
Goodwill	<u>\$ 17,000</u>

### 13. INVESTMENTS – RELATED PARTIES

Investments in Alzamend and Ault & Company, Inc. (“Ault & Company”) at June 30, 2023 and December 31, 2022, were comprised of the following:

#### *Investment in Promissory Notes, Related Parties – Ault & Company*

	Interest rate	Due Date	June 30, 2023	December 31, 2022
Investment in promissory note of Ault & Company	8%	December 31, 2023	\$ 2,500,000	\$ 2,500,000
Accrued interest receivable, Ault & Company			468,000	368,000
Total investment in promissory note, related party			<u>\$ 2,968,000</u>	<u>\$ 2,868,000</u>

Summary of interest income, related party, recorded within interest and other income on the condensed consolidated statement of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Interest income, related party	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

#### *Investment in Common Stock, Related Parties – Alzamend*

	Investments in common stock, related parties at June 30, 2023		
	Cost	Gross unrealized losses	Fair value
Common shares	\$ 24,688,000	\$ (18,852,000)	\$ 5,836,000

	Investments in common stock, related parties at December 31, 2022		
	Cost	Gross unrealized losses	Fair value
Common shares	\$ 24,673,000	\$ (18,224,000)	\$ 6,449,000

The following table summarizes the changes in the Company’s investments in Alzamend common stock during the three months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,	
	2023	2022
Balance at April 1	\$ 4,856,000	\$ 8,729,000
Investment in common stock of Alzamend	10,000	4,469,000
Unrealized gain (loss) in common stock of Alzamend	970,000	(4,353,000)
Balance at June 30	<u>\$ 5,836,000</u>	<u>\$ 8,845,000</u>

The following table summarizes the changes in the Company's investments in Alzamend common stock during the six months ended June 30, 2023 and 2022:

	<b>For the Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 6,449,000	\$ 13,230,000
Investment in common stock of Alzamend	15,000	4,663,000
Unrealized loss in common stock of Alzamend	(628,000)	(9,048,000)
Balance at June 30	<u>\$ 5,836,000</u>	<u>\$ 8,845,000</u>

Unrealized loss in common stock of Alzamend is recorded within revenue from lending and trading activities on the condensed consolidated statements of operations.

#### 14. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Other current liabilities at June 30, 2023 and December 31, 2022 consisted of:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Accounts payable	\$ 30,841,000	\$ 21,347,000
Accrued payroll and payroll taxes	11,625,000	9,939,000
Accrued legal	5,736,000	3,168,000
Short position marketable equity securities	5,253,000	-
Interest payable	4,064,000	3,207,000
Warrant derivative liabilities	3,028,000	651,000
Accrued lender profit participation rights	2,497,000	6,000,000
Related party advances	213,000	352,000
Other accrued expenses	17,874,000	17,980,000
	<u>\$ 81,131,000</u>	<u>\$ 62,644,000</u>

## 15. DIVIDEND PAYABLE IN TURNONGREEN COMMON STOCK

On June 26, 2023, the Company established a record date for its initial distribution of TurnOnGreen securities. Stockholders as of this date were entitled to 40 shares of TurnOnGreen common stock, along with warrants to purchase 40 shares of TurnOnGreen common stock (the "TurnOnGreen Securities") for every share of the Company's common stock they held on the record date. The initial distribution was finalized in July 2023.

The Company recorded a dividend payable, which was directly offset against equity based on the recorded value of the TurnOnGreen Securities of \$5.2 million.

## 16. PREFERRED STOCK LIABILITY

### March 28, 2023 Security Purchase Agreement

On March 28, 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors (the "Investors"), pursuant to which the Company sold, in a private placement (the "Offering"), an aggregate of 100,000 shares of its preferred stock, with each such share having a stated value of \$100.00 and consisting of (i) 83,000 shares of Series E Convertible Preferred Stock (the "Series E Preferred Stock"), (ii) 1,000 shares of Series F Convertible Preferred Stock (the "Series F Preferred Stock") and (iii) 16,000 shares of Series G Convertible Preferred Stock (the "Series G Preferred Stock" and collectively, the "Preferred Shares"). The Preferred Shares are convertible into shares of the Company's common stock at the option of the holders and, in certain circumstances, by the Company.

The purchase price of the Series E Preferred Stock and the Series F Preferred Stock was paid for by the Investors' canceling outstanding secured promissory notes in the principal amount of \$8.4 million, whereas the purchase price of the shares of Series G Preferred Stock consisted primarily of accrued but unpaid interest on these notes. The Company recorded a loss on extinguishment of debt of \$0.1 million related to the transaction. The Preferred Shares have been classified as a liability as they embody an unconditional obligation to transfer a variable number of shares, based on a fixed monetary amount known at inception. The Company elected the fair value option to record the Preferred Shares with changes in fair value recorded through earnings.

In June 2023, the Investors converted 1,000 shares of Series F Preferred Stock and 1,792 shares of Series G Preferred Stock into an aggregate of 37,493 shares of the Company's common stock. During the six months ended June 30, 2023, the Company recorded a loss of \$91,000 on the conversions of Series F Preferred Stock and Series G Preferred Stock.

Preferred stock liability at June 30, 2023 was comprised of the following:

Preferred Type	Shares	Conversion Price	Stated Value	Fair Value
Series E Convertible Preferred Liability	83,000	See below*	\$ 8,300,000	\$ 7,055,000
Series G Convertible Preferred Liability	14,208	See below*	1,421,000	1,208,000
Total	<u>97,208</u>		<u>\$ 9,721,000</u>	<u>\$ 8,263,000</u>

\*Each Preferred Share is convertible into such number of shares of the Company's common stock equal to the stated value per share divided by the conversion price, which is equal to 85% of the closing sale price of the common stock on the trading day prior to the date of conversion, subject to a floor price of \$0.10, which floor price is not affected by the recently consummated reverse split.

The following table summarizes the changes in the Company's preferred stock liability for the six months ended June 30, 2023:

	<b>Preferred Stock Liability</b>
Balance at December 31, 2022	\$ -
Preferred stock issued upon extinguishment of debt	8,500,000
Conversion of preferred stock to common stock	(328,000)
Change in fair value	91,000
Balance at June 30, 2023	<u>\$ 8,263,000</u>

***Subsequent Event – Exchange of Preferred Shares for Secured Debt and Assignment of Secured Note***

In August 2023, the Company and the Investors entered into an Exchange Agreement (the "Exchange Agreement") pursuant to which the Investors exchanged all of their Preferred Shares as well as their demand notes (the "Demand Notes") with each Demand Note having a principal outstanding amount of approximately \$0.8 million for two new 10% Secured OID Promissory Notes (the "Exchange Notes"), each with a principal face amount of \$5.3 million, for an aggregate of amount owed of \$10.5 million (the "Principal Amount"). The Company and Milton "Todd" Ault, III, the Company's Executive Chairman, entered into guaranty agreements with the Investors guaranteeing Ault & Company's repayment of the Exchange Notes.

Further, the Company assigned the Exchange Notes to Ault & Company. As consideration for Ault & Company assuming the Exchange Notes from the Company, the Company issued a 10% demand promissory note in the principal face amount of \$10.5 million to Ault & Company.

**17. REDEEMABLE NONCONTROLLING INTERESTS IN EQUITY OF SUBSIDIARY LIABILITY**

The Company records redeemable noncontrolling interests in equity of subsidiaries to reflect the economic interests of the common stockholders in Ault Disruptive. As of June 30, 2023, the carrying amount of the redeemable noncontrolling interest in equity of subsidiaries was recorded at its redemption value of \$2.0 million. Approximately 11.3 million shares of Ault Disruptive common stock were redeemed at a redemption price of \$10.61 per share, for an aggregate redemption amount of \$120.0 million.

## 18. NOTES PAYABLE

Notes payable at June 30, 2023 and December 31, 2022, were comprised of the following:

	<u>Collateral</u>	<u>Guarantors</u>	<u>Interest rate</u>	<u>Due date</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
AGREE secured construction loans	AGREE hotels	-	7.0%	January 1, 2025	\$ 67,359,000	\$ 62,395,000
Circle 8 Crane Services, LLC ("Circle 8") revolving credit facility	Circle 8 cranes 19,389	-	8.4%	December 16, 2025	16,616,000	14,724,000
	Antminers, BNI Montana assets, Circle 8 membership interests, Florida property, Michigan	Ault & Company, Ault Lending, Milton C. Ault, III				
8.5% secured promissory notes	property, aircraft	Ault & Company, Sentinum, Ault Lending, Milton C. Ault, III	8.5%	May 7, 2024	16,001,000	17,389,000
	12,000 Antminers, Ault Lending			September 15, 2023	12,034,000	17,456,000
16% senior secured promissory notes*	securities, Circle 8		16.0%	November 16, 2026	6,715,000	10,677,000
Circle 8 equipment financing notes	equipment Certain Ault Lending	-	7.2%			
3% secured promissory notes**	securities	-	3.0%	May 18, 2023	5,455,000	5,672,000
8% demand loans	-	-	8.0%	Upon demand	4,500,000	-
Short-term bank credit facilities	-	-	5.6%	Renews monthly December 30, 2023	2,129,000	1,702,000
	2,482 Antminers	-	12.5%	2023	1,645,000	2,749,000
XBTO note payable				On demand	750,000	-
Note payable, related party	-	-	9.5%	August 10, 2023	-	8,789,000
10% secured promissory notes	-	-	10.0%	October 14, 2025	-	1,761,000
SMC line of credit	SMC assets	-	8.0%			
		Ault & Company			4,595,000	858,000
Other***	-	-				
Total notes payable	-	-			\$ 137,799,000	\$ 144,172,000
Less:	-	-				
Unamortized debt discounts	-	-			(3,804,000)	(13,087,000)
Total notes payable, net	-	-			\$ 133,995,000	\$ 131,085,000
Less: current portion	-	-			(46,434,000)	(39,621,000)
Notes payable – long-term portion	-	-			\$ 87,561,000	\$ 91,464,000

\* Defaults on payment terms in July 2023. Payments subsequent to June 30, 2023 of \$10.3 million. Currently the loan maturity date was extended to September 15, 2023 and automatically extends for an additional 30 days for a \$0.25 million extension fee for each extension period, with an interest rate of 16% and principal amount outstanding of \$2.5 million.

\*\* Defaults on payment term as of June 30, 2023. Paid in July 2023.

\*\*\* \$3.4 million defaults on payment terms. \$3.1 million paid off in July 2023. \$0.3 million TurnOnGreen note payable remains in default.

### Notes Payable Maturities

The contractual maturities of the Company's notes payable, assuming the exercise of all extensions that are exercisable solely at the Company's option, as of June 30, 2023 were:

Year	
2023	\$ 36,339,000
2024	15,307,000
2025	85,712,000
2026	441,000
	<u>\$ 137,799,000</u>

### Interest Expense

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Contractual interest expense	\$ 2,547,000	\$ 1,999,000	\$ 5,942,000	\$ 2,920,000
Forbearance fees	6,198,000	-	7,538,000	1,203,000
Amortization of debt discount	7,182,000	32,000	16,177,000	27,732,000
Total interest expense	<u>\$ 15,927,000</u>	<u>\$ 2,031,000</u>	<u>\$ 29,657,000</u>	<u>\$ 31,855,000</u>

### Ault & Company Loan Agreement

On June 8, 2023, the Company entered into a loan agreement with Ault & Company as lender. The loan agreement provides for an unsecured, non-revolving credit facility in an aggregate principal amount of up to \$10 million. All loans under the loan agreement are due within five business days after request by Ault & Company. Ault & Company is not obligated to make any further advances under the loan agreement after December 8, 2023. Advances under the loan agreement bear interest at the rate of 9.5% per annum and may be repaid at any time without penalty or premium. As of June 30, 2023, \$750,000 has been advanced under the loan agreement.

Summary of interest expense, related party, recorded within interest expense on the condensed consolidated statement of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Interest income, related party	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>

### Amendment to 8.5% Secured Promissory Notes

On July 19, 2023, the Company and certain of its subsidiaries entered into an amendment agreement with the institutional investors and increased the principal balance of the secured promissory notes by an additional \$8.8 million. The net proceeds to the Company from the amendment agreement were \$7.5 million.

### 10% Secured Promissory Notes

The 10% secured promissory notes were retired in March 2023 and converted into the Preferred Shares, as described in Note 16 – Preferred Stock Liability.

### Amendments to 16% Secured Promissory Notes

The Company entered into several amendments subsequent to the initial lending due to certain defaults on payment terms. The amendments included \$4.6 million in extension fees and payments subsequent to June 30, 2023 of \$10.3 million. Currently the loan maturity date was extended to September 15, 2023 and automatically extends for an additional 30 days for a \$0.25 million extension fee for each extension period, with an interest rate of 16% and principal amount outstanding of \$2.5 million.

### 3% Secured Promissory Notes

During the quarter ended June 30, 2023, the holders of the 3% secured promissory notes exercised their rights of future participation whereby Sentinum issued additional promissory notes with a face amount of \$10.4 million under the same terms as the existing notes, of which \$5.5 million was outstanding and past due as of June 30, 2023. The 3% secured promissory notes were fully paid in July 2023.

### 8% Demand Promissory Notes

On May 29, 2023, the Company issued two demand promissory notes with a total principal amount of \$4.5 million, bearing an interest rate of 8%. The demand notes were issued at a discount, with net proceeds to the Company amounting to \$2.0 million. The notes are due upon demand; however no demand may be made within 90 days of the issuance date.

## 19. CONVERTIBLE NOTES

Convertible notes payable at June 30, 2023 and December 31, 2022, were comprised of the following:

	Conversion price per share	Interest rate	Due date	June 30, 2023	December 31, 2022
Convertible promissory note	\$4.00	4%	May 10, 2024	\$ 300,000	\$ 660,000
AVLP convertible promissory notes	\$0.35 (AVLP stock)	7%	August 22, 2025	9,911,000	9,911,000
GIGA senior secured convertible notes - in default	\$0.25 (GIGA stock)	18%	October 11, 2023	2,317,000	-
BMI senior secured convertible notes	\$3.28 (BMI stock)	OID Only	April 27, 2024	6,875,000	-
Fair value of embedded conversion options				2,577,000	2,316,000
Total convertible notes payable				\$ 21,980,000	\$ 12,887,000
Less: unamortized debt discounts				(6,705,000)	(111,000)
Total convertible notes payable, net of financing cost, long term				\$ 15,275,000	\$ 12,776,000
Less: current portion				(3,326,000)	(1,325,000)
Convertible notes payable, net of financing cost – long-term portion				\$ 11,949,000	\$ 11,451,000

The contractual maturities of the Company's convertible notes payable, assuming the exercise of all extensions that are exercisable solely at the Company's option, as of June 30, 2023 were:

Year	Principal
2023	\$ 2,317,000
2024	7,175,000
2025	12,488,000
	\$ 21,980,000

Significant inputs associated with the AVLP embedded conversion option include:

	June 30, 2023	December 31, 2022
Exercise price	Variable	Variable
Contractual term in years	2.2	2.7
Volatility	75%	82%
Dividend yield	0%	0%
Risk-free interest rate	4.2%	4.0%

### **BMI Senior Secured Convertible Notes**

On April 27, 2023, BMI sold \$6.9 million of principal face amount senior secured convertible notes with an original issue discount to sophisticated investors for net proceeds to BMI of \$5.5 million. The notes mature on April 27, 2024 and are secured by all of the assets of BMI and certain of its subsidiaries. There is no stated interest rate on the convertible note unless there is an event of default. The notes are convertible into shares of BMI common stock at \$3.28; however there are provision in the convertible note that enables the holders of the notes to receive a lower conversion rate upon future common stock issuances by BMI that fall below the \$3.28 price.

