

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Chia Network Inc.

On February 25, 2025, Crypto Task Force Staff, met with representatives of Chia Network Inc.:

- Gene Hoffman: CEO of Chia Network Inc.
- Trent Martensen: CEO of Career Capital
- Thomas Chow: Chief Legal Officer of Chia Network Inc.

The topics discussed was approaches to addressing issues related to regulation of crypto assets as well as the need to prevent fraud in the crypto space. Chow provided the attached documents, which were discussed during the meeting.



Proposed Agenda with Chia Network Inc.

1. Education on the Permuto Capital trust products
2. Review of Chia Network Inc.'s S-1 process and learnings
3. Decentralization is key
4. Pathway to registration for other projects
5. Pathway to remediation for projects that violated securities laws
6. Q&A and follow-up

Discussion points for the Task Force

- **Innovative financial products.** We would like to ensure that the SEC treats filings on the merits and does not improperly discount filings because there may be a tie to blockchain or crypto. For example, we have a joint venture, Permuto Capital, that filed a registration statement for a new product which we believe is a security:
<https://www.sec.gov/Archives/edgar/data/2051974/000121390025003602/ea0227721-01.htm>.

We plan to file an S-1/A for the Permuto Capital MSFT Trust I shortly and want to ensure that corporate finance and the digital assets team are not overly skeptical due to use of the Chia blockchain as financial rails.

Follow up resources:

- We will provide a copy of the amended S-1 filing and comment letter response to the task force
- **Decentralization standards.** The industry desires different rules because decentralized systems have differing risk profiles than centralized technology. We would like to discuss what decentralization is and is not, with a focus on technical decentralization and what it entails. This should inform many if not all of the 10 items identified in Commissioner Peirce's "The Journey Begins" speech.

We also want to discuss other methods of decentralization in name only, such as multisig keys and "transaction decentralization" so the SEC and the task force have a clearer

picture of how industry participants claim decentralization without building decentralized systems.

Sufficient decentralization requires input from technical experts. We believe a notice and comment period from each and every blockchain system, network, or project that claims decentralization with the Commission is required for blockchain technical experts and architects to provide guidance and feedback to the Commission and the task force.

Follow up resources:

- We will provide a copy of the Decentralization Research Center language with our suggestions on some open ended items to the SEC Crypto task force
- We will submit a written response to the task force in response to Commissioner Peirce's statement "There Must Be Some Way Out of Here"
- **Pathway to token registration and ICOs.** We believe that Regulation A needs to be updated for inflation and disclosures updated to reflect the needs of projects that have their own tokens. A successful registration should be required for a crypto asset issuer to sell tokens for fundraising purposes unless the issuer is relying on an exemption.

Regulation A should also be modified for crypto assets to include decentralization criteria and factors. If the blockchain network, system, or project that is the issuer is sufficiently decentralized at the time of registration, we believe that all tokens and secondary transactions should not be considered securities transactions. These tokens can and should trade freely.

If the issuer is not sufficiently decentralized, the issuer should have a period of 1-2 years to become sufficiently decentralized while the tokens trade on registered exchanges or an ATS. During the transition period, the issuer should comply with public reporting obligations.

An issuer that never becomes sufficiently decentralized following the transition period should be subject to securities regulations.

- **Regulatory sandbox.** We believe that a regulatory sandbox allows projects to ignore established regulations and could enable projects to become "too big to fail", rather than requiring adequate and proper disclosures. Already even without a sandbox, certain projects have already become "too big to fail" and are the subject of ETF applications. A proper token registration pathway is a superior method to allow projects to launch until a successor to the FIT21 Act has been passed by Congress.

A regulatory sandbox also creates more perverse incentives than the status quo for projects to quickly design and issue/launch tokens, rather than building useful and functional technology that are enhanced by tokens.

- **Retroactive relief.** We believe that projects should have a pathway to become compliant. However, the proper retroactive relief should not discourage and disincentivize actors who bore the cost to be compliant all along.

Chia Network has pursued an S-1 path to positive reaction—even under the prior administration, and others such as STAX also spent inordinate amounts of time and resources to file publicly. We have also never marketed our tokens as a speculative investment and did not “dump on retail” at our token market high while other projects have done so shamelessly. Remediation costs should be significant enough to discourage further wrongdoing or consider how compliant actors have been disadvantaged.

- **Engagement with the most technical industry leaders.** The SEC would greatly benefit from interaction and education with the leading thinkers and technical specialists in the crypto space. These are often not the founders of major projects, many of whom publish whitepapers that contain technical impossibilities and vaporware, but actual technical experts and academics who understand blockchain technology, limitations, and vulnerabilities.

We would propose to make our Founder & CTO Bram Cohen, our President & CEO Gene Hoffman, and Permuto Capital co-CEO Trent Martensen available to the task force as a resource. We would also suggest academics who regularly address issues at legitimate academic conferences such as Science of Blockchain—experts such as Professor Dan Boneh (Stanford) and Professor Krzysztof Pietrzak (IST Austria).

Follow up resources:

- Using Chia Blockchain Technology for Department of Defense Systems, Ethan Schofield and Mark Reith, Air Force Institute of Technology: <https://papers.academic-conferences.org/index.php/eccws/article/download/2504/2125/8509>
- Lecture by Krzysztof Pietrzak, professor at Institute of Science and Technology Austria, entitled “Sustainable Blockchains” from the public lecture series “Sustainability in Computer Science” and viewable on YouTube: <https://www.youtube.com/watch?v=RpPkvx0R1Co>
- The task force should attend industry conferences where academic and industry technical experts discuss real issues, such as security flaws and centralization problems of blockchain protocols. We suggest the annual Science of Blockchain

conference (f/k/a Stanford Blockchain Conference), next scheduled for August 4-6, 2025 in UC Berkeley, Berkeley, CA.

Attendees

1. Gene Hoffman, President & CEO, Chia Network Inc., Co-CEO, Permuto Capital LLC
<https://www.linkedin.com/in/gehoffman/>
hoffmang@chia.net
2. Thomas Chow, Chief Legal Officer, Chia Network Inc. and Permuto Capital LLC
<https://www.linkedin.com/in/thomaschow/>
thomas@chia.net
3. Trent Martensen, Co-CEO, Permuto Capital LLC
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Thomas Chow 

Jan 17 • 18 tweets • 5 min read • [Read on X](#)

CHOW, J., filed an X (Twitter) opinion concurring with the open letter:

<https://www.coindesk.com/opinion/2025/01/16/how-to-make-the-united-states-the-crypto-capital-of-the-world>.

I AGREE with the intent of the open letter that the U.S. is the ideal place for the crypto and digital asset industry, but did not sign as I believe there are some subtle distinctions I want to highlight.

The U.S. should be naturally positioned to lead specifically because of the First Amendment, not just personal liberty. Free speech is what gives developers the power to publish open source code in a way that the rest of the world doesn't have. @elonmusk @DavidSacks @BoHines

The United States, which rests on the same foundation of personal liberty as crypto, is naturally positioned to lead the world in its development.