As BMI does not have sufficient authorized shares to fulfill the conversion option, the conversion option meets the criteria of a derivative instrument, and the convertible note has been discounted \$4.1 million for the fair value of the warrant derivative liability and \$1.4 million for the fair value of the embedded conversion option derivative liability at inception. The fair value of the warrant derivative liability is updated quarterly and is recorded within financial instrument liabilities, a component of accounts payable and accrued liabilities and the fair value of the embedded conversion option derivative liability is updated quarterly and is recorded within convertible notes. In addition, BMI has recorded \$1.4 million in original issue discount, which is being amortized over the interest method for the term of the BMI senior secured convertible notes. Amortization of discount related to the senior secured convertible notes was \$0.2 million for the three months ended June 30, 2023.

Activity related to the embedded conversion option derivative liability for the three months ended June 30, 2023 is as follows:

April 27, 2023 issuances of convertible note – derivative liability	\$	1,352,000
Change in fair value of convertible note derivative liability		(1,029,000)
Ending balance as of June 30, 2023	\$	323,000

Significant Level 3 inputs associated with the BMI embedded conversion option include:

	June 30, 2023	Inception
Contractual term in years	0.8	1.0
Volatility	113%	111%
Dividend yield	0%	0%
Risk-free interest rate	3.8%	3.5%

## **20. COMMITMENTS AND CONTINGENCIES**

### ***Contingencies***

#### **Litigation Matters**

The Company is involved in litigation arising from other matters in the ordinary course of business. The Company is regularly subject to claims, suits, regulatory and government investigations, and other proceedings involving labor and employment, commercial disputes, and other matters. Such claims, suits, regulatory and government investigations, and other proceedings could result in fines, civil penalties, or other adverse consequences.

Certain of these outstanding matters include speculative, substantial or indeterminate monetary amounts. The Company records a liability when it believes that it is probable that a loss has been incurred and the amount can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be estimated, the Company discloses the reasonably possible loss. The Company evaluates developments in its legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and makes adjustments as appropriate. Significant judgment is required to determine both likelihood of there being and the estimated amount of a loss related to such matters.

With respect to the Company's other outstanding matters, based on the Company's current knowledge, the Company believes that the amount or range of reasonably possible loss will not, either individually or in aggregate, have a material adverse effect on the Company's business, consolidated financial position, results of operations, or cash flows. However, the outcome of such matters is inherently unpredictable and subject to significant uncertainties.

As of June 30, 2023, the Company had accrued \$5.3 million as a loss contingency related to litigation matters.

#### ***SEC Investigation***

The Company and certain affiliates and related parties received several subpoenas from the SEC for the production of documents and testimony in the non-public fact-finding investigation referred to as *In re DPW Holdings, Inc.* The Company and those parties have reached a settlement with the SEC to fully resolve the SEC's previously disclosed investigation into certain of the Company's public disclosures and its accounting for certain transactions, among other matters.

Under terms of the settlement, announced on August 15, 2023, the Company, Executive Chairman Milton “Todd” Ault, III, and Chief Executive Officer William B. Horne neither admit nor deny the SEC’s findings, which do not entail intentional misconduct. The Company will pay a civil penalty of \$0.7 million that was fully accrued in the fourth quarter of 2022; Mr. Ault will pay disgorgement of \$85,504 and a civil penalty of \$150,000; and Mr. Horne will pay a civil penalty of \$20,720. In addition, the Company has undertaken to retain an independent consultant to conduct a comprehensive review of the Company’s internal control over financial reporting and disclosure controls and procedures, and to issue a report providing recommendations for improvements.

## **21. STOCKHOLDERS’ EQUITY**

### ***2023 Issuances***

#### 2022 Common ATM Offering

On February 25, 2022, the Company entered into an At-The-Market issuance sales agreement with Ascendant Capital Markets, LLC (“Ascendant Capital”) to sell shares of common stock having an aggregate offering price of up to \$200 million from time to time, through an “at the market offering” program (the “2022 Common ATM Offering”). During the three months ended March 31, 2023, the Company sold an aggregate of 0.1 million shares of common stock pursuant to the 2022 Common ATM Offering for gross proceeds of \$4.2 million. Effective March 17, 2023, the 2022 Common ATM Offering was terminated.

#### 2022 Preferred ATM Offering

On June 14, 2022, the Company entered into an At-The-Market sales agreement with Ascendant Capital under which it may sell, from time to time, shares of its Series D Preferred Stock for aggregate gross proceeds of up to \$46.4 million (the “2022 Preferred ATM Offering”). During the six months ended June 30, 2023, the Company sold an aggregate of 252,359 shares of Series D Preferred Stock pursuant to the 2022 Preferred ATM Offering for net proceeds of \$2.9 million. Effective June 16, 2023, the 2022 Preferred ATM Offering was terminated.

#### 2023 ATM Offering – Common Stock

On June 9, 2023, the Company entered into an At-The-Market issuance sales agreement with Ascendant Capital to sell shares of common stock having an aggregate offering price of up to \$10 million from time to time, through an “at the market offering” program (the “2023 Common ATM Offering”). During the three months ended June 30, 2023, the Company sold an aggregate of 0.1 million shares of common stock pursuant to the 2023 Common ATM Offering for gross proceeds of \$0.8 million.

#### Issuance of Common Stock Upon Conversion of Preferred Stock

During June 2023, the Investors converted 1,000 shares of Series F Preferred Stock and 1,792 shares of Series G Preferred Stock into an aggregate of 37,493 shares of the Company’s common stock. A loss on extinguishment of \$0.1 million was recognized on the issuance of common stock based on the fair value of the Company’s common stock at the date of the conversions.

#### Issuance of Common Stock for Restricted Stock Awards

During the six months ended June 30, 2023, the Company issued 4,974 shares of common stock upon vesting of restricted stock awards.

#### Series C Preferred Purchase Agreement

On May 1, 2023, the Company entered into a securities purchase agreement (the “Agreement”) with Ault & Company, pursuant to which the Company agreed to sell to Ault & Company up to 40,000 shares of Series C convertible preferred stock and warrants to purchase up to 1.3 million shares of common stock for a total purchase price of up to \$40 million. The consummation of the transactions contemplated by the Agreement are subject to various customary closing conditions and the receipt of certain third party consents. In addition to customary closing conditions, the closing of the transaction is also conditioned upon the receipt by Ault & Company of financing in an amount sufficient to consummate the transaction, in whole or in part. The Agreement contains customary termination provisions for Ault & Company under certain circumstances, and the Agreement shall automatically terminate if the closing has not occurred prior to May 31, 2023, although such date may be extended by Ault & Company for a period of 90 days as set forth in the Agreement.

### Proceeds from Subsidiaries' Sale of Stock to Non-Controlling Interests

During the six months ended June 30, 2023, SMC and BMI sold an aggregate of \$2.3 million of common stock pursuant to their respective at-the-market issuance sales agreements.

## 22. INCOME TAXES

The Company calculates its interim income tax provision in accordance with ASC Topic 270, Interim Reporting, and ASC Topic 740, Income Taxes. The Company's effective tax rate ("ETR") from continuing operations was 3.0% and 0.8% for the three months ended June 30, 2023 and 2022, respectively, and 1.2% and 0.4% for the six months ended June 30, 2023 and 2022, respectively. The Company recorded income tax provision of \$1.4 million and \$0.2 million for the three months ended June 30, 2023 and 2022, respectively, and \$1.1 million and \$0.2 million for the six months ended June 30, 2023 and 2022, respectively. The difference between the ETR and federal statutory rate of 21% is primarily attributable to items recorded for GAAP but permanently disallowed for U.S. federal income tax purposes and changes in valuation allowance.

## 23. NET LOSS PER SHARE

Net loss per share is computed by dividing the net loss to common stockholders by the weighted average number of common shares outstanding. The calculation of the basic and diluted earnings per share is the same for all periods presented as the effect of the potential common stock equivalents is anti-dilutive due to the Company's net loss position for all periods presented. Anti-dilutive securities, which are convertible into or exercisable for the Company's common stock, consisted of the following at June 30, 2023 and 2022:

	June 30,	
	2023	2022
Stock options	19,000	21,000
Restricted stock grants	-	7,000
Warrants	52,000	67,000
Convertible notes	1,000	1,000
Total	<u>72,000</u>	<u>96,000</u>

## 24. SEGMENT AND CUSTOMERS INFORMATION

The Company had nine reportable segments as of June 30, 2023 and seven as of June 30, 2022; see Note 1 for a brief description of the Company's business.

The following data presents the revenues, expenditures and other operating data of the Company and its operating segments for the three and six months ended June 30, 2023:

	Six Months Ended June 30, 2023										
	GWW	TurnOn Green	Fintech	Sentinum	AGREE	Ault Disruptive	SMC	Energy	BMI	Holding Co.	Total
Revenue	\$17,448,000	\$ 1,600,000	\$ -	\$ -	\$ -	\$ -	\$ 6,008,000	\$ 546,000	\$ 45,000	\$ -	\$ 25,647,000
Revenue, cryptocurrency mining	-	-	-	15,715,000	-	-	-	-	-	-	15,715,000
Revenue, commercial real estate leases	-	-	-	783,000	-	-	-	-	-	-	783,000
Revenue, lending and trading activities	-	-	4,586,000	-	-	-	-	-	-	-	4,586,000
Revenue, crane operations	-	-	-	-	-	-	-	25,236,000	-	-	25,236,000
Revenue, hotel operations	-	-	-	-	6,627,000	-	-	-	-	-	6,627,000
<b>Total revenues</b>	<b>\$17,448,000</b>	<b>\$ 1,600,000</b>	<b>\$ 4,586,000</b>	<b>\$16,498,000</b>	<b>\$ 6,627,000</b>	<b>\$ -</b>	<b>\$ 6,008,000</b>	<b>\$ 25,782,000</b>	<b>\$ 45,000</b>	<b>\$ -</b>	<b>\$ 78,594,000</b>
Depreciation and amortization expense	\$ 566,000	\$ 44,000	\$ -	\$ 8,570,000	\$ 1,634,000	\$ -	\$ 441,000	\$ 1,980,000	\$ 120,000	\$ 1,028,000	\$ 14,383,000
<b>Income (loss) from operations</b>	<b>\$(5,117,000)</b>	<b>\$(2,569,000)</b>	<b>\$ 2,130,000</b>	<b>\$(1,702,000)</b>	<b>\$(1,399,000)</b>	<b>\$(838,000)</b>	<b>\$(4,779,000)</b>	<b>\$(32,721,000)</b>	<b>\$(20,275,000)</b>	<b>\$(14,653,000)</b>	<b>\$(81,923,000)</b>
Capital expenditures for the six months ended June 30, 2023	\$ 135,000	\$ 10,000	\$ -	\$ 1,165,000	\$ 5,517,000	\$ -	\$ 184,000	\$ 1,336,000	\$ 407,000	\$ 2,592,000	\$ 11,346,000
Identifiable assets as of June 30, 2023	\$37,175,000	\$ 5,704,000	\$38,914,000	\$65,919,000	\$98,588,000	\$2,860,000	\$18,912,000	\$ 60,070,000	\$ 8,385,000	\$ 42,863,000	\$378,390,000
	Three Months Ended June 30, 2023										
	GWW	TurnOn Green	Fintech	Sentinum	AGREE	Ault Disruptive	SMC	Energy	BMI	Holding Co.	Total
Revenue	\$ 8,740,000	\$ 724,000	\$ -	\$ -	\$ -	\$ -	\$ 2,625,000	\$ 82,000	\$ 45,000	\$ -	\$ 12,216,000
Revenue, cryptocurrency mining	-	-	-	8,368,000	-	-	-	-	-	-	8,368,000
Revenue, commercial real estate leases	-	-	-	325,000	-	-	-	-	-	-	325,000
Revenue, lending and trading activities	-	-	9,525,000	-	-	-	-	-	-	-	9,525,000
Revenue, crane operations	-	-	-	-	-	-	-	12,590,000	-	-	12,590,000
Revenue, hotel operations	-	-	-	-	4,384,000	-	-	-	-	-	4,384,000
<b>Total revenues</b>	<b>\$ 8,740,000</b>	<b>\$ 724,000</b>	<b>\$9,525,000</b>	<b>\$ 8,693,000</b>	<b>\$4,384,000</b>	<b>\$ -</b>	<b>\$ 2,625,000</b>	<b>\$ 12,672,000</b>	<b>\$ 45,000</b>	<b>\$ -</b>	<b>\$ 47,408,000</b>
Depreciation and amortization expense	\$ (24,000)	\$ (99,000)	\$ -	\$ 5,235,000	\$ 796,000	\$ -	\$ 70,000	\$ 910,000	\$ 37,000	\$ 418,000	\$ 7,343,000
<b>Income (loss) from operations</b>	<b>\$(2,445,000)</b>	<b>\$(1,589,000)</b>	<b>\$9,115,000</b>	<b>\$(1,227,000)</b>	<b>\$ 156,000</b>	<b>\$(455,000)</b>	<b>\$(2,528,000)</b>	<b>\$(34,691,000)</b>	<b>\$(12,219,000)</b>	<b>\$(4,622,000)</b>	<b>\$(50,505,000)</b>
Capital expenditures for the three months ended June 30, 2023	\$ 89,000	\$ -	\$ -	\$ 113,000	\$2,818,000	\$ -	\$ 42,000	\$ 1,005,000	\$ -	\$ 258,000	\$ 4,325,000

Segment information for the three and six months ended June 30, 2022:

	Three Months Ended June 30, 2022							Total
	GWW	TurnOnGreen	Fintech	Sentinum	AGREE	Ault Disruptive	Holding Company	
Revenue	\$ 6,503,000	\$ 1,062,000	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 7,577,000
Revenue, cryptocurrency mining	-	-	-	3,976,000	-	-	-	3,976,000
Revenue, commercial real estate leases	-	-	-	272,000	-	-	-	272,000
Revenue, lending and trading activities	-	-	943,000	-	-	-	-	943,000
Revenue, hotel operations	-	-	-	-	4,598,000	-	-	4,598,000
Total revenues	<u>\$ 6,503,000</u>	<u>\$ 1,062,000</u>	<u>\$ 955,000</u>	<u>\$ 4,248,000</u>	<u>\$ 4,598,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,366,000</u>
Depreciation and amortization expense	<u>\$ 298,000</u>	<u>\$ 4,000</u>	<u>\$ 34,000</u>	<u>\$ 2,613,000</u>	<u>\$ 827,000</u>	<u>\$ -</u>	<u>\$ 711,000</u>	<u>\$ 4,487,000</u>
Loss from operations	<u>\$ (1,076,000)</u>	<u>\$ (445,000)</u>	<u>\$ (11,486,000)</u>	<u>\$ (3,454,000)</u>	<u>\$ (166,000)</u>	<u>\$ (489,000)</u>	<u>\$ (6,603,000)</u>	<u>\$ (23,719,000)</u>
Capital expenditures for the three months ended June 30, 2022	<u>\$ 156,000</u>	<u>\$ 50,000</u>	<u>\$ 761,000</u>	<u>\$ 36,397,000</u>	<u>\$ (15,000)</u>	<u>\$ -</u>	<u>\$ 71,000</u>	<u>\$ 37,420,000</u>
	Six Months Ended June 30, 2022							
	GWW	TurnOnGreen	Fintech	Sentinum	AGREE	Ault Disruptive	Holding Company	Total
Revenue	\$ 13,748,000	\$ 2,191,000	\$ 19,000	\$ -	\$ -	\$ -	\$ -	\$ 15,958,000
Revenue, cryptocurrency mining	-	-	-	7,524,000	-	-	-	7,524,000
Revenue, commercial real estate leases	-	-	-	550,000	-	-	-	550,000
Revenue, lending and trading activities	-	-	18,864,000	-	-	-	-	18,864,000
Revenue, hotel operations	-	-	-	-	7,296,000	-	-	7,296,000
Total revenues	<u>\$ 13,748,000</u>	<u>\$ 2,191,000</u>	<u>\$ 18,883,000</u>	<u>\$ 8,074,000</u>	<u>\$ 7,296,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,192,000</u>
Depreciation and amortization expense	<u>\$ 519,000</u>	<u>\$ 183,000</u>	<u>\$ 68,000</u>	<u>\$ 4,140,000</u>	<u>\$ 1,655,000</u>	<u>\$ -</u>	<u>\$ 53,000</u>	<u>\$ 6,618,000</u>
Income (loss) from operations	<u>\$ (1,220,000)</u>	<u>\$ (1,620,000)</u>	<u>\$ 426,000</u>	<u>\$ (3,817,000)</u>	<u>\$ (1,548,000)</u>	<u>\$ (786,000)</u>	<u>\$ (14,124,000)</u>	<u>\$ (22,689,000)</u>
Capital expenditures for the six months ended June 30, 2022	<u>\$ 285,000</u>	<u>\$ 125,000</u>	<u>\$ 849,000</u>	<u>\$ 71,384,000</u>	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ 117,000</u>	<u>\$ 72,779,000</u>

## 25. CONCENTRATIONS OF CREDIT AND REVENUE RISK

The following table summarizes accounts receivable that are concentrated with certain large customers as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Customer A	15%	13%
Customer B	2%	14%

The following table provides the percentage of total revenues attributable to customers from which 10% or more of total revenues are derived:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Customer X (Mining Pool Operator)	<i>Less than 10%</i>	23%	15%	15%
Customer Y	<i>Less than 10%</i>	13%	<i>Less than 10%</i>	<i>Less than 10%</i>

## 26. SUBSEQUENT EVENTS

### *2023 Common ATM Offering*

The Company and Ascendant Capital entered into an amendment to the At-The-Market issuance sales agreement to increase the size of the 2023 Common ATM Offering from \$10.0 million to \$20.0 million. During the period between July 1, 2023 through August 18, 2023, the Company sold an aggregate of 3.9 million shares of common stock pursuant to the 2023 Common ATM Offering for gross proceeds of \$15.6 million.