I DISAGREE that the industry has produced compelling use cases so far. We will get there. But it starts with designing products and use cases that people want because they are good, not because they are crypto. Like this @permutocapital filed S-

1: <https://www.sec.gov/Archives/edgar/data/2051974/000121390025003602/ea0227721-01.htm>

Supporting U.S.-Based Businesses

The crypto industry has produced a range of established and emerging use-cases, including digital gold, stablecoins, permissionless payments, decentralized finance, real world assets, decentralized physical infrastructure (DePIN), and many more. Many of them are being responsibly advanced in the United States by businesses such as Coinbase

I AGREE that market structure legislation is necessary. **The need for a good decentralization test or set of factors is overdue.** Decentralized systems are a policy end goal because the benefits of decentralization mean trust in trustless systems, less counterparty risk, etc.

Futures Trading Commission (CFTC). Market structure legislation should clearly delineate the scope of jurisdiction among primary regulators and lay out when assets enter and exit that jurisdiction.

But I DISAGREE that the motivating factor is the SEC somehow taking an overbroad application. Securities regulations as drafted today, with the Howey test applying and broadening the Act, is actually what gives the SEC jurisdiction over capital formation--"investment contracts".

Here, Congress should resist giving the U.S. securities laws an overbroad application, as the SEC has done. Tokens powered by open-source software and consensus mechanisms that are otherwise minimally dependent on centralized actors are not securities because there is no legal relationship between token owners and an "issuer," as understood by the securities laws. Similarly, crypto assets such as art NFTs (which are simply digital

This is how the law is today regardless of how our industry crows that "*tokens aren't securities*" and "*tokens are software*". That's **not inherently true** because tokens represent an underlying interest.

If not, then why did I waste my time fling an S-1 for a tokenized security? I could croon that @permutocapital is just issuing a "token" which is software. (Hint: it's a security)

I also DISAGREE that tokens that are "minimally dependent on centralized actors" somehow means decentralized, and therefore, not a security. Maybe... dependent on centralized actors means CENTRALIZED.

The answer is not to argue that crypto doesn't look like a security for blah blah blah reason. The answer is just to have a **rational market structure bill**.

I AGREE that Congress should be bold, but I DISAGREE that FIT21 was a bad start. The principles there are solid ones to consider and if we can draft it better and in a way that still protects consumers and investors, then let's do it.

Congress should be bold. That means not feeling bound by prior legislative efforts like FIT21 that were forged in an earlier political environment that have unintended consequences. It also means leveraging the regulatory experience of other nations, such as the European Union with its MiCA framework, while avoiding their pitfalls and charting a unique and dauntless path forward for the United States.

I also DISAGREE that the U.S. should lean on other crypto frameworks. The U.S. financial markets are still the heart of finance globally. We should do it the absolute best way and let the rest of the world follow. @DavidSacks @BoHines @realDonaldTrump @JDVance

I AGREE that we should pass legislation for stablecoins, rescind SAB 121, and allow tokenization of securities (e.g., @permutocapital).

TradFi Integration. The unprecedented success unprecedented success of Bitcoin and Ethereum ETFs demonstrates that crypto has begun integrating with traditional finance. Regulatory policy should ensure a safe and orderly integration by giving consumers access to trusted custody services. This requires amending or rescinding prejudicial SEC accounting guidelines (for instance, SAB 121) and custody rules. But it should not stop there. Pro-innovation policy in this area should also promote the tokenization of securities representing traditional financial assets like stocks, bonds, or real estate as blockchain-based tokens. The resulting benefits, which include improved liquidity, fractional ownership, and faster settlement, would strengthen U.S. capital markets, ensuring they remain the most developed and innovative in the world.

I AGREE that decentralized finance can be powerful, but I DISAGREE that much of what touts to be "*decentralized finance*" is decentralized. **If you have centralized smart contracts, multi-sig admins, and the like, you aren't decentralized.** That is autonomous finance, not DeFi.

DeFi. Decentralized finance has the potential to modernize the global financial system and to return value to ordinary Americans by removing costly financial intermediaries. You should not allow entrenched interests and alarmism to stop the United States from becoming the world's leader in DeFi. In this regard, regulations aimed at centralized actors, such as exchanges and issuers, must be crafted in ways that avoid inadvertently capturing and paralyzing the still-nascent DeFi ecosystem.

I AGREE we should end debanking of crypto, improve SEC rulemaking, and refine tax rules. I DISAGREE that the SEC has consistently exceeded its authority (see above).

End de-banking of crypto companies. Your administration should direct the FDIC and all other agencies involved with Operation Chokepoint 2.0 to immediately cease their unaccountable campaign aimed at de-banking the crypto industry.

Improve SEC rule-making and enforcement. You should instruct your SEC chair to overhaul that agency's approach to crypto. Over the past four years, the SEC has consistently exceeded its authority by pursuing good faith industry leaders such as Coinbase and Consensys, regulating individual developers and users (in its exchange redefinition rulemaking), and launching enforcement actions against wallet providers. It is time for the SEC to correct this pernicious approach and begin engaging constructively with the crypto industry while focusing its efforts on preventing fraud rather than curbing financial speculation, which has benefits for innovation.

Roll back punitive tax rules. Your administration should roll back

And I DISAGREE that we should leverage devices like regulatory sandboxes. Regulatory sandboxes are a way to punt an actual classification and creates opportunities for certain applications and tokens to become "too big to fail". **Everyone should comply with (new) legislation.**

formation of a Crypto Council as a positive step in this direction.) We also recommend leveraging devices, such as regulatory sandboxes, that limit the risk of unintended regulatory consequences.

Accordingly, I agree with many of the recommendations from my esteemed colleagues. But we can be more intellectually honest and still advocate for solid new regulation. I thus concur with the open letter.

And yes, I did review this letter's drafts prior to publication so that's why I felt a "concurring opinion" was appropriate.

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March 29, 2024

VIA EDGAR

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Crypto Assets
100 F Street, N.E.
Washington, D.C. 20549-6010

Attention: Kate Tillan
David Irving
Matthew Derby
Sandra Hunter Berkheimer

**Re: Chia Network Inc.
Response to Letter dated May 25, 2023
Draft Registration Statement Submitted on Form S-1
Confidentially Submitted April 13, 2023
CIK No. 0001730166**

To the addressees set forth above:

On behalf of our client, Chia Network Inc. (the “Company”), we are submitting this letter in response to the comments received from the staff (the “Staff”) of the U.S. Securities and Exchange Commission (the “SEC”) by letter, dated May 25, 2023 (the “Comment Letter”), regarding the Company’s Draft Registration Statement on Form S-1, as confidentially submitted to the Staff on April 13, 2023 (the “Draft Registration Statement”).

The Company is concurrently confidentially submitting to the Staff Amendment No. 1 to the Draft Registration Statement (“Amendment No. 1”), which has been revised to reflect certain revisions to the Draft Registration Statement in response to the Comment Letter as well as certain other changes.

For ease of review, we have set forth below each of the numbered comments of the Staff contained in the Comment Letter in bold type followed by the Company’s responses thereto.