### *Advances under Ault & Company Loan Agreement*

An additional \$3.9 million has been advanced by Ault & Company to the Company under the loan agreement entered into June 8, 2023.

### *Assignment of Term Note*

Effective August 10, 2023, the Company assigned the Term Note to Ault & Company. As consideration for Ault & Company assuming the Term Note from the Company, the Company issued a 12% demand promissory note in the principal face amount of \$1.1 million (the "Second Demand Note") to Ault & Company.

### *Second Partial Distribution of TurnOnGreen Securities*

On July 24, 2023, the Company established a record date for its second partial distribution of TurnOnGreen Securities. Stockholders as of this date were entitled to 40 shares of TurnOnGreen Securities for every share of the Company's common stock they held on the record date. The second distribution was finalized on August 7, 2023, whereby the Company relinquished control of voting interests of TurnOnGreen. The Company distributed 56.4 million TurnOnGreen Securities in the second distribution.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this quarterly report, the "Company," "AAI," "we," "us" and "our" refer to Ault Alliance, Inc., a Delaware corporation. AAI is a diversified holding company pursuing growth by acquiring undervalued businesses and disruptive technologies with a global impact. Through our wholly and majority owned subsidiaries and strategic investments, we own and operate a data center at which we mine Bitcoin and offers colocation and hosting services for the emerging artificial intelligence ecosystems and other industries, and provides mission-critical products that support a diverse range of industries, including metaverse platform, oil exploration, crane services, defense/aerospace, industrial, automotive, medical/biopharma, consumer electronics, hotel operations and textiles. In addition, we own and operate hotels and extend credit to select entrepreneurial businesses through a licensed lending subsidiary.

### Recent Events and Developments

On January 23, 2023, we filed a Certificate of Elimination with the Secretary of State of the State of Delaware with respect to our Series C convertible redeemable preferred stock ("Series C Preferred Stock") which, effective upon filing, eliminated the Series C Preferred Stock.

On February 8, 2023, we entered into a Share Exchange Agreement (the "Agreement") with BMI and the other signatories thereto. The Agreement provides that, subject to the terms and conditions set forth therein, BMI will acquire all of the outstanding shares of capital stock of our then subsidiary, BitNile.com, Inc. ("BitNile.com"), of which we owned approximately 86%, and the remaining 14% was owned by minority shareholders (the "Minority Shareholders"), as well as Ault Iconic, (formerly Ault Media Group) and the securities of Earnity beneficially owned by BitNile.com (which represented approximately 19.9% of the outstanding equity securities of Earnity as of the date of the Agreement), in exchange for the following: (i) 8,637.5 shares of newly designated Series B Convertible Preferred Stock of BMI to be issued to our company (the "Series B Preferred"), and (ii) 1,362.5 shares of newly designated Series C Convertible Preferred Stock of BMI to be issued to the to the Minority Shareholders (the "Series C Preferred," and together with the Series B Preferred, the "Preferred Stock"). The Series B Preferred and the Series C Preferred each have a stated value of \$10,000 per share (the "Stated Value"), for a combined stated value of the Preferred Stock to be issued by BMI of \$100 million, and subject to adjustment, are convertible into an aggregate of 400 million shares of common stock of BMI (the "BMI Common Stock"), which represent and pursuant to the Agreement will represent approximately 92.4% of BMI's outstanding BMI Common Stock on a fully-diluted basis as of the date of the Agreement. However, pending approval of the transaction by BMI's shareholders and the Nasdaq Stock Market, the Preferred Stock is subject to a 19.9% beneficial ownership limitation, including the Series A Convertible Preferred Stock that we acquired from BMI in June of 2022. The Agreement provides that BMI will seek shareholder approval (the "Shareholder Approval") following the closing.

Pursuant to the Certificates of Designations of the Rights, Preferences and Limitations of the Series B Preferred and the Series C Preferred (collectively, the "Preferred Stock Certificates"), each share of Preferred Stock will be convertible into a number of shares of BMI Common Stock determined by dividing the Stated Value by \$0.25 (the "Conversion Price"), or 40,000 shares of BMI Common Stock. The Conversion Price will be subject to certain adjustments, including potential downward adjustment if BMI closes a qualified financing resulting in at least \$25 million in gross proceeds at a price per share that is lower than the Conversion Price then in effect. The holders of Preferred Stock will be entitled to receive dividends at a rate of 5% of the Stated Value per annum from issuance until February 7, 2033 (the "Dividend Term"). During the first two years of the Dividend Term, dividends will be payable in additional shares of Preferred Stock rather than cash, and thereafter dividends will be payable in either additional shares of Preferred Stock or cash as each holder may elect. If BMI fails to make a dividend payment as required by the Preferred Stock Certificates, the dividend rate will be increased to 12% for as long as such default remains ongoing and uncured. Each share of Preferred Stock will also have an \$11,000 liquidation preference in the event of a liquidation, change of control event, dissolution or winding up of BMI, and will rank senior to all other capital stock of BMI with respect thereto, except that the Series B Preferred and Series C Preferred shall rank pari passu. Each share of Series B Preferred was originally entitled to vote with the BMI Common Stock at a rate of 10 votes per share of Common Stock into which the Series B Preferred is convertible, but that provision was subsequently eliminated. Other than certain rights granted to the Company relating to amendments or waiver of various negative covenants, the terms, rights, preferences and limitations of the Preferred Stock Certificates are essentially identical. The Agreement closed on March 6, 2023.

On March 28, 2023, we entered into a securities purchase agreement (the "Purchase Agreement") with certain institutional investors (the "Investors"), pursuant to which we agreed to issue and sell, in a private placement, an aggregate of 100,000 shares of our preferred stock, with each such share having a stated value of \$100.00 and consisting of (i) 83,000 shares of Series E Convertible Preferred Stock (the "Series E Preferred Stock"), (ii) 1,000 shares of Series F Convertible Preferred Stock (the "Series F Preferred Stock") and (iii) 16,000 shares of Series G Convertible Preferred Stock (the "Series G Preferred Stock" and collectively, the "Preferred Shares"). The Preferred Shares will be convertible into shares of our common stock at the option of the holders and, in certain circumstances, by us.

Each share of Series E Preferred Stock and Series F Preferred Stock had a purchase price of \$100.00, equal to each such share's stated value. The purchase price of the Series E Preferred Stock and the Series F Preferred Stock was paid for by the Investors' canceling outstanding secured promissory notes in the principal amount of \$8.4 million, whereas the purchase price of the shares of Series G Preferred Stock consisted of accrued but unpaid interest on these notes, as well as for other good and valuable consideration. Each Preferred Share is convertible into shares of our common stock at a conversion price equal to 85% of the closing sale price of our common stock on the trading day prior to the date of conversion, subject to a floor price of \$0.10. The Preferred Shares are convertible at the option of the holder at any time following our receipt of stockholder approval of the Reverse Split (as defined below). The private placement closed on March 30, 2023.

On April 6, 2023, we issued a term note with a principal amount of \$1.1 million, bearing an interest rate of 12% (the "Term Note"). The Term Note was issued at a discount, with net proceeds to us amounting to \$1.0 million. The Term Note was scheduled to mature on June 5, 2023. We exercised the option to extend the maturity date by one month, by paying a \$30,000 extension fee. Ault & Company guaranteed repayment of the Term Note.

On May 1, 2023, we entered into a securities purchase agreement (the "Series C Agreement") with Ault & Company, pursuant to which we agreed to sell to Ault & Company up to 40,000 shares of Series C convertible preferred stock and warrants to purchase up to 1.3 million shares of common stock for a total purchase price of up to \$40 million. The consummation of the transactions contemplated by the Series C Agreement are subject to various customary closing conditions and the receipt of certain third party consents. In addition to customary closing conditions, the closing of the transaction is also conditioned upon the receipt by Ault & Company of financing in an amount sufficient to consummate the transaction, in whole or in part. The Series C Agreement contains customary termination provisions for Ault & Company under certain circumstances, and the Series C Agreement shall automatically terminate if the closing has not occurred prior to May 31, 2023, although such date may be extended by Ault & Company for a period of 90 days as set forth in the Series C Agreement.

Our stockholders approved, at a special meeting of our stockholders called for such purpose, an amendment (the "Amendment") to our certificate of incorporation to authorize a reverse split of our common stock (the "Reverse Split"). The Investors agreed in the Purchase Agreement to not transfer, offer, sell, contract to sell, hypothecate, pledge or otherwise dispose of the Preferred Shares until after the Reverse Split. Pursuant to the certificate of designation of the Series E Preferred Stock, the shares of Series E Preferred Stock have the right to vote on such Amendment on an as converted to common stock basis. In addition, pursuant to the certificate of designation of the Series F Preferred Stock, the shares of Series F Preferred Stock have the right to vote on such Amendment. Each Investor has separately agreed to vote the shares of the Series E Preferred Stock in favor of the Amendment and that the shares of the Series F Preferred Stock shall automatically be voted in a manner that "mirrors" the proportions on which the shares of our common stock and Series E Preferred Stock are voted on the Amendment. The Amendment requires the approval of the majority of the votes associated with our outstanding capital stock entitled to vote on the proposal. Because the Series F Preferred Stock will automatically and without further action of the purchaser be voted in a manner that "mirrors" the proportions on which the shares of common stock and Series E Preferred Stock are voted on the Reverse Split, abstentions by common stockholders will not have any effect on the votes cast by the holders of the Series F Preferred Stock. The Series G Preferred Stock does not carry any voting rights, except as required by law or expressly provided by its certificate of designation.

On June 8, 2023, we entered into a loan agreement with Ault & Company as lender. The loan agreement provides for an unsecured, non-revolving credit facility in an aggregate principal amount of up to \$10 million. All loans under the loan agreement are due within five business days after request by Ault & Company and Ault & Company is not obligated to make any further advances under the loan agreement after December 8, 2023. Advances under the loan agreement bear interest at the rate of 9.5% per annum and may be repaid at any time without penalty or premium. As of the date of this report, \$4.7 million has been advanced under the loan agreement and not repaid.

On June 9, 2023, we entered into an At-the-Market Issuance Sales Agreement with Ascendant Capital Markets, LLC, as sales agent ("Ascendant Capital") to sell shares of our common stock having an aggregate offering price of up to \$10,000,000 (the "Shares") from time to time, through an "at the market offering" (the "2023 Common ATM Offering"). On July 12, 2023, we and Ascendant Capital entered into an amendment to the At-The-Market issuance sales agreement to increase the size of the 2023 Common ATM Offering from \$10.0 million to \$20.0 million. Through August 14, 2023, we have sold an aggregate of 3.8 million shares of common stock pursuant to the 2023 Common ATM Offering for gross proceeds of \$16.1 million.

On June 26, 2023, we established a record date for our initial distribution of TurnOnGreen securities. Stockholders as of this date were entitled to 40 shares of TurnOnGreen common stock, along with warrants to purchase 40 shares of TurnOnGreen common stock (the “TurnOnGreen Securities”) for every share of our common stock they held on the record date. The initial distribution was finalized in July 2023.

On July 24, 2023, we established a record date for our second partial distribution of TurnOnGreen Securities. Stockholders as of this date were entitled to 40 shares of TurnOnGreen Securities for every share of the Company’s common stock they held on the record date. The second distribution was finalized on August 7, 2023, whereby we relinquished control of voting interests of TurnOnGreen. We distributed 56.4 million TurnOnGreen Securities in the second distribution.

On July 19, 2023 we along with certain of our subsidiaries entered into a First Amendment and Joinder to Loan and Guarantee Agreement (the “Amendment”) with the institutional investors pursuant to which the (i) Loan and Guarantee Agreement, dated November 7, 2022, entered into between us and the institutional investors (the “Loan Agreement”) and (ii) Security Agreement, dated November 7, 2022, entered into between the institutional investors and Sentinum (the “Security Agreement”) was amended. Pursuant to the Amendment, we borrowed an additional \$8.8 million. The net proceeds of the additional loan amount were \$7.5 million.

Effective August 3, 2023, we and the Investors entered into an Exchange Agreement (the “Exchange Agreement”) pursuant to which the Investors exchanged all of their Preferred Shares as well as their demand notes (the “Demand Notes”) issued to the Investors by us on or about May 20, 2023, with each Demand Note having a principal outstanding amount of approximately \$0.8 million for two new 10% Secured OID Promissory Notes (the “Exchange Notes”), each with a principal face amount of \$5.3 million, for an aggregate of amount owed of \$10.5 million (the “Principal Amount”). We and Milton “Todd” Ault, III, our Executive Chairman, entered into guaranty agreements with the Investors guaranteeing repayment by Ault & Company, Inc., a related party (“Ault & Company”) of the Exchange Notes.

Effective as of August 3, 2023, we assigned the Exchange Notes to Ault & Company. As consideration for Ault & Company assuming the Exchange Notes from us, we issued a 10% demand promissory note in the principal face amount of \$10.5 million (the “First A&C Demand Note”) to Ault & Company.

Effective as of August 10, 2023, we assigned the Term Note to Ault & Company. As consideration for Ault & Company assuming the Term Note from us, we issued a 12% demand promissory note in the principal face amount of \$1.1 million (the “Second Demand Note”) to Ault & Company.

## General

As a holding company, our business objective is designed to increase stockholder value. Under the strategy we have adopted, we are focused on managing and financially supporting our existing subsidiaries and partner companies, with the goal of pursuing monetization opportunities and maximizing the value returned to stockholders. We have, are and will consider initiatives including, among others: public offerings, the sale of individual partner companies, the sale of certain or all partner company interests in secondary market transactions, or a combination thereof, as well as other opportunities to maximize stockholder value. We anticipate returning value to stockholders after satisfying our debt obligations and working capital needs.

From time to time, we engage in discussions with other companies interested in our subsidiaries or partner companies, either in response to inquiries or as part of a process we initiate. To the extent we believe that a subsidiary or partner company’s further growth and development can best be supported by a different ownership structure or if we otherwise believe it is in our stockholders’ best interests, we will seek to sell some or all of our position in the subsidiary or partner company. These sales may take the form of privately negotiated sales of stock or assets, mergers and acquisitions, public offerings of the subsidiary or partner company’s securities and, in the case of publicly traded partner companies, sales of their securities in the open market. Our plans may include taking subsidiaries or partner companies public through rights offerings and directed share subscription programs. We will continue to consider these (or similar) initiatives and the sale of certain subsidiary or partner company interests in secondary market transactions to maximize value for our stockholders.

In recent years, we have provided capital and relevant expertise to fuel the growth of businesses in metaverse platform, oil exploration, crane services, defense/aerospace, industrial, automotive, medical/biopharma, consumer electronics, hotel operations and textiles. We have provided capital to subsidiaries as well as partner companies in which we have an equity interest or may be actively involved, influencing development through board representation and management support.

We are a Delaware corporation with our corporate office located at 11411 Southern Highlands Pkwy, Suite 240, Las Vegas, NV 89141. Our phone number is 949-444-5464 and our website address is www.ault.com.

## Results of Operations

Results of Operations for the Three Months Ended June 30, 2023 and 2022

The following table summarizes the results of our operations for the three months ended June 30, 2023 and 2022.

	For the Three Months Ended June 30,	
	2023	2022
Revenue	\$ 12,216,000	\$ 7,577,000
Revenue, cryptocurrency mining	8,368,000	3,976,000
Revenue, hotel and real estate operations	4,709,000	4,870,000
Revenue, crane operations	12,590,000	-
Revenue, lending and trading activities	9,525,000	943,000
Total revenue	47,408,000	17,366,000
Cost of revenue, products	9,036,000	5,044,000
Cost of revenue, cryptocurrency mining	9,726,000	4,453,000
Cost of revenue, hotel and real estate operations	3,120,000	2,872,000
Cost of revenue, hotel operations	7,641,000	-
Cost of revenue, lending and trading activities	-	-
Total cost of revenue	29,523,000	12,369,000
Gross profit	17,885,000	4,997,000
Total operating expenses	68,390,000	28,716,000
Loss from operations	(50,505,000)	(23,719,000)
Other income (expense):		
Interest and other income	2,382,000	81,000
Interest expense	(15,927,000)	(2,031,000)
Loss on extinguishment of debt	(91,000)	-
Realized and unrealized (loss) gain on marketable securities	(206,000)	198,000
Loss from investment in unconsolidated entity	-	(391,000)
Loss on the sale of fixed assets	(1,754,000)	-
Change in fair value of warrant liability	3,217,000	(6,000)
Loss before income taxes	(62,884,000)	(25,868,000)
Income tax provision	1,368,000	217,000
Net loss	(64,252,000)	(26,085,000)
Net loss attributable to non-controlling interest	3,569,000	321,000
Net loss attributable to Ault Alliance, Inc.	(60,683,000)	(25,764,000)
Preferred dividends	(321,000)	(44,000)
Net loss available to common stockholders	\$ (61,004,000)	\$ (25,808,000)
Comprehensive loss		
Net loss available to common stockholders	\$ (61,004,000)	\$ (25,808,000)
Other comprehensive loss		
Foreign currency translation adjustment	(520,000)	(1,471,000)
Other comprehensive loss	(520,000)	(1,471,000)
Total comprehensive loss	\$ (61,524,000)	\$ (27,279,000)

## Revenues

Revenues by segment for the three months ended June 30, 2023 and 2022 were as follows:

	For the Three Months Ended June 30,		Increase	
	2023	2022	(Decrease)	%
GIGA	\$ 8,740,000	\$ 6,503,000	\$ 2,237,000	34%
TurnOnGreen	724,000	1,062,000	(338,000)	-32%
SMC	2,625,000	-	2,625,000	-
Sentinum				
Revenue, cryptocurrency mining	8,368,000	3,976,000	4,392,000	110%
Revenue, commercial real estate leases	325,000	272,000	53,000	19%
AGREE	4,384,000	4,598,000	(214,000)	-5%
Fintech:				
Revenue, lending and trading activities	9,525,000	943,000	8,582,000	910%
Other	45,000	12,000	33,000	275%
Energy	12,672,000	-	12,672,000	-
Total revenue	\$ 47,408,000	\$ 17,366,000	\$ 30,042,000	173%

### GIGA

The \$2.2 million increase in our GIGA segment revenue for the three months ended June 30, 2023 included \$0.7 million attributable to our acquisition of Giga-tronics Incorporated on September 8, 2022. Continued conflicts and tensions worldwide are driving defense-related investments in force protection technologies at GIGA across the United States, UK, Europe, Asia, and the Middle East. Additionally, demand for key electronics solutions, particularly for customers in medicine and telecommunications, accelerated in the three months ended June 30, 2023, as businesses rebound in the post-pandemic COVID-19 economy.

### TurnOnGreen

TurnOnGreen revenues were down \$0.3 million for the three months ended June 30, 2023, compared to the three months ended June 30, 2022 due to a large project in 2022 that was cancelled.

### SMC

SMC revenues increased by \$2.6 million due to the acquisition of SMC in June 2022.

### Sentinum

Revenues from Sentinum's cryptocurrency mining operations increased \$4.4 million as we increased our cryptocurrency mining activities from the prior period, partially offset by lower Bitcoin prices and an increase in Bitcoin mining difficulty level in the current year period.

### AGREE

AGREE's revenues decreased by \$0.2 million for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to interruptions in business operations as the properties were being renovated through the end of April 2023.

## Fintech

Revenues from our lending and trading activities were \$9.5 million due to significant realized gains for the three months ended June 30, 2023 from our investment portfolio. During the three months ended June 30, 2022, Ault Lending generated income from appreciation of investments in marketable securities as well as shares of common stock underlying equity securities issued to Ault Lending in certain financing transactions. Revenue from lending and trading activities for the three months ended June 30, 2023 included an approximate \$0.9 million unrealized gain from our investment in Alzamend. Under its business model, Ault Lending also generates revenue through origination fees charged to borrowers and interest generated from each loan.

Revenues from our trading activities for the three months ended June 30, 2023 included net gains on equity securities, including unrealized gains and losses from market price changes. These gains and losses have caused, and will continue to cause, significant volatility in our periodic earnings.

## Energy

Energy revenues increased by \$12.7 million for the three months ended June 30, 2023, due to the acquisition of the Circle 8 crane operations in December 2022.

## *Gross Margins*

Gross margins increased to 38% for the three months ended June 30, 2023, compared to 29% for the three months ended June 30, 2022.

Our gross margins of 38% recognized during the three months ended June 30, 2023 benefited from favorable margins from our lending and trading activities and were impacted by negative margins from our Sentinum cryptocurrency mining segment due to the decline in the price of Bitcoin coupled with an increase in Bitcoin mining difficulty level. Excluding the effects of margin from our lending and trading activities and cryptocurrency mining operations, our adjusted gross margins for the three months ended June 30, 2023 and 2022 would have been 33% and 36%, respectively.

## *Research and Development*

Research and development expenses increased by \$1.1 million for the three months ended June 30, 2023, due to expenditures related to development work on the BMI metaverse platform.

## *Selling and Marketing*

Selling and marketing expenses were \$9.6 million for the three months ended June 30, 2023, compared to \$7.0 million for the three months ended June 30, 2022, an increase of \$2.6 million, or 37%. The increase was the result of \$3.6 million higher advertising and promotion costs related to BMI's metaverse platform, partially offset by a \$1.4 million decline in employee related costs and consulting expenses. The increase is also attributable to \$0.4 million increases in sales and marketing costs from SMC, which was acquired in June 2022 and \$0.2 million from GIGA, which was acquired in September 2022.

## *General and Administrative*

General and administrative expenses were \$21.3 million for the three months ended June 30, 2023, compared to \$19.0 million for the three months ended June 30, 2022, an increase of \$2.3 million, or 12%. General and administrative expenses increased from the comparative prior period, mainly due to increases from new acquisitions:

- general and administrative costs of \$3.4 million from Circle 8, which was acquired in December 2022;
- general and administrative costs of \$3.0 million from BMI, which was acquired in March 2023;
- general and administrative costs of \$2.9 million from SMC, which was acquired in June 2022;
- general and administrative costs of \$2.3 million from GIGA, which was acquired in September 2022; and
- general and administrative costs of \$0.6 million from AVL P, which was acquired in June 2022.

The increases above were partially offset by the following decreases in general and administrative expenses:

- \$5.0 million lower performance bonus related to realized gains on trading activities;
- \$1.2 million lower corporate legal fees;
- \$1.0 million lower corporate bonuses;
- \$0.8 million lower general and administrative expenses at AGREE;
- \$0.7 million lower corporate consulting fees;
- \$0.7 million lower corporate audit fees; and
- \$0.5 million lower corporate board of directors fees.

#### *Impairment of AVLP Goodwill and Intangible Assets*

##### Goodwill

We test the recorded amount of goodwill for impairment on an annual basis on December 31 or more frequently if there are indicators that the carrying amount of the goodwill exceeds its carried value. We performed a goodwill impairment test as of June 30, 2023 related to AVLP as there were indicators of impairment related to certain unforeseen business developments and changes in financial projections.

The valuation of the AVLP reporting unit was determined using a market and income approach methodology of valuation.

The income approach was based on the projected cash flows discounted to their present value using discount rates, that in the Company's judgment, consider the timing and risk of the forecasted cash flows using internally developed forecasts and assumptions. Under the income approach, the discount rate used is the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. The analysis included assumptions regarding AVLP's revenue forecast and discount rates of 26.7% using a weighted average cost of capital analysis. The market approach utilized the guideline public company method.

The results of the quantitative test indicated the fair value of the AVLP reporting unit did not exceed its carrying amounts, including goodwill, in excess of the carrying value of the goodwill. As a result, the entire \$18.6 million carrying amount of AVLP's goodwill was recognized as a non-cash impairment charge during the three months ended June 30, 2023.

##### Intangible Assets

Due to indicators of impairment, AVLP intangible assets were tested for impairment as of June 30, 2023. Based on internally developed forecasts of undiscounted expected future cash flows, it was determined that the carrying amount of the assets were not recoverable and, based on an assessment of the fair value of the assets, impairment of \$17.0 million was recognized as a non-cash impairment charge during the three months ended June 30, 2023.

The tradenames and patents/developed technology intangible assets were valued using the relief-from-royalty method. The relief-from-royalty method is one of the methods under the income approach wherein estimates of a company's earnings attributable to the intangible asset are based on the royalty rate the company would have paid for the use of the asset if it did not own it. Royalty payments are estimated by applying royalty rates of 18% for patents and developed technology and 0.25% for trademarks. The resulting net annual royalty payments are then discounted to present value using a discount factor of 25.7%.

#### *Impairment of Mined Cryptocurrency*

Impairment of mined cryptocurrency for the three months ended June 30, 2023 and 2022 was \$0.1 million and \$2.0 million, respectively. Impairment losses are attributable to the volatility of the Bitcoin market as market price of Bitcoin drops below our carrying value within the respective periods. The impairment of mined cryptocurrency for the three months ended June 30, 2023 is lower than the comparable prior year period as the average amount of digital currency held decreased during the three months ended June 30, 2023 as we generally sold our mined digital currency the next business day.

#### *Interest and Other Income*

Interest and other income was \$2.4 million for the three months ended June 30, 2023, compared to \$0.1 million for the three months ended June 30, 2022. The increase in interest and other income is primarily due to higher interest rates resulting in higher income from ADRT's cash and marketable securities held in the trust account.

#### *Interest Expense*

Interest expense was \$15.9 million for the three months ended June 30, 2023, compared to \$2.0 million for the three months ended June 30, 2022. The \$15.9 million interest expense for the three months ended June 30, 2023 included amortization of debt discount of \$7.2 million, forbearance and extension fees of \$6.2 million and contractual interest of \$2.5 million. The \$2.0 million interest expense for the three months ended June 30, 2022 included amortization of debt discount of \$32,000 and contractual interest of \$2.0 million.

#### *Loss on Extinguishment of Debt*

Loss on extinguishment of debt was \$0.1 million for the three months ended June 30, 2023, compared to \$0 for the three months ended June 30, 2022.

#### *Loss From Investment in Unconsolidated Entity*

Loss from investment in unconsolidated entity was \$0 for the three months ended June 30, 2023, compared to \$0.4 million for the three months ended June 30, 2022, representing our share of losses from our equity method investment in AVLP prior to the June 1, 2022 acquisition.

Results of Operations for the Six Months Ended June 30, 2023 and 2022

The following table summarizes the results of our operations for the six months ended June 30, 2023 and 2022.

	For the Six Months Ended June 30,	
	2023	2022
Revenue	\$ 25,647,000	\$ 15,958,000
Revenue, cryptocurrency mining	15,715,000	7,524,000
Revenue, hotel and real estate operations	7,410,000	7,846,000
Revenue, crane operations	25,236,000	-
Revenue, lending and trading activities	4,586,000	18,864,000
Total revenue	78,594,000	50,192,000
Cost of revenue, products	18,823,000	10,792,000
Cost of revenue, cryptocurrency mining	17,829,000	6,950,000
Cost of revenue, hotel and real estate operations	5,808,000	5,121,000
Cost of revenue, hotel operations	15,029,000	-
Cost of revenue, lending and trading activities	1,180,000	-
Total cost of revenue	58,669,000	22,863,000
Gross profit	19,925,000	27,329,000
Total operating expenses	101,848,000	50,018,000
Loss from operations	(81,923,000)	(22,689,000)
Other income (expense):		
Interest and other income	3,579,000	530,000
Interest expense	(29,657,000)	(31,855,000)
Loss on extinguishment of debt	(154,000)	-
Realized and unrealized (loss) gain on marketable securities	(244,000)	307,000
Loss from investment in unconsolidated entity	-	(924,000)
Impairment of equity securities	(9,555,000)	-
Gain on the sale of fixed assets	2,761,000	-
Change in fair value of warrant liability	3,217,000	(24,000)
Loss before income taxes	(111,976,000)	(54,655,000)
Income tax provision	1,105,000	217,000
Net loss	(113,081,000)	(54,872,000)
Net loss attributable to non-controlling interest	3,752,000	336,000
Net loss attributable to Ault Alliance, Inc.	(109,329,000)	(54,536,000)
Preferred dividends	(550,000)	(49,000)
Net loss available to common stockholders	\$ (109,879,000)	\$ (54,585,000)
Comprehensive loss		
Net loss available to common stockholders	\$ (109,879,000)	\$ (54,585,000)
Other comprehensive loss		
Foreign currency translation adjustment	(350,000)	(1,758,000)
Other comprehensive loss	(350,000)	(1,758,000)
Total comprehensive loss	\$ (110,229,000)	\$ (56,343,000)

Revenues

Revenues by segment for the six months ended June 30, 2023 and 2022 were as follows:

	For the Six Months Ended June 30,		Increase	%
	2023	2022	(Decrease)	
GIGA	\$ 17,448,000	\$ 13,748,000	\$ 3,700,000	27%
TurnOnGreen	1,600,000	2,191,000	(591,000)	-27%
SMC	6,008,000	-	6,008,000	—
Sentinum				
Revenue, cryptocurrency mining	15,715,000	7,524,000	8,191,000	109%
Revenue, commercial real estate leases	783,000	550,000	233,000	42%
AGREE	6,627,000	7,296,000	(669,000)	-9%
Fintech:				
Revenue, lending and trading activities	4,586,000	18,864,000	(14,278,000)	-76%
Other	45,000	19,000	26,000	137%
Energy	25,782,000	-	25,782,000	—
Total revenue	\$ 78,594,000	\$ 50,192,000	\$ 28,402,000	57%

## GIGA

The \$3.7 million increase in our GIGA segment revenue for the six months ended June 30, 2023 included \$1.1 million attributable to our acquisition of Giga-tronics Incorporated on September 8, 2022. Continued conflicts and tensions worldwide are driving defense-related investments in force protection technologies at GIGA across the United States, UK, Europe, Asia, and the Middle East. Additionally, demand for key electronics solutions, particularly for customers in medicine and telecommunications, accelerated in the six months ended June 30, 2023, as businesses rebound in the post-pandemic COVID-19 economy.