Draft Registration Statement on Form S-1 confidentially submitted on April 13, 2023

General

1. We note your disclosure that “the XCH traded and circulated in the global market consists only of the coins that were farming rewards created by the Chia blockchain protocol and awarded to block validators for maintaining the security and integrity of the Chia blockchain.” However, we also note that the Chia token (XCH) is available to the public in exchange for fiat currency via the purchase of Stably and the use of the Chia light wallet through your website. Please revise to disclose whether Chia Network Inc. (the “Company”) collects any proceeds from the sale of the XCH tokens on your website, and describe the Company’s role in getting XCH listed on the various third-party exchanges that XCH tokens are available on. Finally reconcile your disclosure regarding how the XCH tokens currently circulating entered the market.

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 5, 6, 109, 110, 111, and 112 of Amendment No. 1 accordingly.

2. Please supplementally provide us with a detailed legal analysis of whether the Chia tokens are securities pursuant to Section 2(a)(1) the Securities Act of 1933. In addition to considering the enumerated types of securities set forth in Section 2(a)(1), please consider SEC v. W.J. Howey Co., 328 U.S. 293 (1946) and Gary Plastic Packaging Corp. v. Merrill Lynch, Pierce Fenner & Smith, 756 F.2d 230 (2d Cir. 1985) and the “Framework for “Investment Contract” Analysis of Digital Assets” available at <https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets>.

Moreover, in preparing your legal analysis please address not only the instruments themselves but also your ongoing role in the development and/or operation of the network and creation of the instruments, as well as your substantial holdings and any ongoing interest in XCH.

Response: The Company respectfully acknowledges the Staff’s comment and supplementally provides the Staff with the information set forth below.

A. XCH Does Not Fall Within the Definition of a Security

In articulating how XCH functions and has been farmed and used thus far, the Company respectfully provides the Staff with its analysis and demonstrates why it believes XCH does not fall under any of the enumerated categories of “security” as defined in the Securities Act of 1933, as amended (the “Securities Act”). Blockchains can provide the infrastructure for secure transactions, custody, identity, and many other use-cases in a way that can minimize or eliminate the need for some traditionally required intermediaries or trusted counterparties. The Chia blockchain is sufficiently unique and valuable as infrastructure that there is significant demand for block space from users of the Chia blockchain through applications and other use-cases developed on top of the blockchain. XCH, as the native coin of the Chia blockchain, is required to secure the Chia blockchain and to pay transaction fees for transactions completed on the Chia blockchain. The native coin in a well-designed blockchain that has demand for its block space has fundamental value because of the demand to use the coin for transactions and to secure the blockchain. This is the case for XCH on the Chia blockchain. The Company respectfully directs the Staff to the disclosure on page 78 of Amendment No. 1 related to block space metrics.

The Company designed the Chia blockchain and XCH taking into account compliance with the Securities Act in a manner that it believes honors both the spirit and the letter of the law while embracing the higher standards of reporting responsibilities to appropriately govern the Company's ongoing business activities and contributions to the Chia blockchain and the Chia platform. The Company does not collect any revenue or share of the proceeds from third-party transactions on the Chia blockchain. XCH does not grant holders any governance rights, voting rights, or control of the Chia blockchain or the Company. Further, XCH holders are not entitled to any funds, revenue, profits, accounts receivables, interest, or yield from the Chia blockchain or the Company.

We do not believe XCH fits in any of the enumerated categories of securities as defined in Section 2(a)(1) of the Securities Act:

The term "security" means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

15 U.S.C. § 77b(2)(a)(1). XCH does not provide any rights to funds, revenue, interest, profits, or the like, so categories such as notes, evidence of indebtedness, certificate of interest, and profit-sharing agreements appear clearly inapplicable. Further, XCH, as the native coin to access block space and process transactions on the Chia blockchain, does not convey any interest in any physical or real-world asset such as oil, gas, or other mineral rights, and XCH could not be construed as a put, call, straddle, or option on any of the foregoing.

XCH is also not a stock as outlined by *Tcherepnin v. Knight*¹ and *Landreth Timber Company v. Landreth*,² which together stand for the proposition that if an instrument lacks the characteristics associated with stock, the instrument does not reside within the ambit of U.S. securities laws.³ The court in *Tcherepnin* identified the right to receive "dividends contingent upon an apportionment of profits" as the most significant feature of stock, and in *Landreth*, the court identified additional characteristics traditionally associated with stock, including voting rights in proportion to the number of shares owned.⁴

Holders of XCH are not entitled to receive dividends (or other similar forms of payments or distributions) and do not have the right to vote on governance matters of any company or even the Chia blockchain. Upgrades to the Chia blockchain must be adopted by a majority of farmers,

¹ *Tcherepnin v. Knight*, 389 U.S. 332 (1967).

² *Landreth Timber Company v. Landreth*, 471 U.S. 681 (1985).

³ *Tcherepnin*, at 339; *Landreth*, at 686.

⁴ *Landreth*, at 686 (citing *United Housing Foundation Inc. v. Forman*, 421 U.S. 837 (1975)).

and while farmers may hold XCH, their ability to adopt upgrades does not arise from their XCH holdings.⁵

XCH, as described above, can be contrasted with other tokens, which may include rights to interest or yields or can carry rights to participate in blockchain or entity governance. Based on the foregoing, the Company believes that XCH is not a security.

Furthermore, the Company designed Chia in this manner purposefully – to adhere to the spirit and letter of the U.S. securities laws. The Company believes that the future of the financial industry and dozens of other industries relies upon the existence of such regulatorily compliant and compliance enabling blockchains.

B. XCH Fails the Test for an Investment Contract Articulated by the Supreme Court in *SEC v. W.J. Howey Co.*, also known as the *Howey Test*

Given that XCH does not resemble any of the other enumerated securities listed in the definition, there remains the catchall of an “investment contract” to determine whether XCH could be classified as a security. The test for identifying an “investment contract” was articulated by the Supreme Court in *SEC v. W.J. Howey Co.* (the “*Howey Test*”).⁶ As discussed in detail below, the Company believes that neither XCH itself nor the transactions involving XCH should be deemed an investment contract, and XCH is thus not a security.

Under the *Howey Test*, an investment contract exists where there is (i) an investment of money (ii) in a common enterprise (iii) in which the investor is led to expect profits (iv) that are derived from the entrepreneurial or managerial efforts of one or more third parties.⁷

- ***Investment of Money.*** An investment contract, transaction, or scheme requires an investment of money in an issuer or common enterprise by an acquiror. Courts have generally held that in order for an investor or acquiror to have made an investment of money, the investor or acquiror must have given up some tangible and definable consideration.⁸
- ***Common Enterprise.*** Evidence of a common enterprise is demonstrated through proving either horizontal or vertical commonality. Some U.S. courts require only horizontal commonality, while others require proof of both forms of commonality. Horizontal commonality exists where there is a “pooling of assets” with a “pro rata distribution of profits” so that each investor’s fortunes are tied to those of the other

⁵ Moreover, while it appears that nothing restricts XCH from being pledged, resold, appreciating in value, or being transferred, the SEC has repeatedly determined that the mere existence of these characteristics, which are common in many other types of property that are clearly outside the scope of the Securities Act, do not alone cause an instrument to be deemed a “security.” See *San Francisco Baseball Assocs. L.P.* (avail. February 24, 2006) (granting a request for no-action under Section 2(a)(1) of the Securities Act for a seat license that the applicable submission letter indicated could be pledged, hypothecated, increase in value, and transferred (as such term is used in relation to negotiability)) [hereinafter the “SF Giants No-Action Letter”]; see also *LA Fan Club, Inc.* (avail. May 19, 2017) (granting a request for no-action under Section 2(a)(1) and (5) of the Securities Act and Sections 3(a)(10) and Section 12(g) of the Securities Exchange Act of 1934, as amended, for a seat license that was negotiable) [hereinafter the “LA Rams No-Action Letter”].