## TurnOnGreen

TurnOnGreen revenues were down \$0.6 million for the six months ended June 30, 2023, compared to the six months ended June 30, 2022 due to a large project in 2022 that was cancelled.

## SMC

SMC revenues increased by \$6.0 million due to the acquisition of SMC in June 2022.

## Sentinum

Revenues from Sentinum's cryptocurrency mining operations increased \$8.2 million as we increased our cryptocurrency mining activities from the prior period, partially offset by lower Bitcoin prices and an increase in Bitcoin mining difficulty level in the current year period.

## AGREE

AGREE's revenues decreased by \$0.7 million for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to interruptions in business operations as the properties were being renovated during the six months ended June 30, 2023. The renovations were completed in April 2023.

## Fintech

Revenues from our lending and trading activities were \$4.6 million due to realized gains for the six months ended June 30, 2023 from our investment portfolio. During the six months ended June 30, 2022, Ault Lending generated income from appreciation of investments in marketable securities as well as shares of common stock underlying equity securities issued to Ault Lending in certain financing transactions. Revenue from lending and trading activities for the six months ended June 30, 2023 included an approximate \$0.6 million unrealized loss from our investment in Alzamend. Under its business model, Ault Lending also generates revenue through origination fees charged to borrowers and interest generated from each loan.

Revenues from our trading activities for the six months ended June 30, 2023 included net losses on equity securities, including unrealized gains and losses from market price changes. These gains and losses have caused, and will continue to cause, significant volatility in our periodic earnings.

## Energy

Energy revenues increased by \$25.8 million for the six months ended June 30, 2023, due to the acquisition of the Circle 8 crane operations in December 2022.

## *Gross Margins*

Gross margins decreased to 25% for the six months ended June 30, 2023, compared to 54% for the six months ended June 30, 2022.

Our gross margins of 25% recognized during the six months ended June 30, 2023 were impacted by negative margins from our Sentinum cryptocurrency mining segment due to the decline in the price of Bitcoin coupled with an increase in Bitcoin mining difficulty level, offset by favorable margins from our lending and trading activities. Excluding the effects of margin from our lending and trading activities and cryptocurrency mining operations, our adjusted gross margins for the six months ended June 30, 2023 and 2022 would have been 33% and 36%, respectively.

## *Research and Development*

Research and development expenses increased by \$2.2 million for the six months ended June 30, 2023, primarily due to expenditures related to development work on the BMI metaverse platform.

## *Selling and Marketing*

Selling and marketing expenses were \$18.4 million for the six months ended June 30, 2023, compared to \$13.5 million for the six months ended June 30, 2022, an increase of \$4.9 million, or 36%. The increase was the result of \$5.3 million higher advertising and promotion costs related to BMI's metaverse platform, partially offset by a \$1.8 million decline in employee related costs and consulting expenses. The increase is also attributable to \$1.3 million increases in sales and marketing costs from SMC, which was acquired in June 2022 and \$0.5 million from GIGA, which was acquired in September 2022.

## *General and Administrative*

General and administrative expenses were \$44.0 million for the six months ended June 30, 2023, compared to \$32.7 million for the six months ended June 30, 2022, an increase of \$11.3 million, or 34%. General and administrative expenses increased from the comparative prior period, mainly due to increases from new acquisitions:

- general and administrative costs of \$6.4 million from Circle 8, which was acquired in December 2022;
- general and administrative costs of \$5.1 million from SMC, which was acquired in June 2022;
- general and administrative costs of \$3.5 million from GIGA, which was acquired in September 2022;
- general and administrative costs of \$3.0 million from BMI, which was acquired in March 2023; and
- general and administrative costs of \$1.2 million from AVL, which was acquired in June 2022.

The increases above were partially offset by the following decreases in general and administrative expenses:

- \$4.2 million lower performance bonus related to realized gains on trading activities;
- \$2.2 million lower corporate legal fees; and
- \$1.5 million lower general and administrative expenses at AGREE.

## *Impairment of AVLP Goodwill and Intangible Assets*

### Goodwill

We test the recorded amount of goodwill for impairment on an annual basis on December 31 or more frequently if there are indicators that the carrying amount of the goodwill exceeds its carried value. We performed a goodwill impairment test as of June 30, 2023 related to AVLP as there were indicators of impairment related to certain unforeseen business developments and changes in financial projections.

The valuation of the AVLP reporting unit was determined using a market and income approach methodology of valuation.

The income approach was based on the projected cash flows discounted to their present value using discount rates, that in the Company's judgment, consider the timing and risk of the forecasted cash flows using internally developed forecasts and assumptions. Under the income approach, the discount rate used is the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. The analysis included assumptions regarding AVLP's revenue forecast and discount rates of 26.7% using a weighted average cost of capital analysis. The market approach utilized the guideline public company method.

The results of the quantitative test indicated the fair value of the AVLP reporting unit did not exceed its carrying amounts, including goodwill, in excess of the carrying value of the goodwill. As a result, the entire \$18.6 million carrying amount of AVLP's goodwill was recognized as a non-cash impairment charge during the six months ended June 30, 2023.

### Intangible Assets

Due to indicators of impairment, AVLP intangible assets were tested for impairment as of June 30, 2023. Based on internally developed forecasts of undiscounted expected future cash flows, it was determined that the carrying amount of the assets were not recoverable and, based on an assessment of the fair value of the assets, impairment of \$17.0 million was recognized as a non-cash impairment charge during the six months ended June 30, 2023.

The tradenames and patents/developed technology intangible assets were valued using the relief-from-royalty method. The relief-from-royalty method is one of the methods under the income approach wherein estimates of a company's earnings attributable to the intangible asset are based on the royalty rate the company would have paid for the use of the asset if it did not own it. Royalty payments are estimated by applying royalty rates of 18% for patents and developed technology and 0.25% for trademarks. The resulting net annual royalty payments are then discounted to present value using a discount factor of 25.7%.

### *Impairment of Mined Cryptocurrency*

Impairment of mined cryptocurrency for the six months ended June 30, 2023 and 2022 was \$0.3 million and \$2.4 million, respectively. Impairment losses are attributable to the volatility of the Bitcoin market as market price of Bitcoin drops below our carrying value within the respective periods. The impairment of mined cryptocurrency for the six months ended June 30, 2023 is lower than the comparable prior year period as the average amount of digital currency held decreased during the first half of 2023 as we generally sold our mined digital currency the next business day.

### *Interest and Other Income*

Interest and other income was \$3.6 million for the six months ended June 30, 2023, compared to \$0.5 million for the six months ended June 30, 2022. The increase in interest and other income is primarily due to higher interest rates resulting in higher income from ADRT's cash and marketable securities held in the trust account.

### *Interest Expense*

Interest expense was \$29.7 million for the six months ended June 30, 2023, compared to \$31.9 million for the six months ended June 30, 2022. The \$29.7 million interest expense for the six months ended June 30, 2023 included amortization of debt discount of \$16.2 million, forbearance and extension fees of \$7.5 million and contractual interest of \$5.9 million. The \$29.8 million interest expense for the six months ended June 30, 2022 related primarily to amortization of debt discount of \$26.3 million from the issuance of warrants, a non-cash charge, and original issue discount, in connection with the \$66.0 million of senior notes issued in December 2021, which were fully paid in March 2022.

### *Loss on Extinguishment of Debt*

Loss on extinguishment of debt was \$0.2 million for the six months ended June 30, 2023, compared to \$0 for the six months ended June 30, 2022.

### *Loss From Investment in Unconsolidated Entity*

Loss from investment in unconsolidated entity was \$0 for the six months ended June 30, 2023, compared to \$0.9 million for the six months ended June 30, 2022, representing our share of losses from our equity method investment in AVL P prior to the June 1, 2022 acquisition.

### *Impairment of Equity Securities*

Cumulative downward adjustments for impairments for our equity securities without readily determinable fair values held at June 30, 2023 were \$9.6 million.

### **Liquidity and Capital Resources**

On June 30, 2023, we had cash and cash equivalents of \$19.7 million (excluding restricted cash of \$1.1 million), compared to cash and cash equivalents of \$10.5 million (excluding restricted cash of \$3.6 million) at December 31, 2022. The increase in cash and cash equivalents was primarily due cash provided by operating activities and cash provided by financing activities related to the sale of common and preferred stock, as well as proceeds from convertible notes partially offset by the payment of debt, purchases of property and equipment and investments in equity securities.

Net cash provided by operating activities totaled \$12.9 million for the six months ended June 30, 2023, compared to \$19.4 million for the six months ended June 30, 2022. Cash provided by operating activities for the six months ended June 30, 2023 included \$41.2 million net cash provided by marketable securities from trading activities related to the operations of Ault Lending and \$15.0 million proceeds from the sale of cryptocurrencies from our Sentinum Bitcoin mining operations, partially offset by operating losses and changes in working capital.

Net cash used in investing activities was \$21.8 million for the six months ended June 30, 2023, compared to \$87.1 million for the six months ended June 30, 2022, which included \$72.8 million of capital expenditures, primarily for Bitcoin mining equipment. Net cash used in investing activities for the six months ended June 30, 2023 was primarily related to capital expenditures and the purchase of equity securities, partially offset by proceeds from the sale of fixed assets of \$4.5 million.

Net cash provided by financing activities was \$12.8 million for the six months ended June 30, 2023, compared to net cash provided by financing activities of \$75.5 million for the six months ended June 30, 2022, and primarily reflects the following transactions:

- *2022 Common ATM Offering* – During the six months ended June 30, 2023, we sold an aggregate of 0.1 million shares of common stock pursuant to the 2022 Common ATM Offering for gross proceeds of \$4.2 million and effective March 17, 2023, the 2022 Common ATM Offering was terminated;
- *2022 Preferred ATM Offering* – During the six months ended June 30, 2023, we sold an aggregate of 162,175 shares of Series D Preferred Stock pursuant to the 2022 Preferred ATM Offering for net proceeds of \$3.0 million and effective June 16, 2023, the 2022 Preferred ATM Offering was terminated;
- *2023 Common ATM Offering* – On June 9, 2023, we entered into the 2023 Common ATM Offering with Ascendant Capital. During the six months ended June 30, 2023, we sold an aggregate of 0.1 million shares of common stock pursuant to the 2023 Common ATM Offering for gross proceeds of \$0.8 million;
- \$34.1 million payments on notes payable, partially offset by \$30.7 million proceeds from notes payable; and
- \$7.8 million proceeds from convertible notes payable, partially offset by \$0.4 million payments on convertible notes payable.

#### ***Financing Transactions Subsequent to June 30, 2023***

Financing transactions subsequent to June 30, 2023 included the following:

##### *2023 Common ATM Offering*

During the period between July 1, 2023 through August 14, 2023, we sold an aggregate of 3.9 million shares of common stock pursuant to the 2023 Common ATM Offering for gross proceeds of \$15.6 million.

##### *Amendment to 8.5% Secured Promissory Notes*

On July 19, 2023, we and certain of our subsidiaries entered into an amendment agreement with the institutional investors and increased the principal balance of the secured promissory notes by an additional \$8.8 million. The net proceeds to us from the amendment agreement were \$7.5 million.

##### *Advances under Ault & Company Loan Agreement*

Subsequent to June 30, 2023, \$3.9 million has been advanced by Ault & Company to us under the loan agreement entered into June 8, 2023.

##### *Exchange of Preferred Shares for Secured Debt and Assignment of Secured Note*

Effective August 3, 2023, we and the Investors entered into the Exchange Agreement pursuant to which the Investors exchanged all of their Preferred Shares as well as their Demand Notes issued to the Investors by us on or about May 20, 2023, with each Demand Note having a principal outstanding amount of approximately \$0.9 million for the Exchange Notes, each with a principal face amount of approximately \$5.3 million, for an aggregate of amount owed of \$10.5 million. We and Milton “Todd” Ault, III, our Executive Chairman issued entered into guaranty agreements with the Investors guaranteeing Ault & Company’s repayment of the Exchange Notes.

Effective as of August 3, 2023, we assigned the Exchange Notes to Ault & Company. As consideration for Ault & Company assuming the Exchange Notes from us, we issued the First A&C Demand Note to Ault & Company.

### *Assignment of Term Note*

Effective as of August 10, 2023, we assigned the Term Note to Ault & Company. As consideration for Ault & Company assuming the Term Note from us, we issued a 12% demand promissory note in the principal face amount of \$1.1 million (the "Second Demand Note") to Ault & Company.

### **Critical Accounting Policies**

#### ***Variable Interest Entities***

The accounting guidance requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a Variable Interest Entity ("VIE"); to eliminate the solely quantitative approach previously required for determining the primary beneficiary of a VIE; to add an additional reconsideration event for determining whether an entity is a VIE when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance; and to require enhanced disclosures that will provide readers of financial statements with more transparent information about an enterprise's involvement in a VIE.

For VIEs, the Company assesses whether it is the primary beneficiary as prescribed by the accounting guidance on the consolidation of a VIE.

The Company evaluates its business relationships with related parties to identify potential VIEs under Accounting Standards Codification ("ASC") 810, Consolidation. The Company consolidates VIEs in which it is considered to be the primary beneficiary. Entities are considered to be the primary beneficiary if they have both of the following characteristics: (i) the power to direct the activities that, when taken together, most significantly impact the VIE's performance; and (ii) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. The Company's judgment with respect to its level of influence or control of an entity involves the consideration of various factors including the form of its ownership interest, its representation in the entity's governance, the size of its investment, estimates of future cash flows, its ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace the Company as manager and/or liquidate the joint venture, if applicable.

#### ***Business Combination***

We allocate the purchase price of an acquired business to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values on the acquisition date. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. Acquired customer relations, technology, trade names and know how are recognized at fair value. The purchase price allocation process requires management to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets. Direct transaction costs associated with the business combination are expensed as incurred. The allocation of the consideration transferred in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date. We include the results of operations of the business that we have acquired in our consolidated results prospectively from the date of acquisition.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for a smaller reporting company.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures 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 SEC rules and forms and is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, with the assistance of other members of the Company's management, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon our evaluation, each of our principal executive officer and principal financial officer has concluded that the Company's internal control over financial reporting was not effective as of the end of the period covered by this Quarterly Report on Form 10-Q because the Company has not yet completed its remediation of the material weakness previously identified and disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, the end of its most recent fiscal year.