⁶ *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946).

⁷ See *Howey* at 301.

⁸ *Int’l Bhd. of Teamsters, Chauffeurs, Warehousemen & Helpers of Am. v. Daniel*, 439 U.S. 551, 560 (1979)

investors.⁹ Vertical commonality may be shown by demonstrating that the fortunes of the investors are linked with the efforts of the promoter.¹⁰

- ***Expectation of Profits.*** The third prong of the *Howey* Test requires that investors have a reasonable expectation of profits. Profit in this context may be derived from income yielded from an investment, as in the case of the payments of interest or dividends, or from capital appreciation, as in the case of increased market value.¹¹
- ***Reliance on the Efforts of Others.*** The remaining prong of the *Howey* Test requires that the expected profits result from the entrepreneurial or managerial efforts of others. Courts have widely held that the efforts made by those other than the investor must “undeniably [be] significant ones, those essential managerial efforts which affect the failure or success of the enterprise.”¹²

1. Transactions in XCH Did Not Involve an Investment of Money

The first prong of the *Howey* Test considers whether there has been an investment of money by an investor, which is foundational to every such analysis. Courts have generally found that where digital assets were in fact purchased for value the “investment of money” prong of the *Howey* Test is satisfied. No such investment or sale applies to XCH in circulation or in the Strategic Reserve.

The Company believes it was among the few major Layer 1 blockchains (other than Bitcoin) that did not sell coins and instead, from the founding of the Company until October 2023, raised funds only by selling traditional equity instruments to investors. The Company conscientiously endeavored to follow all applicable SEC guidance in connection with the launch of XCH, including the “Framework for “Investment Contract” Analysis of Digital Assets” (the “Framework”). The Company did not utilize an initial coin offering (ICO), simple agreement for future tokens/coins (SAFT), or a warrant to sell or distribute tokens.

As described in Amendment No. 1, prior to October 2023, the only circulating XCH were programmatically generated through the Chia blockchain protocol as farming rewards for participation in the Proof of Space and Time (“PoST”) consensus mechanism. Generally, farmers who received XCH as farming rewards did not make any investment of money in return for their XCH. XCH from farming rewards can be farmed by anybody by downloading publicly available software at no cost, plotting storage, and validating transactions. This farming process that generates XCH requires no investment of money or expenditure of resources that would potentially subject a farmer to a financial loss beyond the resources used to run a computer in the ordinary manner; unlike the resource-intensive nature of other consensus mechanisms such as Proof of Work, which generally requires miners to expend thousands of dollars on specialized hardware, storage, and electricity costs, the sustainable and energy-efficient nature of the PoST

⁹ *Rocky Aspen Mgmt. 204 LLC v. Hanford Holdings LLC*, 230 F. Supp. 3d 159, 165 (S.D.N.Y. 2017) (citing *Revak v. SEC Realty Corp.*, 18 F.3d 81, 87 (2d Cir. 1994)) (internal quotation marks omitted).

¹⁰ *Long v. Shultz Cattle Co., Inc.*, 881 F.2d 129, 140–41 (5th Cir.1989).

¹¹ *See United Housing Fund*, 421 U.S. at 855.

¹² *SEC v. Glenn W. Turner Enterprises Inc.*, 474 F. 2d 476, 482 (9th Cir. 1973) (“[T]he fact that the investors here were required to exert some efforts if a return were to be achieved should not automatically preclude a finding that the Plan or Adventure is an investment contract. To do so would not serve the purpose of the legislation. Rather we adopt a more realistic test, whether the efforts made by those other than the investor are the undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.”).

consensus mechanism reduces the burden on farmers to allocation of unoccupied storage space on their computers (and the minimal effort of downloading the publicly available software). As a result, farmers can farm using their existing, unallocated resources, much of which may have been purchased before they even knew of XCH's existence and before they anticipated farming XCH. Accordingly, the Company believes that the XCH received directly from farming rewards were obtained without an investment of money and thus fail the first prong of the *Howey* Test.

The Company's Strategic Reserve initially consisted of 21 million XCH that were pre-coded and then created via farming (by a third-party farmer) in the first block of the Chia blockchain at launch of the Chia blockchain in March 2021. There was no investment of money in the farming of the first block of the Chia blockchain. Until commencing sales of XCH in October 2023 (such sales are discussed separately in Section C below), the Company had not sold, gifted, loaned, collateralized, used as an investment vehicle, or otherwise disposed of any XCH in the Strategic Reserve.¹³ Instead, the Company had raised traditional venture funding through the sale of simple agreements for future equity ("SAFES") and preferred equity to accredited investors. As noted above, prior to October 2023, the Company had not sold any XCH and the Company has never sold rights to XCH through any form of coin sale such as an ICO, SAFT, or a warrant to purchase tokens.

Prior to October 2023, all other holders of XCH would have either farmed the XCH on the Chia blockchain or purchased them or received them on the secondary market, such as through third-party bulletin board websites and exchanges in transactions in which the Company was not involved.

2. XCH Transactions Do Not Involve a Common Enterprise

a. XCH Holders Do Not Share Any Commonality with the Company – Vertical Commonality Does Not Exist

The Company respectfully submits that XCH fails the common enterprise prong of the *Howey* Test. Chia Network Inc. is a company that is seeking to drive value to its stockholders. Unlike the relationship between the Company and its stockholders, the Company does not share any vertical commonality with holders of XCH as they have no legal relationship with the Company and the Company has no requirement or direct intention of creating value for the holders of XCH. The Company drives value to its stockholders by developing applications for customers on top of the Chia blockchain. While a by-product may be that these activities ultimately benefit holders of XCH, such benefits are incidental to the value that the Company intends to create for its stockholders through its revenue and profits. Transactions with XCH, including XCH sold from the Strategic Reserve, therefore do not involve a common enterprise with the Company.

XCH ultimately provides users with access to block space and the ability to process transactions on the Chia blockchain. The value of XCH is inextricably linked to the Chia blockchain by definition, but not to the efforts or fortunes of the Company. As further discussed in Amendment No. 1, the Company ceased to have direct or indirect control of the Chia blockchain as of March 2021 when the Chia blockchain launched and was decentralized. The Company believes that situations such as the community rejecting CHIP-0003, as discussed more

¹³

In contrast, see *In re Tomahawk Exploration LLC*, Securities Act Rel. 10530 (Aug. 14, 2018) where issuance of tokens in exchange for services (under a so-called "bounty program") constituted an offer and sale of securities because the issuer provided tokens to investors in exchange for services designed to advance the issuer's economic interests and foster a trading market for its securities.

fully below, illustrate the lack of control over the Chia blockchain by the Company. While the Company continues to propose further developments to the Chia platform and develops certain primitives for use by developers on the Chia blockchain, it is focused on performing services for its customers and driving value to its stockholders, and is one of many contributors to the Chia Blockchain.

b. XCH Holders Do Not Share Commonality with Each Other Generally – Horizontal Commonality Does Not Exist

Further, there is no horizontal commonality between XCH holders as a group. Horizontal commonality is present where there is linking of the fortunes among the individual owners of XCH through the pooling of assets or profits.¹⁴ As disclosed in Amendment No. 1, holders of XCH are a diverse group with many different goals and interests.

The Company respectfully advises the Staff that farmers in the Chia blockchain have not pooled assets and are generally independent agents in competition with each other, both based on the PoST consensus mechanism and due to the fact that farmers' interests are not always aligned. Based on the PoST consensus mechanism, farmers compete to win the right to farm the next block by having the correct cryptographic hash on their plot (unused storage), and so often have diverging economic interests. There is also no social consensus required amongst farmers for PoST to operate and guarantee the security of the Chia blockchain, and so each can pursue their own interests and are not in common enterprise with the Company, nor as a group themselves.

Farmers' interests are also not aligned for economic and philosophical reasons. For example, farmers were at odds publicly in the period following the launch of the Chia blockchain regarding the best possible consensus mechanism for the Chia blockchain; many farmers believed the PoST consensus mechanism provided a technologically innovative public good that was an improvement upon Proof of Work, while other farmers pushed to migrate to Proof of Stake given its more common usage among other blockchains. Farmers each can pursue their own interests and are not in common enterprise with the Company nor as a group themselves.

Similar to farmers, the Company is not aware of any holders of XCH who have pooled their XCH or related assets among themselves or the Company. And, as cited above, the community has demonstrated a diverse range of goals and interests in engaging with the Chia blockchain. For example, while a governmental entity may purchase XCH on the secondary market to store their carbon registry data on the Chia blockchain, a software developer may purchase XCH on the secondary market to develop a Layer 2 peer-to-peer gaming technology on the Chia blockchain. It seems readily apparent that such parties would not be acting as part of a common enterprise.

Accordingly, the Company believes it does not have horizontal commonality with XCH holders. As noted above and described in Amendment No. 1, holders of XCH are not entitled to any profits, revenue, funds, interest, or any amounts from the Company by virtue of owning XCH, nor does ownership of XCH result in or relate to influence or control over the Chia blockchain.

¹⁴ See *S.E.C. v. R.G. Reynolds Enterprises, Inc.*, 952 F.2d at 1130; *Glazer v. Abercrombie & Kent, Inc.*, 2009 WL 3060269, at *6 (N.D. Ill. Sept. 22, 2009) (“The Club membership agreements and member bonds are not investment contracts because there is no horizontal commonality...There was no pooling of profits between the individual Club membership owners, which is essential to horizontal commonality.”).

3. *Acquirors of XCH Cannot Be Deemed to Have a Reasonable Expectation of Profits*

The Company respectfully advises the Staff that the Framework is particularly relevant to the third prong of the *Howey* Test. To evaluate the “reasonable expectation of profit” prong, the Framework focuses on whether an asset conveys the “right to share in [an] enterprise’s income.” The Framework also looks to how a coin is marketed, whether “the digital asset is offered broadly” and “to potential purchasers as compared to being targeted to expected users of the goods or services or those who have a need for the functionality of the network.” Such factors focus on the more speculative aspects of issuances, such as where the use and value of the coin is connected to an undeveloped network, the success of which may likely be tied to the capital raised through the issuance itself. The Chia blockchain is and has been fully functional and decentralized since 2021, and the Company has never marketed XCH for its investment or speculative potential.

Further, in *United Housing Foundation Inc. v. Forman*,¹⁵ in determining that the instrument at issue was not a security, the court focused on how the economic reality of a transaction informed a purchaser’s intent, stating that “when a purchaser is motivated by a desire to use or consume the item purchased The securities laws do not apply.”¹⁶ The SEC has consistently applied this economic reality rationale where the primary motivation for acquiring an asset is its utility.

The economic reality here is that purchasers of XCH are motivated by the desire to use XCH as a means to access block space on the Chia blockchain, just as purchasers of the seat licenses contemplated in the SF Giants No-Action Letter and LA Rams No-Action Letter were motivated by a desire to use the seat licenses for the “recreational and entertainment benefits” of sporting events. Even if purchasers of XCH may be able to profit from the appreciation in value of XCH, the existence of the potential to speculate on an instrument is not sufficient to make the instrument a security. The Company respectfully notes that seat licenses for the SF Giants and a number of NFL teams are currently traded on online secondary markets, with a wide range of prices.¹⁷ Accordingly, while it is possible to trade in seat licenses and potentially make a profit on such trading, the Staff concurred in the view that the way these seat licenses were marketed and sold emphasized their use and not their profit potential.¹⁸ While the LA Rams and SF Giants argued in their submission letters that their respective seat licenses are not readily transferable, the Company notes the transfer restrictions that the LA Rams and SF Giants pointed to in support of their respective arguments are illusory in practice, as evidenced by the seat license marketplaces referenced above. Based on a review of the online secondary marketplaces, it appears that the required approvals are essentially lifted automatically or with the payment of a fee. Moreover, the economic reality of these instruments was clear from the start, in that these teams have every incentive to automatically approve transfers of seat licenses as the profitability of their enterprises hinges on the sales of the underlying tickets and attendance at games, and the teams are entirely agnostic as to the identity of the particular holder.

¹⁵ *United Housing Foundation Inc. v. Forman*, 421 U.S. 837 (1975)

¹⁶ *Id.* at 852-53.

¹⁷ See PSL SOURCE, *Buy & Sell Seat Licenses*, https://www.pslsource.com/buy_new_york_giants_psl; see also SAN FRANCISCO GIANTS SEAT LICENSE MARKETPLACE, *Charter Seat Licenses For Sale*, (<https://sfgiants.seasonticketrights.com/Charter-Seat-Licenses/For-Sale.aspx>).

¹⁸ See *Warfield*, at 1021 (indicating a requirement that a purchaser be “led to expect” a profit in order to satisfy the “expectation of profits” prong of the *Howey* test).

Accordingly, the Staff's rationale in granting no-action relief appears to have relied, at least in part, on the true economic purpose of the transaction. XCH is highly analogous to the seat licenses in both the SF Giants No-Action Letter and LA Rams No-Action Letter, as the economic reality is that there is limited reasonable rationale for obtaining XCH for speculative purposes, which the Company does not encourage in any corporate marketing or communications, and so the primary purpose is for its utility on the Chia blockchain for accessing block space.