Management has identified the following material weaknesses:

1. We do not have sufficient resources in our accounting department, which restricts our ability to gather, analyze and properly review information related to financial reporting, including applying complex accounting principles relating to consolidation accounting, fair value estimates and analysis of financial instruments for proper classification in the consolidated financial statements, in a timely manner;
2. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties during our assessment of our disclosure controls and procedures and concluded that the control deficiency that resulted represented a material weakness;
3. Our primary user access controls (i.e., provisioning, de-provisioning, privileged access and user access reviews) to ensure appropriate authorization and segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to appropriate personnel were not designed and/or implemented effectively. We did not design and/or implement sufficient controls for program change management to certain financially relevant systems affecting our processes; and
4. The Company did not design and/or implement user access controls to ensure appropriate segregation of duties or program change management controls for certain financially relevant systems impacting the Company's processes around revenue recognition and digital assets to ensure that IT program and data changes affecting the Company's (i) financial IT applications, (ii) digital currency mining equipment, and (iii) underlying accounting records, are identified, tested, authorized and implemented appropriately to validate that data produced by its relevant IT system(s) were complete and accurate. Automated process-level controls and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency. In addition, the Company has not effectively designed a manual key control to detect material misstatements in revenue.

### *Planned Remediation*

Management continues to work to improve its controls related to our material weaknesses, specifically relating to user access and change management surrounding our IT systems and applications. Management will continue to implement measures to remediate material weaknesses, such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) enhancing design and documentation related to both user access and change management processes and control activities; and (ii) developing and communicating additional policies and procedures to govern the area of IT change management. In order to achieve the timely implementation of the above, management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

- Engaging a third-party specialist to assist management with improving the Company's overall control environment, focusing on change management and access controls;
- Implementing new applications and systems that are aligned with management's focus on creating strong internal controls; and
- Continuing to increase headcount across the Company, with a particular focus on hiring individuals with strong Sarbanes Oxley and internal control backgrounds.

We are currently working to improve and simplify our internal processes and implement enhanced controls, as discussed above, to address the material weaknesses in our internal control over financial reporting and to remedy the ineffectiveness of our disclosure controls and procedures. These material weaknesses will not be considered to be remediated until the applicable remediated controls are operating for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Despite the existence of these material weaknesses, we believe that the condensed consolidated financial statements included in the period covered by this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

### *Changes in Internal Controls over Financial Reporting.*

Except as detailed above, during the fiscal quarter ended June 30, 2023, there were no significant changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### Litigation Matters

The Company is involved in litigation arising from other matters in the ordinary course of business. We are regularly subject to claims, suits, regulatory and government investigations, and other proceedings involving labor and employment, commercial disputes, and other matters. Such claims, suits, regulatory and government investigations, and other proceedings could result in fines, civil penalties, or other adverse consequences.

Certain of these outstanding matters include speculative, substantial or indeterminate monetary amounts. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated. If we determine that a loss is reasonably possible and the loss or range of loss can be estimated, we disclose the reasonably possible loss. We evaluate developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related reasonably possible losses disclosed, and make adjustments as appropriate. Significant judgment is required to determine both likelihood of there being and the estimated amount of a loss related to such matters.

With respect to our other outstanding matters, based on our current knowledge, we believe that the amount or range of reasonably possible loss will not, either individually or in aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such matters is inherently unpredictable and subject to significant uncertainties.

#### SEC Investigation

The Company and certain affiliates and related parties received several subpoenas from the SEC for the production of documents and testimony in the non-public fact-finding investigation referred to as *In re DPW Holdings, Inc.* The Company and those parties have reached a settlement with the SEC to fully resolve the SEC's previously disclosed investigation into certain of the Company's public disclosures and its accounting for certain transactions, among other matters.

Under terms of the settlement, announced on August 15, 2023, the Company, Executive Chairman Milton "Todd" Ault, III, and Chief Executive Officer William B. Horne neither admit nor deny the SEC's findings, which do not entail intentional misconduct. The Company will pay a civil penalty of \$0.7 million that was fully accrued in the fourth quarter of 2022; Mr. Ault will pay disgorgement of \$85,504 and a civil penalty of \$150,000; and Mr. Horne will pay a civil penalty of \$20,720. In addition, the Company has undertaken to retain an independent consultant to conduct a comprehensive review of the Company's internal control over financial reporting and disclosure controls and procedures, and to issue a report providing recommendations for improvements.

### ITEM 1A. RISK FACTORS

There are no updates or changes to the risk factors set forth in our amended Annual Report on Form 10-K/A for the year ended December 31, 2022.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

From April 1, 2023 through June 30, 2023, Ault Alpha LP purchased 19,659 shares of common stock. Ault Alpha LP may be deemed to be an "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended. The purchases were made through open market transactions.

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs</b>
April 1, 2023 – April 30, 2023	5,816	\$ 29.15		
May 1, 2023 – May 31, 2023	13,843	\$ 22.97		
June 1, 2023 – June 30, 2023	-	\$ -		
Total	19,659	\$ 24.80	-	-

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibit Number	Description
3.1	<a href="#">Form of Certificate of Determination of Preferences, Rights and Limitations of Series B Convertible Preferred Stock, dated March 3, 2017. Incorporated by reference to the Current Report on Form 8-K filed on March 9, 2017 as Exhibit 3.1 thereto.</a>
3.2	<a href="#">Certificate of Incorporation, dated September 22, 2017. Incorporated herein by reference to the Current Report on Form 8-K filed on December 29, 2017 as Exhibit 3.1 thereto.</a>
3.3	<a href="#">Certificate of Designations of Rights and Preferences of 10% Series A Cumulative Redeemable Perpetual Preferred Stock, dated September 13, 2018. Incorporated herein by reference to the Current Report on Form 8-K filed on September 14, 2018 as Exhibit 3.1 thereto.</a>
3.4	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated January 2, 2019. Incorporated by reference to the Current Report on Form 8-K filed on January 3, 2019 as Exhibit 3.1 thereto.</a>
3.5	<a href="#">Certificate of Amendment to Certificate of Incorporation (1-for-20 Reverse Stock Split of Common Stock), dated March 14, 2019. Incorporated herein by reference to the Current Report on Form 8-K filed on March 14, 2019 as Exhibit 3.1 thereto.</a>
3.6	<a href="#">Certificate of Elimination of the Series C convertible redeemable preferred stock of Ault Alliance, Inc. Incorporated herein by reference to the Current Report on Form 8-K filed on January 27, 2023 as Exhibit 3.1 thereto.</a>
3.7	<a href="#">Certificate of Ownership and Merger. Incorporated by reference to the Current Report on Form 8-K filed on January 19, 2021 as Exhibit 3.1 thereto.</a>
3.8	<a href="#">Amended and Restated Bylaws, effective as of November 2, 2021. Incorporated by reference to the Current Report on Form 8-K filed on November 3, 2021 as Exhibit 3.1 thereto.</a>
3.9	<a href="#">Certificate of Ownership and Merger, as filed with the Secretary of State of the State of Delaware on December 1, 2021. Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2021 as Exhibit 3.1 thereto.</a>
3.10	<a href="#">Certificate of Designation, Preferences and Rights relating to the 13.00% Series D Cumulative Redeemable Perpetual Preferred Stock, dated May 25, 2022. Incorporated by reference to the Registration Statement on Form 8-A filed on May 26, 2022 as Exhibit 3.6 thereto.</a>
3.11	<a href="#">Certificate of Increase of the Designated Number of Shares of 13.00% Series D Cumulative Redeemable Perpetual Preferred Stock, dated June 10, 2022. Incorporated by reference to the Current Report on Form 8-K filed on June 14, 2022 as Exhibit 3.1 thereto.</a>
3.12	<a href="#">Certificate of Correction to the Certificate of Designation, Rights and Preferences of 13.00% Series D Cumulative Redeemable Perpetual Preferred Stock, dated June 16, 2022. Incorporated by reference to the Current Report on Form 8-K filed on June 17, 2022 as Exhibit 3.1 thereto.</a>

3.13	<a href="#">Certificate of Designation of Series E Convertible Preferred Stock. Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2023 as Exhibit 3.1 thereto.</a>
3.14	<a href="#">Certificate of Designation of Series F Convertible Preferred Stock. Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2023 as Exhibit 3.2 thereto.</a>
3.15	<a href="#">Certificate of Designation of Series G Convertible Preferred Stock. Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2023 as Exhibit 3.3 thereto.</a>
3.16	<a href="#">Certificate of Amendment to Certificate of Incorporation (1-for-300 Reverse Stock Split of Common Stock), dated May 15, 2023. Incorporated herein by reference to the Current Report on Form 8-K filed on May 16, 2023 as Exhibit 3.1 thereto.</a>
3.17*	<a href="#">Certificate of Designation of Series C Convertible Preferred Stock.</a>
10.1	<a href="#">Securities Purchase Agreement, dated May 1, 2023. Incorporated by reference to the Current Report on Form 8-K filed on May 2, 2023 as Exhibit 10.1 thereto.</a>
10.2	<a href="#">Form of Warrant. Incorporated by reference to the Current Report on Form 8-K filed on May 2, 2023 as Exhibit 10.2 thereto.</a>
10.3	<a href="#">At-The-Market Issuance Sales Agreement, dated June 9, 2023, with Ascendant Capital Markets, LLC. Incorporated by reference to the Current Report on Form 8-K filed on June 9, 2023 as Exhibit 10.1 thereto.</a>
10.4	<a href="#">Form of Loan Agreement, dated June 8, 2023. Incorporated by reference to the Current Report on Form 8-K filed on June 14, 2023 as Exhibit 10.1 thereto.</a>
31.1*	<a href="#">Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
31.2*	<a href="#">Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
32.1**	<a href="#">Certification of Chief Executive and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.</a>
101.INS*	Inline XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

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

Dated: August 21, 2023

AULT ALLIANCE, INC.

By: /s/ William B. Horne  
William B. Horne  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Kenneth S. Cragun  
Kenneth S. Cragun  
Chief Financial Officer  
(Principal Accounting Officer)

# Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "AULT ALLIANCE, INC.", FILED IN THIS OFFICE ON THE THIRD DAY OF JULY, A.D. 2023, AT 3:41 O`CLOCK P.M.

Handwritten signature of Jeffrey W. Bullock, Secretary of State, written in black ink over a horizontal line.

Jeffrey W. Bullock, Secretary of State

6551776 8100  
SR# 20232914429

Authentication: 203685043  
Date: 07-05-23

You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

AULT ALLIANCE, INC.

CERTIFICATE OF DESIGNATION OF PREFERENCES, RIGHTS AND LIMITATIONS

OF

SERIES C CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151 OF THE  
DELAWARE GENERAL CORPORATION LAW

The undersigned, William B. Horne, does hereby certify that:

1. He is the Chief Executive Officer of Ault Alliance, Inc., a Delaware corporation (the "**Corporation**").
2. The Corporation is authorized to issue 25,000,000 shares of preferred stock, par value \$0.001 per share, 3,600,000 shares of which have been previously designated.
3. The following resolutions were duly adopted by the Board of Directors of the Corporation (the "**Board**");

**WHEREAS**, the Certificate of Incorporation of the Corporation, as amended (the "**Certificate of Incorporation**"), provides for a class of its authorized stock known as preferred stock, consisting of 25,000,000 shares, \$0.001 par value per share, issuable from time to time in one or more series;

**WHEREAS**, the Board is authorized by resolution to provide for the issuance of preferred stock in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions thereof; and

**WHEREAS**, it is the desire of the Board, pursuant to its authority as described above, to fix the rights, preferences, restrictions and other matters relating to a series of the preferred stock, which shall consist of 40,000 shares of preferred stock which the Corporation has the authority to issue.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board does hereby provide for the issuance of a series of preferred stock to be designated "Series C Convertible Preferred Stock" and does hereby fix and determine the designation, powers, privileges, preferences and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions thereof as follows:

**Section 1. Definitions.** For the purposes hereof, the following terms shall have the following meanings:

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 of the Securities Act.

"**Alternate Consideration**" shall have the meaning set forth in Section 7(d).

"**Business Day**" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Buy-In**" shall have the meaning set forth in Section 6(c)(iv).

"**Certificate of Designation**" means this Certificate of Designation of Preferences, Rights and Limitations of the Series C Convertible Preferred Stock.

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**"Change of Control Transaction"** means the occurrence after the date hereof of any of (a) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Corporation, by contract or otherwise) of in excess of 50% of the voting securities of the Corporation (other than by means of the issuance, sale, conversion or exercise of Series C Preferred Stock), (b) the Corporation merges into or consolidates with any other Person, or any Person merges into or consolidates with the Corporation and, after giving effect to such transaction, the stockholders of the Corporation immediately prior to such transaction own less than 50% of the aggregate voting power of the Corporation or the successor entity of such transaction, (c) the Corporation (and all of its Subsidiaries, taken as a whole) sells or transfers all or substantially all of its assets to another Person and the stockholders of the Corporation immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a one year period of more than one-half of the members of the Board which is not approved by a majority of those individuals who are members of the Board on the Original Issue Date (or by those individuals who are serving as members of the Board on any date whose nomination to the Board was approved by a majority of the members of the Board who are members on the Original Issue Date), or (e) the execution by the Corporation of an agreement to which the Corporation is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above, provided, however, that no transaction with an Affiliate of the Corporation shall be deemed a Change of Control Transaction.

**"Closing"** means the closing of the purchase and sale of the Series C Preferred Stock pursuant to Section 2.1 of the Purchase Agreement.

**"Closing Date"** means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto and all conditions precedent to (i) each Holder's obligations to pay the Purchase Price and (ii) the Corporation's obligations to deliver the Series C Preferred Stock have been satisfied or waived.

**"Commission"** means the United States Securities and Exchange Commission.

**"Common Stock"** means the Corporation's common stock, \$0.001 par value per share, and stock of any other class of securities into which such securities may hereafter be reclassified, converted or changed.

**"Common Stock Equivalents"** means any securities of the Corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

**"Conversion Amount"** means the Stated Value at issue.

**"Conversion Date"** shall have the meaning set forth in Section 6(a).

**"Conversion Price"** shall have the meaning set forth in Section 6(b).

**"Conversion Shares"** means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series C Preferred Stock in accordance with the terms hereof.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**"Fundamental Transaction"** shall have the meaning set forth in Section 7(d).

**"GAAP"** means United States generally accepted accounting principles.

**"Holder"** shall have the meaning given such term in Section 2.

**"Liquidation"** shall have the meaning set forth in Section 5.

"**Notice of Conversion**" shall have the meaning set forth in Section 6(a).

"**Original Issue Date**" means the date of the first issuance of any shares of the Series C Preferred Stock regardless of the number of transfers of any particular shares of Series C Preferred Stock and regardless of the number of certificates which may be issued to evidence such Series C Preferred Stock.

"**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"**PIK Dividend**" means a dividend accrued on each share of Series C Preferred Stock and paid in shares (including fractional shares) of Common Stock.

"**PIK Dividend Shares**" means the shares (including fractional shares) of Common Stock paid and issued in connection with a PIK Dividend.

"**Purchase Agreement**" means the Securities Purchase Agreement, dated as of May 1, 2023, among the Corporation and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

"**Purchase Price**" means the aggregate dollar amount to be paid for the Series C Preferred Stock pursuant to the Purchase Agreement.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Series C Preferred Stock**" shall have the meaning set forth in Section 2.

"**Share Delivery Date**" shall have the meaning set forth in Section 6(c).

"**Stated Value**" shall have the meaning set forth in Section 2.

"**Subsidiary**" means any subsidiary of the Corporation as set forth on Schedule 3.1(a) of the Purchase Agreement and shall, where applicable, also include any direct or indirect subsidiary of the Corporation formed or acquired after the date of the Purchase Agreement.

"**Successor Entity**" shall have the meaning set forth in Section 7(d).

"**Trading Day**" means a day on which the principal Trading Market is open for business.

"**Trading Market**" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, or the New York Stock Exchange (or any successors to any of the foregoing).

"**Transaction Documents**" means this Certificate of Designation, the Series C Preferred Stock Certificate of Designation, the Purchase Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated pursuant to the Purchase Agreement, in each case as amended, modified or supplemented from time to time in accordance with its terms.