The Company has always focused on the consumptive use and utility of XCH in its original design of the underlying Chia blockchain, its marketing, and its actions both pre- and post-launch of the Chia blockchain. As disclosed in Amendment No. 1, XCH's utility and value is tied to the processing of transactions and maintenance of security on the Chia blockchain. As new applications are built on the Chia blockchain, the utility of XCH has increased. The Company has never sold or marketed XCH for any investment or speculative purpose.

In *Forman*, the court also cited the marketing surrounding the instrument at issue to establish that purchasers of the instrument did not have a reasonable expectation of profits. The court emphasized the fact that the issuer's marketing of the "stock" focused on the prospect of acquiring a place to live rather than financial returns.¹⁹ Similarly, the Company has not marketed XCH as an investment, and any marketing by the Company has focused on the functionalities of the Chia blockchain and the Chia platform (and XCH's utility therein) and the software implementation services of the Company. For example, in November 2021, the Company communicated that the World Bank Group chose the Company to implement the foundation for the voluntary carbon market from Article 6.2 of the Paris Agreement on the Chia blockchain. Such an announcement indicated the significant consumptive value of XCH, which would be required to process any transactions related to the project on the Chia blockchain. In the words of the court in *Forman*, it is the "fundamental nature and purpose of the undertaking," or the real-world use cases of the Chia blockchain, that underlies all of the Company's public communications and marketing; consequently, and, just as housing corporation stock purchasers' reasonable expectation of the stocks was limited to the stocks' consumptive use as a means to acquire housing, so is XCH purchasers' reasonable expectation of XCH limited to XCH's consumptive value as a means to access block space in the Chia blockchain.

4. The Value of XCH Is Not Reliant on the Efforts of the Company

The Company respectfully advises the Staff that the Framework is also relevant to evaluating the fourth prong of the *Howey* Test. To evaluate the "reliance on the efforts of others" prong with respect to coins, the Framework introduced the concept of an "Active Participant" (or "AP"), defined as "a promoter, sponsor, or other third party ... [that] provides essential managerial efforts that affect the success of the enterprise, and investors reasonably expect to derive profit from those efforts." Determining the existence of an AP necessarily requires an analysis of each party's role in developing, maintaining, or governing the network. Where there is no AP, there is no identifiable "others" on whom there can be reliance for purposes of satisfying this prong of the *Howey* Test.

In addition to analyzing the presence of an AP, courts have held that where the broader marketplace is the creator or determiner of value, that any resulting profits would not be derived primarily from the efforts of the enterprise in question. For example, in *Noa v. Key Futures, Inc.*,

¹⁹ *Forman* at 851-54.

638 F.2d 77, 79 (9th Cir. 1980), the court held that after silver bars were purchased, “profits to the investor depended upon the fluctuations of the silver market, not the managerial efforts of [the promoter]”.²⁰ The value of XCH is based on its consumptive value in relation to block space as determined by the broader marketplace.

The Chia blockchain launched in March 2021, and transactions were enabled in May 2021, making the Chia blockchain fully functional at that time. Since then, adoption of the Chia blockchain has steadily expanded, and it is decentralized. The Chia blockchain and Chia platform are open-source, and the code underlying the Chia blockchain and the Chia platform is implemented in various GitHub repositories. The number of total developers on the Chia blockchain was 980 as of December 31, 2023. Many of these developers are unaffiliated, third-party software engineers that are not employed by the Company. Further, the average node count on the Chia blockchain was 95,142 as of December 31, 2023. As the Chia blockchain is fully functional and because of the design of the Chia blockchain, any upgrade to the Chia blockchain requires a majority of such nodes to adopt the latest software client release. As the Company does not directly or indirectly control, and has not controlled since its launch in March 2021, the majority of such nodes, it does not control the Chia blockchain. The Company believes the Chia blockchain is the most decentralized Layer 1 blockchain based upon node count and Nakamoto Coefficient.

While the Company continues to propose enhancements and improvements for the Chia blockchain through upgrades to the Chia blockchain software, any upgrades have to be downloaded and installed by a majority of farmers in order to be implemented. Any community member can similarly propose to enhance or change components of the Chia blockchain and/or Chia platform by publishing a CHIP, which are commented on and debated by both the Company and third-party developers. CHIP-0003, a proposal from the Company to implement an additional minimum transaction fee that was rejected by the community, is evidence of the fact that the Company cannot unilaterally implement changes to the Chia blockchain. It is also further evidence of farmers being competitive as one large farming pool implemented a minimum fee despite most of the community being outspokenly critical of the concept. As such, while the Company is incentivized to continue to contribute to the Chia blockchain primarily in order to enhance and improve the services it can provide to potential customers, and in part because of its holdings of XCH, and may participate in some future upgrades, improvements, or developments, any implementation and approval of changes to the Chia blockchain ultimately requires broad, unaffiliated consensus. Further, such changes can be implemented by unaffiliated members of the community, without any involvement or participation on the part of the Company.

Further, because the Chia blockchain is a fully functional decentralized public blockchain and is used by third-party developers and users, the value of XCH is reliant on market forces, rather than the efforts of the Company.²¹ The Company does not control the Chia blockchain, so a transaction—even by the Company—in XCH, which provides access to block space and has utility, should be reliant on the supply and demand of block space, fees, and other factors that do not relate to the Company. In fact, the Company’s communications on the price of XCH have been consistent with its consumptive and utility value in and of itself without regard to the Company.

²⁰ See also *SEC v. Belmont Reid & Co*, 794 F.2d 1388, 1391 (9th Cir. 1986), where the court determined that prepayments for gold coins to be obtained from mining were not investment contracts, as prepurchasers of those gold coins “had as their primary purpose to profit from the anticipated increase in the world price of gold”, rather than mere reliance on the efforts of others.

²¹ See *Noa v. Key Futures, Inc.*, 638 F.2d 77 and *S.E.C. v. Belmont Reid Co., Inc.*, 794 F.2d 1388 as discussed above.

In *Gary Plastic Packaging Corp. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.* (“**Gary Plastic**”), it was the skill of the broker-dealer in selecting certificates of deposit and the broker-dealer’s facilitation of a secondary market of the certificates of deposit that satisfied the “reliance on the efforts of others” prong. In this case, the Company has not marketed XCH for its investment potential, had not sold XCH prior to October 2023 and had not introduced or supported secondary liquidity for XCH prior to October 2023; thus, applying Gary Plastic to XCH is ill-fitting.

Collectively, farmers of XCH and secondary market purchasers could not reasonably rely on the efforts of the Company to drive value to XCH because the Company has not communicated an intention to drive such value. Further, the decentralization of the fully functioning Chia blockchain renders it impossible for the Company to unilaterally drive value to XCH given the number of ecosystem participants and need for approval of nodes over any blockchain-wide improvements.

Accordingly, the Company believes that XCH that are in the Strategic Reserve and those currently in circulation originating from farming rewards or the secondary market should not be found to be an investment contract, as XCH itself fails the *Howey* Test, and thus should not be deemed a security under the Securities Act.

C. XCH Sold by the Company from the Strategic Reserve Beginning October 2023 Are Not Securities and such Sales Are Not Securities Transactions

Beginning in October 2023, the Company began the process of selling a small amount of XCH from the Strategic Reserve (the “Strategic Reserve Sales”). Pursuant to an agreement with a third party market maker (the “Third Party Agreement”), as of December 31, 2023, the Company had transferred 100,000 XCH, or less than 1% of the XCH in the Strategic Reserve, to a third party market maker to sell XCH in programmatic transactions on four non-US exchanges. As of December 31, 2023, the Company also transferred 150,000 XCH, or less than 1% of the XCH in the Strategic Reserve, to the same third party market maker to provide liquidity services on the same non-U.S. exchanges. The aggregate 250,000 XCH transferred constitutes less than 1.2% of the XCH from the initial Strategic Reserve. As of December 31, 2023, the Company had sold 124,929.09 XCH, or less than 1% of XCH from the initial Strategic Reserve.²² Up to approximately 50,000 XCH are to be sold by the third party each month. The Company has taken measures to ensure that all Strategic Reserve Sales are to non-U.S. persons by requiring that all sales pursuant to the Third Party Agreement are done via four non-U.S. centralized exchanges, each of which by its terms does not permit U.S. users. Further, substantially all of the typical volume on the secondary market for XCH was on centralized exchanges that do not permit U.S. users since October 2023.²³ For example, the 24 hour trading volume of XCH on March 28, 2024 on the only exchange that permits U.S. users was 0.08% of the secondary market. To date, the significant majority of third-party exchanges that list XCH, including the only exchange that permits U.S. users, do so without any contractual or economic relationship with the Company.

²² The Third Party Agreement provides that the Company originally transferred 200,000 XCH, or less than 1% of coins from the Strategic Reserve, to a new wallet managed by the third party, of which up to approximately 50,000 XCH may be sold by the third party each month on four non-U.S. centralized exchanges each of which by its terms does not permit U.S. users. The Company intends to transfer additional XCH periodically to the wallet controlled by the third party, and any XCH transferred to the third party that are not sold on behalf of the Company is expected to be used by such third party to provide liquidity of XCH on secondary markets.

²³ <https://www.coingecko.com/en/coins/chia> - Only trading activity associated with crypto.com can be considered to include U.S. persons trading XCH as crypto.com is the only exchange that allows U.S. users on its platform by its own terms. The Company cannot determine the volume of XCH purchased or sold by U.S. persons because the Company and crypto.com do not have any contractual relationship—crypto.com listed XCH on its own.

The Company has contracted with three non-U.S. exchanges (out of twenty-eight total exchanges that list XCH)) to facilitate listing, in each case in limited amounts of no more than \$50,000, as reimbursement for technical integration costs.

As of December 31, 2023, over 97% of the total circulating XCH were farming rewards generated through the Chia blockchain protocol and not from the Strategic Reserve.

1. XCH is not a Security

As discussed above in Sections A and B, the Company believes that XCH does not fall within the definition of a security, as holding XCH does not entitle holders to receive dividends (or other similar forms of payments or distributions) or to vote on governance matters of any company or even the Chia blockchain, the Chia blockchain is decentralized and fully functional, XCH transactions do not involve a common enterprise, the Company has focused its communications on XCH to its consumptive use and value of XCH is reliant on market forces rather than the efforts of the Company. The only rights embedded in XCH itself are to be able to use such coin to pay for transactions on the Chia blockchain and to be able to use XCH to secure the Chia blockchain via the PoST consensus mechanism. XCH provides its holder with no other rights, and therefore, as described above, does not fall within the definition of a security.

2. The Strategic Reserve Sales were not Securities Transactions

The Strategic Reserve Sales also were not securities transactions, as they fail the *Howey* test. No common enterprise, horizontal or vertical, existed as the purchasers' fortunes were not tied to the Company or any other holders of XCH. Additionally, like all holders of XCH, purchasers of XCH in the Strategic Reserve Sales did not receive any governance rights, voting rights, or control of the Company (or the Chia blockchain), nor did they receive any funds, revenue, profits, accounts receivables, interest, or yield from the Company (or the Chia blockchain) as result of purchasing the XCH. The XCH acquired by the purchasers in these transactions would have identical rights as all other circulating XCH: solely the ability to pay for transactions on and to secure the Chia blockchain; a blockchain that is decentralized and that the Company does not control.

The Strategic Reserve Sales are highly analogous to the blind programmatic sales by Ripple to retail investors in *SEC v. Ripple Labs, Inc.*, which were found not to be securities transactions because the third and fourth prongs of *Howey* were found not to be satisfied. In *Ripple*, the court found that retail investors that purchased XRP in such transactions did not purchase in reliance on the efforts of Ripple essentially because there was no privity between such investors and Ripple, and Ripple had not made promises to the general public or circulated promotional materials that would have objectively suggested that a buyer should reasonably rely on the efforts of Ripple to increase the value of their investment. Likewise, the sales of XCH from the Strategic Reserve were blind bid/ask transactions, and investors purchasing XCH would not have known their payments were ultimately going to the Company, and the Company does not know the identities of such purchasers. The sales of XCH from the Strategic Reserve were not made pursuant to contracts and did not include lockup provisions, resale restrictions, indemnification clauses, or statements of purpose, as was the case in *Ripple*.²⁴ Furthermore, as previously indicated, the Company has steadfastly focused its communications relating to XCH on the consumptive benefit of the Chia blockchain whereas the court found that Ripple made

²⁴ See *SEC v. Ripple Labs, Inc.*, 2023 U.S. Dist. LEXIS 120486, at *38 (S.D.N.Y. July 13, 2023),

general marketing materials related to the investment value of XRP publicly available. As such, the Company has an even stronger position that the purchasers in the Strategic Reserve Sales would have the same rights and expectations with respect to their XCH as all other holders of circulating XCH. As was established in Sections B.3 and B.4 collectively, such holders of XCH do not have a reasonable expectation of profits from the efforts of the Company.

3. **We note your use of the term “internet of markets” throughout. Please revise to explain this term on first use and consider adding it to your Glossary.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 1, 16, and 91 of Amendment No. 1 to explain this term when first used and to add it to the Glossary.

4. **We note statements on your website that you are “supported by reputable government agencies” and that you have “proactively engaged with the SEC.” Please supplementally provide us with support for these statements, including what actions you have taken with the SEC to be proactive regarding XCH and whether it is a security.**

Response: The Company respectfully acknowledges the Staff’s comment and supplementally advises the Staff that it is supported by government agencies that include the World Bank, International Finance Corporation (“IFC”), the Republic of Singapore, and the Kingdom of Bhutan. The Company was selected by the World Bank Group to develop the foundation of the Climate Action Data Trust (“CAD Trust”). The CAD Trust is an independent entity that was formed through a partnership between the World Bank, the International Emissions Trading Association, and the Republic of Singapore. The Kingdom of Bhutan was among the first nations to integrate its carbon data into the CAD Trust in November 2023. Additionally, the Company is an investor in the Carbon Opportunities Fund (“COF”), which is a partnership with entities including the IFC. The COF relies on the registry data, transparency, and trust created from the operation of the CAD Trust on the Chia blockchain.