"**Transfer Agent**" means Computershare, and any successor transfer agent of the Corporation.

**Section 2. Designation, Amount and Par Value.** The series of preferred stock shall be designated as "Series C Convertible Preferred Stock" (the "**Series C Preferred Stock**") and the number of shares of such series shall be 40,000 (which shall not be subject to increase without the written consent of the holder (each, a "**Holder**" and collectively, the "**Holders**") of a majority of the then outstanding shares of the Series C Preferred Stock). Each share

of Series C Preferred Stock shall have a par value of \$0.001 per share and a stated value equal to \$1,000.00 (the "Stated Value").

**Section 3. Dividends.**

(a) **Dividend Rate.** Holders of shares of the Series C Preferred Stock are entitled to receive, when and as declared by the Board, out of funds legally available for the payment of dividends, other than as set forth in Section 3(d) below, cumulative cash dividends at an annual rate of 9.5%, which is initially equivalent to \$95 per annum per share, based on the Stated Value per share preference, payable quarterly in arrears on the original Stated Value together with any accrued but unpaid dividends. (the "**Dividend Rate**"). The Dividend Rate shall accrue from, and including, the Issuance Date to, but not including the 10-year anniversary of the Issuance Date.

(b) **Dividend Amount.** With respect to each share of Series C Preferred Stock from time to time outstanding (including, for the avoidance of doubt, the PIK Dividend Shares), from the Dividend Payment Date of such share, dividends shall accrue on each share of Series C Preferred Stock, in an amount for each share of Series C Preferred Stock, equal to the Dividend Rate times the Stated Value (compounded as provided for immediately below, including with respect to any accrued and unpaid dividends) (such per share amount, as applicable, the "**Dividend Amount**") during each quarterly period following the applicable Dividend Record Date. All Dividend Amounts paid in cash or elected to be paid as PIK Dividends shall be compounded as applicable. PIK Dividends shall be paid by delivering to each record holder of Preferred Shares a number of shares of Common Stock ("**PIK Dividend Shares**") determined by dividing (x) the total aggregate dollar amount of dividends accrued and unpaid with respect to Preferred Shares owned by such record holder on the record date for the applicable Dividend Payment Date (rounded to the nearest whole cent) by (y) the then applicable Conversion Price. In order to deliver PIK Dividend Shares in lieu of cash on a Dividend Payment Date, the Corporation must deliver, on or before the fifteenth (15<sup>th</sup>) calendar day immediately prior to such date, written notice to each Holder of Preferred Shares stating that the Corporation wishes to do so (a "**PIK Stock Dividend Notice**"); in the event that the Corporation does not deliver a PIK Stock Dividend Notice on or before such fifteenth (15<sup>th</sup>) day, the Corporation will be deemed to have elected to pay the related dividend in cash.

(c) **Dividend Payment Date; Dividend Record Date.** Dividends on the Series C Preferred Stock shall accrue daily and be cumulative until paid from, and including, the date of the Issuance Date and shall be payable monthly on the fifth (5<sup>th</sup>) day following the last day of each fiscal quarter (each such payment date, a "**Dividend Payment Date**," and each such quarterly period, a "**Dividend Period**"); provided that if any Dividend Payment Date is not a Business Day, then the dividend that would otherwise have been payable on that Dividend Payment Date may be paid on the next succeeding Business Day, and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that Dividend Payment Date to that next succeeding Business Day. The first dividend on the Series C Preferred Stock is scheduled to be paid on the fifth day of the next calendar quarter after the Issuance Date in the quarterly amount of \$23.75 per share, which for the first Dividend Period shall be appropriately pro-rated, to the persons who are the holders of record of the Series C Preferred Stock at the close of business on the corresponding record date. Any dividend payable on the Series C Preferred Stock, including dividends payable for any partial Dividend Period, will be computed on the basis of a 360-day year consisting of four 90-day quarters. Dividends will be payable to holders of record as they appear in the Corporation's stock records for the Series C Preferred Stock at the close of business on the applicable record date, which shall be the last day of the calendar quarter, whether or not a Business Day, in which the applicable Dividend Payment Date falls (each, a "**Dividend Record Date**").

(d) **PIK Dividend.** For the first two (2) years following the Issuance Date, the Dividend Amount may at the Corporation's election, be paid in cash or PIK Dividend Shares. Thereafter, the Dividend Amount shall be paid in cash, subject to Section 3(e) of this Certificate. The Dividend Amount shall be automatically declared and the applicable Dividend Amount automatically paid to the Holder as set forth above. For the avoidance of doubt, unless otherwise expressly set forth herein, with respect to PIK Dividend Shares, the Dividend Payment Date of such shares shall be the Issuance Date of such shares for all purposes hereunder. All Dividend Amounts payable with respect to the Holders of Series C Preferred Stock shall be paid, whether in cash or in PIK Dividend Shares pursuant to this Section 3(d), pro rata to each Holder of shares of Series C Preferred Stock based upon the aggregate accrued but unpaid dividends on the shares held by each such Holder. PIK Dividend Shares issued on the applicable Dividend Payment Date shall have an aggregate Dividend Amount on such Dividend Payment Date equal to the total Dividend

Amount accrued on such shares as of such Dividend Payment Date minus any portion thereof paid in cash pursuant hereto. Notwithstanding anything contained herein to the contrary, the Corporation shall take all actions necessary for all PIK Dividend Shares to be duly authorized and validly issued, fully paid and nonassessable, and issued free and clear of all liens, mortgages, security interests, pledges, deposits, restrictions or other encumbrances, on each Dividend Payment Date. The Corporation shall update its books and records to reflect the issuance of any PIK Dividend Shares promptly following each Dividend Payment Date, and at the request of any Holder of shares of Series C Preferred Stock, shall deliver to such Holder a copy of such books and records reflecting the issuance of such PIK Dividend Shares; provided, however, that the failure of the Corporation to comply with the terms of this sentence shall not in any way affect the issuance of such PIK Dividend Shares in accordance with the terms hereof.

(e) Limiting Documents. No dividends on shares of Series C Preferred Stock shall be authorized by the Board or paid or set apart for payment by the Corporation at any time when the payment thereof would be unlawful under the laws of the State of Delaware or when the terms and provisions of any agreement of the Corporation, including any agreement relating to the Corporation's indebtedness (the "Limiting Documents"), prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the Limiting Documents or a default under the Limiting Documents, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law.

(f) Dividend Accrual. Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accrue regardless of whether (i) the Corporation has earnings; (ii) there are funds legally available for the payment of such dividends; or (iii) such dividends are declared by the Board. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears, and holders of the Series C Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series C Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

(g) Dividends on Junior Stock or Parity Stock. Unless full cumulative dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past Dividend Periods, no dividends (other than in shares of the Corporation's Common Stock, par value \$0.001 per share (the "Common Stock"), or in shares of any series of Preferred Stock outstanding or that the Corporation may issue ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment upon shares of any capital stock of the Corporation other than the Series C Preferred Stock and the Series C Preferred Stock issued pursuant to the Purchase Agreement. This Section 3(g) shall not apply to spin-offs or dividends of the common stock of any Subsidiary.

(h) Pro Rata Dividends. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series C Preferred Stock and the shares of any other series of Preferred Stock that the Corporation may issue ranking on parity as to dividends with the Series C Preferred Stock, all dividends declared upon the Series C Preferred Stock and any other series of Preferred Stock ranking on parity that the Corporation may issue as to dividends with the Series C Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series C Preferred Stock and such other series of Preferred Stock that the Corporation may issue shall in all cases bear to each other the same ratio that accrued dividends per share on the Series C Preferred Stock and such other series of Preferred Stock that the Corporation may issue (which shall not include any accrual in respect of unpaid dividends for prior Dividend Periods if such Preferred Stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series C Preferred Stock which may be in arrears. For avoidance of doubt, the Series C Preferred Stock ranks on parity with the Series C Preferred Stock.

(i) Payment of Accrued and Unpaid Dividends. Holders of Series C Preferred Stock shall not be entitled to any dividend in excess of all accumulated accrued and unpaid dividends on the Series C Preferred Stock as described in this Section 3. Any dividend payment made on the Series C Preferred Stock shall first be credited against the earliest accumulated accrued and unpaid dividend due with respect to such shares which remains payable at the time of such payment. Provided, however, if a Person is a Holder of the Series C Preferred Stock as of the record date for any spin-off or dividend of the common stock of any Subsidiary, other than White River Energy Corp or Wolf Energy Services Inc., the Holder shall be entitled to such stock dividend on an as converted basis.

(j) **Dividend Default.** Whenever dividends on any shares of Series C Preferred Stock are in arrears for one or more Dividend Periods, whether or not consecutive (a "**Dividend Default**"), and provided the Holders of Series C Preferred Stock are required to pay any penalties or damages as a result of any contractual provisions in effect on any existing securities of the Holder as of the Original Issue Date:

(i) the Dividend Rate shall be increased to 12% per annum (equivalent to \$120 per annum per share) (as increased, the "**Penalty Rate**"), commencing on the first day after the Dividend Payment Date on which a Dividend Default occurs and for each subsequent Dividend Payment Date thereafter until such time as the Corporation has paid all accumulated accrued and unpaid dividends on the Series C Preferred Stock in full, at which time the Dividend Rate shall revert to the rate of 9.5% of the Stated Value per share (the "**Stated Rate**");

(ii) on the next Dividend Payment Date following the Dividend Payment Date on which a Dividend Default occurs, and continuing until such time as the Corporation has paid all accumulated accrued and unpaid dividends on the Series C Preferred Stock in full, the Corporation shall pay all dividends on the Series C Preferred Stock, including all accumulated accrued and unpaid dividends, on each Dividend Payment Date either in cash or, if not paid in cash, by issuing to the holders thereof shares of Series C Preferred Stock if the Common Stock is then subject to a National Market Listing (as hereinafter defined), or if not, shares of freely tradeable Common Stock with a value equal to the amount of dividends being paid, calculated based on the Fair Market Value of the Common Stock calculated as of the Trading Day immediately prior to the next Payment Date referenced above, plus cash in lieu of any fractional share of Common Stock; and

(iii) to the extent that the Corporation determines a shelf registration statement to cover resales of Common Stock or Series C Preferred Stock is required in connection with the issuance of, or for resales of, such Common Stock or Series C Preferred Stock issued as payment of a dividend, the Corporation will use its commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until such time as all shares of such stock have been resold thereunder or such shares are eligible for resale pursuant to Rule 144(b)(1) under the Securities Act of 1933, as amended.

For purposes hereof, a "National Market Listing" shall mean that the Common Stock is listed on the New York Stock Exchange ("NYSE"), the NYSE American LLC (the "NYSE American") or Nasdaq Stock Market ("Nasdaq"), or listed on an exchange that is a successor to the NYSE, the NYSE American or Nasdaq.

Following any Dividend Default that has been cured by the Corporation as provided above in Section 3(h)(i), if the Corporation subsequently fails to pay cash dividends on the Series C Preferred Stock in full for any Dividend Period, such subsequent failure shall constitute a separate Dividend Default, and the foregoing provisions of this Section 3(h) shall immediately apply until such subsequent Dividend Default is cured as so provided.

Notwithstanding anything in this Certificate to the contrary, cash dividends on any shares of Series C Preferred Stock will be payable solely in shares of Series C Preferred Stock unless and until the Corporation has, in the judgment of the Board, sufficient cash available to permit the declaration and payment of such dividends in accordance with the Corporation's Certificate of Incorporation and Bylaws and applicable laws.

#### **Section 4. Voting Rights.**

(a) **Quorum and Voting Power.** For purposes of determining the presence of a quorum at any meeting of the stockholders of the Corporation at which the shares of Series C Preferred Stock are entitled to vote and the voting power of the shares of Series C Preferred Stock, each Holder of outstanding shares of Series C Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such shares of Series C Preferred Stock are then convertible, disregarding, for such purposes, any limitations on conversion set forth herein, provided, however, that solely for purposes of this Section 4(a), the Voting Floor Price shall not be lower than the closing sale price of the Common Stock on the Trading Day immediately preceding the execution date of the Purchase Agreement. For purposes of this Section 4(a), the term "**Voting Floor Price**" shall mean the Company's closing sale price on the Trading Day immediately preceding the execution date of the Purchase Agreement. The Voting Floor Price shall be adjusted for stock dividends, stock splits, stock combinations and other similar transactions.

(b) **Voting Generally.** Each Holder shall be entitled to vote with holders of outstanding shares of Common Stock, voting together as a single class, with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration (whether at a meeting of stockholders of the Corporation, by written action of stockholders in lieu of a meeting or otherwise), except as provided by law or by the provisions of Section 5(b) below. In any such vote, (i) in the case of the election of directors, the Series C Preferred Stock shall be voted on an "as converted" basis together with the Common Stock, and (ii) in all other cases, the Series C Preferred Stock shall be voted on an "as converted" basis together with the Common Stock, subject to the provisions of the DGCL. Each holder of outstanding shares of Series C Preferred Stock shall be entitled to notice of all stockholder meetings (or requests for written consent) in accordance with the Corporation's bylaws.

(c) **Board Membership.** Provided that stockholder approval shall have been obtained as provided in the Purchase Agreement ("**Stockholder Approval**"), the Holder may designate a number of directors (the "**Series C Directors**") to the Corporation's Board of Directors equal to a percentage determined by the number of beneficially owned (determined on an "as converted" basis) divided by the sum of the number of shares of Common Stock outstanding plus the number of Conversion Shares determined on an "as converted" basis. As by way of example only, if the number of shares of Series C Preferred Stock owned by the Holder represents 20% of the outstanding shares of Common Stock and Preferred Shares (as determined on an as converted basis), the Holder shall, through its ownership of shares of Series C Preferred Stock, have the right to designate one director of a five member board. The Holder's applicable percentage right to designate a number of directors shall initially be determined on the date that Stockholder Approval is obtained and cannot be decreased unless the Holder converts or sells all or a portion of its shares of Series C Preferred Stock, in which case the number of directors that the Holder may designate will be recalculated. The right to designate a director is a contractual right granted to the Holder and not to a subsequent owner of shares of Series C Preferred Stock. In the event that a vacancy is created on the Board at any time due to the death, disability, retirement, resignation or removal of a Series C Director, then the Holders (voting as a separate class by majority vote with each share of Series C Preferred stock entitled to one vote) shall have the right to designate an individual to fill such vacancy. In the event that the Holders shall fail to designate in writing a representative to fill the vacant Series C Director seat on the Board, such Board seat shall remain vacant until such time as the Holders elect an individual to fill such seat in accordance with this Section 4(c), and during any period where such seat remains vacant, the Board nonetheless shall be deemed duly constituted.

For so long as the Holders shall continue to hold any shares of Series C Preferred Stock, any Series C Director elected as provided in the preceding paragraph may be removed without cause by, and only by, the affirmative vote of the Holder, given either at a special meeting of such shareholders duly called for that purpose or pursuant to a written consent of the Holder. The holders of record of the shares of Common Stock and of any other class or series of voting stock (including the Series C Preferred Stock), exclusively and voting together as a single class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding voting power of the shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Section 4(c), a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Section 4(c).

(d) **Protective Provisions.** Without limiting the foregoing, as long as any shares of Series C Preferred Stock are outstanding, the Corporation shall not, without the prior written consent of the Majority Holders, (i) alter or change adversely the powers, preferences or rights given to the Series C Preferred Stock or alter or amend this Certificate of Designations, (ii) amend its Certificate of Incorporation or other charter documents in any manner that adversely affects any rights of the Holders of Series C Preferred Stock, (iii) increase or decrease the number of authorized shares of Series C Preferred Stock, (iv) whether or not prohibited by the terms of the Series C Preferred Stock, circumvent a right or preference of the Series C Preferred Stock, or (v) enter into any agreement with respect to any of the foregoing. Holders shall be entitled to written notice of all stockholder meetings or written consents (and copies of proxy materials and other information sent to stockholder) with respect to which they would be entitled to vote, which notice shall be provided pursuant to the Corporation's Bylaws and the DGCL.

**Section 5. Liquidation Preference.**

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (a "Liquidation"), the assets of the Corporation available for distribution to its shareholders whether from capital, surplus or earnings, shall be distributed as follows:

(i) The Holders of Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution to the Holders of the Common Stock or any other class of the Corporation's capital stock, whether now existing or hereafter created, for each share of Series C Preferred Stock held by such Holders, an amount equal to the Stated Value. If upon any Liquidation, the assets of the Corporation available for distribution to its stockholders are insufficient to pay all Holders of Series C Preferred Stock the full preference amount to which they shall be entitled, the Holders of Series C Preferred Stock shall share pro rata in any distribution of assets in accordance with their applicable full preference amounts;

(ii) After distribution of the amounts set forth in Section 5(a)(i) hereof to the Holders of the Series C Preferred Stock, the remaining assets of the Corporation available for distribution, if any, to the stockholders of the Corporation shall be distributed to the holders of outstanding Common Stock and to all Holders of Series C Preferred Stock, on a pro rata basis, as if such Holders of Series C Preferred Stock had converted all outstanding shares of such Series C Preferred Stock into Common Stock pursuant to Section 6 hereof immediately prior to the Liquidation or Change of Control Transaction, based upon their respective holdings.

(b) Unless otherwise approved by the prior written consent of all Holders of Series C Preferred Stock, for purposes of this Section 5, any transaction constituting a Change of Control Transaction shall be treated as and deemed to be a Liquidation.

(c) Unless otherwise approved by the prior written consent of a majority of the Holders, voting as a separate class, upon consummation of a Change of Control Transaction, the Corporation shall pay or cause to be paid to the Holders of Series C Preferred Stock an amount equal to the amount they would be entitled to receive pursuant to Section 5(a) hereof as if the Corporation, on the date of consummation of such Change of Control Transaction, had assets available for distribution equal to the aggregate amount payable to the Corporation and all stockholders thereof in connection with such Change of Control Transaction. The amount payable pursuant to this Section 5(c) shall be payable in accordance with and in order of the priorities set forth in Section 5(a) immediately following the closing of the Change of Control Transaction.

#### **Section 6. Conversion.**

(a) Conversions at Option of Holder. Each share of Series C Preferred Stock shall be convertible, at any time and from time to time, at the option of the Holder thereof, into that number of shares of Common Stock determined by dividing the Stated Value of such share of Series C Preferred Stock by the Conversion Price. Holders shall effect conversions by delivering to the Corporation and the Holder Representative a conversion notice in the form attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of shares of Series C Preferred Stock to be converted, the number of shares of Series C Preferred Stock owned prior to the conversion at issue, the number of shares of Series C Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers such Notice of Conversion to the Corporation (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be as of the close of business on the Business Day that such Notice of Conversion is delivered to the Corporation, or if such day is not a Business Day or if the Notice of Conversion is delivered after regular business hours, the next Business Day. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. From and after the Conversion Date, until presented for transfer or exchange, certificates that previously represented shares of Series C Preferred Stock shall represent, in lieu of the number of shares of Series C Preferred Stock previously represented by such certificate, the number of shares of Series C Preferred Stock, if any, previously represented by such certificate that were not converted pursuant to the Notice of Conversion, plus the number of shares of Conversion Shares into which the shares of Series C Preferred Stock previously represented by such certificate were converted. To effect conversions of shares of Series C Preferred Stock, a Holder shall not be required to surrender the certificate(s), if any, representing the shares of Series C Preferred

Stock to the Corporation unless all of the shares of Series C Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Series C Preferred Stock promptly following the Conversion Date at issue. Shares of Series C Preferred Stock converted into Common Stock shall be canceled and shall not be reissued.

(b) **Conversion Price.** The Series C Preferred Stock shall be convertible at the Holder's option into shares of Common Stock at a conversion price equal to the greater of (i) \$0.10 per share (the "**Floor Price**"), which Floor Price shall not be adjusted for stock dividends, stock splits, stock combinations and other similar transactions and (ii) the lesser of a 5% premium to (A) the Corporation's closing sale price on the Trading Day immediately preceding the execution date of the Purchase Agreement, and (B) the Volume Weighted Average Price during the ten trading days immediately prior to the date of conversion into shares of Common Stock (the "**Conversion Price**").

(c) **Mechanics of Conversion.**

(i) **Delivery of Conversion Shares Upon Conversion.** Not later than the earlier of (i) three (3) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) after each Conversion Date (the "**Share Delivery Date**"), the Corporation shall deliver, or cause to be delivered, to the converting Holder the number of Conversion Shares being acquired upon the conversion of the Series C Preferred Stock, which Conversion Shares shall be free of restrictive legends and trading restrictions so long as either (A) there is an effective registration statement to cover the resale of the Conversion Shares or (B) if the Conversion Shares may be resold under Rule 144. The Corporation shall use its reasonable best efforts to deliver the Conversion Shares required to be delivered by the Corporation under this Section 6 electronically through the Depository Trust Company or another established clearing corporation performing similar functions. As used herein, "**Standard Settlement Period**" means the standard settlement period, expressed in a number of Trading Days, on the Corporation's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Conversion.

(ii) **Failure to Deliver Conversion Shares.** If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Corporation at any time on or before its receipt of such Conversion Shares, to rescind such Conversion, in which event the Corporation shall promptly return to the Holder any original Series C Preferred Stock certificate delivered to the Corporation and the Holder shall promptly return to the Corporation the Conversion Shares issued to such Holder pursuant to the rescinded Notice of Conversion.

(iii) **Obligation Absolute; Partial Liquidated Damages.** The Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series C Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other Person, and irrespective of any other circumstance, which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Corporation of any such action that the Corporation may have against such Holder. In the event a Holder shall elect to convert any or all of the Stated Value of its Series C Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or anyone associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Series C Preferred Stock of such Holder shall have been sought and obtained, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 100% of the Stated Value of the Series C Preferred Stock which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion. If the Corporation fails to deliver to a

Holder such Conversion Shares pursuant to Section 6(c)(i) by the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each \$5,000 of Stated Value of Series C Preferred Stock being converted, \$25 per Trading Day (increasing to \$50 per Trading Day on the third Trading Day after the Share Delivery Date) for each Trading Day after the Share Delivery Date until such Conversion Shares are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(iv) *Compensation for Buy-In on Failure to Timely Deliver Conversion Shares Upon Conversion.* In addition to any other rights available to the Holder, if the Corporation fails for any reason to deliver to a Holder the applicable Conversion Shares by the Share Delivery Date pursuant to Section 6(c)(i), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount, if any, by which (x) such Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series C Preferred Stock equal to the number of shares of Series C Preferred Stock submitted for conversion (in which case, such conversion shall be deemed rescinded) or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(c)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series C Preferred Stock with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder \$1,000. The Holder shall provide the Corporation written notice indicating the amounts payable to such Holder in respect of the Buy-In and, upon request of the Corporation, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver the Conversion Shares upon conversion of the shares of Series C Preferred Stock as required pursuant to the terms hereof.

(v) *Reservation of Shares Issuable Upon Conversion.* Until no shares of Series C Preferred Stock remain outstanding, the Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series C Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Series C Preferred Stock), not less than the aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account any adjustments under Section 7) upon the conversion of the then outstanding shares of Series C Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and non-assessable.

(vi) *Fractional Shares.* No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Series C Preferred Stock. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share. Notwithstanding anything to the contrary

contained herein, but consistent with the provisions of this subsection with respect to fractional Conversion Shares, nothing shall prevent any Holder from converting fractional shares of Series C Preferred Stock.

(vii) Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of the Series C Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such shares of Series C Preferred Stock and the Corporation shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. The Corporation shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Conversion Shares.

#### **Section 7. Certain Adjustments.**

(a) Stock Dividends and Stock Splits. If the Corporation, at any time while the Series C Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions that is payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, the Series C Preferred Stock), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification. Notwithstanding the foregoing in no event shall the Conversion Price be less than the Floor Price.

(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 7(a) above, if at any time the Corporation grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of Common Stock or any class thereof (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of such Holder's Series C Preferred Stock immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(c) Distributions. During such time as the Series C Preferred Stock is outstanding, if the Corporation declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series C Preferred Stock immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

(d) Fundamental Transaction. If, at any time while the Series C Preferred Stock is outstanding, (i) the Corporation, directly or indirectly, in one or more related transactions effects any merger or consolidation of

the Corporation with or into another Person (other than for a transaction the sole purpose of which is changing the name or the domicile of the Corporation), (ii) the Corporation (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of at least 50% of the outstanding Common Stock, or (iv) the Corporation, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (each a "Fundamental Transaction"), then, upon any subsequent conversion of the Series C Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Corporation, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which the Series C Preferred Stock is convertible immediately prior to such Fundamental Transaction. For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of the Series C Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The Corporation shall cause any successor entity in a Fundamental Transaction in which the Corporation is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Corporation under this Certificate of Designation and the other Transaction Documents in accordance with the provisions of this Section 7(d) pursuant to written agreements in customary form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for the Series C Preferred Stock a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Series C Preferred Stock which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of the Series C Preferred Stock (without regard to any limitations on the conversion of the Series C Preferred Stock) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of the Series C Preferred Stock immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designation and the other Transaction Documents referring to the "Corporation" shall refer instead to the Successor Entity), and may exercise every right and power of the Corporation and shall assume all of the obligations of the Corporation under this Certificate of Designation and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Corporation herein.

(e) Subsequent Equity Sales. If, at any time while shares of Series C Preferred Stock are outstanding, the Corporation or any subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice outstanding securities, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or any Common Stock Equivalent, entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the "Base Conversion Price" and such issuances, collectively, a "Dilutive Issuance") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants,

options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 7 in respect of an Exempt Issuance (as hereafter defined). The Corporation shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 7, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Corporation provides a Dilutive Issuance Notice, upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

For the purposes hereof, an "Exempt Issuance" shall mean the issuance of (i) shares of Common Stock, restricted stock units or stock options (and Common Stock issued upon exercise of such securities) to employees, officers, consultants, advisors or directors of the Corporation in consideration of services to the Corporation pursuant to any stock or option plan duly adopted for such purpose by a majority of the members of the Board or a majority of the members of a committee of directors established for such purpose, not to exceed ten percent (10%) of the shares of Common Stock issued and outstanding on the Effective Date (as defined in the Purchase Agreement), (ii) the Securities (as defined in the Purchase Agreement) issued hereunder and any Common Stock or other securities issued upon the conversion, exercise, or exchange of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of the Purchase Agreement, provided that such securities have not been amended since the date of the Purchase Agreement to increase the number of such securities or to decrease the exercise, exchange or conversion price of such securities; (iii) shares of Common Stock issued upon any anti-dilution adjustment to Common Stock and Common Stock Equivalents held by current unaffiliated security holders as of the date of the Purchase Agreement; (iv) securities issued to any underwriter, placement agent or other registered broker-dealer as reasonable commissions or fees in connection with any financing transactions; (v) securities issued pursuant to any merger, acquisition, asset purchase or similar transaction approved by the Board or a duly authorized committee thereof, provided that any such issuance shall only be to a Person or Persons (or to the equity holders of a Person or Persons) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Corporation and shall have received the express prior written consent of the Purchaser, but shall not include a transaction in which the Corporation is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities; and (vi) securities issued pursuant to any purchase money equipment loan, capital leasing arrangement or debt financing from a commercial bank or similar financial institution.

(f) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

(g) Notice of Holders.

(i) Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder by facsimile or email a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Conversion by Holder. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of

the Corporation (and all of its Subsidiaries, taken as a whole), or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the Series C Preferred Stock, and shall cause to be delivered by email to each Holder at its last email address as it shall appear upon the stock books of the Corporation, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Corporation or any of the Subsidiaries, the Corporation shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert the Conversion Amount of the Series C Preferred Stock (or any part hereof) during the 10-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

**Section 8. Ranking.** The shares of Series C Preferred Stock shall rank senior to the Corporation's classes of preferred stock, including the Series B Convertible Preferred Stock, the Series A Cumulative Redeemable Perpetual Preferred Stock, the Series D Cumulative Redeemable Perpetual Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock with respect to the preferences as to dividends, redemption, or distribution of assets and payments upon the liquidation, dissolution and winding up of the Corporation.

**Section 9. Miscellaneous.**

(a) **Notices.** Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile or email attachment, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at 1411 Southern Highlands Parkway, Suite 240, Las Vegas, NV 89141, Attention: William B. Home, Chief Executive Officer, email address: Will@ault.com, or such other email address or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 9. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by email attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at the email address or address of such Holder appearing on the books of the Corporation, or if no such email address or address appears on the books of the Corporation, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time of transmission, if such notice or communication is delivered via email attachment at the email address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the time of transmission, if such notice or communication is delivered via email attachment at the email address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

(b) **Lost or Mutilated Preferred Stock Certificate.** If a Holder's Series C Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series C Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation (which shall not include the posting of any bond).

(c) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances.

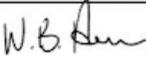
(d) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(e) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

(f) Status of Converted Preferred Stock. Shares of Series C Preferred Stock may only be issued pursuant to the Purchase Agreement. If any shares of Series C Preferred Stock shall be converted or reacquired by the Corporation, such shares may not be reissued and shall automatically be retired and cancelled and shall resume the status of authorized but unissued shares of preferred stock.

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IN WITNESS WHEREOF, the undersigned has executed this Certificate this 3<sup>rd</sup> day of July, 2023.

By:   
Name: William B. Horne  
Title: Chief Executive Officer

NOTICE OF CONVERSION

ANNEX A

The undersigned hereby elects to convert the number of shares of Series C Convertible Preferred Stock indicated below into shares of common stock, par value \$0.001 per share (the "**Common Stock**"), of Ault Alliance, Inc., a Delaware corporation (the "**Corporation**"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: \_\_\_\_\_  
Number of shares of Series C Preferred Stock owned prior to Conversion: \_\_\_\_\_  
Number of shares of Series C Preferred Stock to be Converted: \_\_\_\_\_  
Stated Value of shares of Series C Preferred Stock to be Converted: \_\_\_\_\_  
Number of shares of Common Stock to be Issued: \_\_\_\_\_  
Applicable Conversion Price: \_\_\_\_\_  
Number of shares of Series C Preferred Stock subsequent to Conversion: \_\_\_\_\_  
Address for Delivery: \_\_\_\_\_  
Or  
DWAC Instructions:  
Broker no: \_\_\_\_\_  
Account no: \_\_\_\_\_

HOLDER  
By: \_\_\_\_\_  
Name:  
Title:

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CERTIFICATION

I, William B. Horne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ault Alliance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 21, 2023

/s/ William B. Horne

\_\_\_\_\_  
Name: William B. Horne  
Title: Chief Executive Officer  
(Principal Executive Officer)

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CERTIFICATION

I, Kenneth S. Cragun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ault Alliance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 21, 2023

/s/ Kenneth S. Cragun

Name: Kenneth S. Cragun  
Title: Chief Financial Officer  
(Principal Accounting Officer)

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

In connection with the quarterly report of Ault Alliance, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 21, 2023

By: /s/ William B. Horne  
Name: William B. Horne  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: August 21, 2023

By: /s/ Kenneth S. Cragun  
Name: Kenneth S. Cragun  
Title: Chief Financial Officer  
(Principal Accounting Officer)

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