Further, the Company supplementally advises the Staff that it previously engaged with the Staff regarding potential offering structures on a confidential basis through emails and meetings in 2018. The Company also confidentially submitted a Regulation A+ offering circular to the SEC in November 2018 and received a comment letter in early 2019. At that point, the Company, in discussion with strategic advisors, decided to focus on its business and planned for an initial public offering using a Registration Statement on Form S-1 at a later date.

5. **To the extent known, please revise to discuss the number and types of Layer 2 projects built on the Chia blockchain, and the extent of the Company’s role in the development of those projects. In addition, to the extent material, discuss any additional usage metrics relevant to an understanding of how the Chia blockchain compares to similar Layer 1 blockchain projects.**

Response: The Company respectfully acknowledges the Staff’s comment and advises the Staff that the Company is not involved in the development of Layer 2 projects by third-party developers or users on the Chia blockchain. To date and to the Company’s knowledge, Layer 2 projects are not material and are in the early stages of development but resemble the Lightning Network on Bitcoin. The Company creates primitives, including components to enable state channel peer-to-peer gaming (e.g., a version of Wordle or Rock Paper Scissors wherein two

parties create special types of transactions as part of the game) and components of the Internet Engineering Task Force Boneh–Lynn–Shacham Signature standard to enable Layer 2 rollups. The Company expects third parties may use these primitives to run their Layer 2 projects. Third parties have to date and are expected to continue to be primarily responsible for building Layer 2 projects on the Chia blockchain without involvement from the Company, although the Company may provide technology support if a third party engages the Company to do so.

Further, the Company respectfully acknowledges the Staff’s comment on additional usage metrics and respectfully advises the Staff that the Company has considered metrics relevant to the health and adoption of the Chia blockchain and disclosed those metrics considered by management. Most other Layer 1 blockchains use some version of the Account Model (explained in the section titled “Blockchain 101” in Amendment No. 1) making many comparisons to the Chia blockchain difficult. Bitcoin utilization is generally tracked by its fees paid per block. Chia blockchain fees paid per block is comparable to that of Bitcoin. The Company discloses average fees paid per block on page 78 of Amendment No. 1. The Company believes that some other metrics, such as total value locked, popularized by other Layer 1 blockchains, reflect activities that do not have substantial underlying economic value and therefore are not metrics valuable to investors evaluating the Chia blockchain and the Company. The Company further believes that total value locked as a metric is not comparable for the Chia blockchain because transactions using Offers technology, as described on pages 100 and 101 of Amendment No. 1, create liquidity and value for assets, but assets referenced in Offers are self-custodied and not locked. Thus, a substantial amount of value on the Chia blockchain cannot be considered locked whereas other blockchains and dApps with centralized smart contracts require value and assets to be locked in the smart contract.

6. **Provide disclosure of any significant crypto asset market developments material to understanding or assessing your business, financial condition and results of operations, including any material impact from the price volatility of crypto assets.**

Response: The Company respectfully acknowledges the Staff’s comment and advises the Staff that no recent significant digital asset market developments, beyond those disclosed in Amendment No. 1, would be material to understanding the Company’s business. In particular, the Company respectfully advises the Staff that the Company, its financial condition, and its operations have not been materially affected by the price volatility of digital assets.

In addition, the Company respectfully directs the Staff to the Company’s response to comment 33 below regarding the Company’s market risk assessment as related to digital asset volatility, particularly with regard to Bitcoin.

7. **We note your disclosure that you audit your implementations on the Chia blockchain to identify potential vulnerabilities, errors, bugs or failures on the Chia blockchain. Please revise your disclosure to provide greater details regarding your audit process, including how frequently audits are performed.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 27 and 107 of Amendment No. 1 accordingly.

8. **We note your disclosure that you do not have “direct” control, that you do not “directly” participate in farming and that you do not make money “directly” from allowing access to**

or development on the Chia blockchain. Please expand your disclosure to clarify if you have “indirect” control, “indirectly” participate in farming and if you “indirectly” make money from allowing access to or development on the Chia blockchain. Please provide expanded disclosure as applicable.

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 3, 5, 6, 7, 19, 37, 38, 75, 76, 80, 93, 105, 110, 113, and 115 of Amendment No. 1 accordingly.

9. **Please tell us where XCH can be traded, including the identity of the exchanges or platforms and the jurisdictions in which those trading venues for XCH are available.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on page 112 of Amendment No. 1 to discuss where XCH can be traded generally.

The Company further respectfully advises the Staff that, to date, most third-party exchanges list XCH without any contractual or economic relationship with the Company and the Company learns about the listing in the same way as the general public. As of December 31, 2023, based on a review of publicly available information as well as the Company’s engagement of a third party market maker, the exchanges listed below list XCH. The Company has included domicile or place of incorporation for exchanges where the Company could find that data publicly, but the Company generally does not have a relationship with these exchanges unless otherwise indicated, though the Company will provide unpaid integration technical support if asked. For each of the exchanges indicated by an asterisk below, the Company paid \$50,000 or less to such exchange to reimburse such exchange for technical integration costs. In some instances, the Company was not able to identify the jurisdictions where these exchanges operate. Additionally, as of December 31, 2023, Stably is the only non-exchange platform currently supporting XCH and the Company has previously partnered with Stably to provide various technical integration costs for Stably to make available its stablecoin on the Chia blockchain.

Exchange	Jurisdiction
AEX	—
Bibox	Estonia
BingX	British Virgin Islands
BitMart	Cayman Islands
BitUBU	Turkey
Bittrue *	Singapore
BitTurk	Turkey
BKEX	British Virgin Islands
CoinEx	Samoa
Coinstore *	Singapore
CoinW	Saint Vincent and the Grenadines
Crypto.com	Singapore
Deepcoin *	Singapore
DigiFinex	Seychelles
Gate.io	Cayman Islands
HitBTC	British Virgin Islands
Hotcoin Global	Australia
Huobi	Seychelles
Indodax	Indonesia
Jubi	Singapore
KuCoin	Seychelles
LBank	British Virgin Islands
MEXC	Seychelles
OKX	Seychelles
Pionex	British Virgin Islands
SuperEx	—
Uphold	United States
XT.com	Seychelles

* Indicates payments made to reimburse technical integration costs.

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10. **Please revise here and in the Business section to more prominently disclose your level of control over the initial development of the Chia blockchain, your influence on subsequent development of applications on the blockchain and discuss the “pre-farm” made available to the Company in the genesis block.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 1, 2, 3, 4, 5, 6, 74, 91, 105, 107, 110, and 115 of Amendment No. 1 accordingly.

11. **We note that the Carbon Opportunities Fund is a partnership between the International Finance Corporation, Aspiration, Cultivo, and Chia Network Inc. Please revise to provide a materially complete description of the fund and its intended operations, and disclose the material terms of the partnership, including any termination provisions. In addition, please file the partnership agreement as an exhibit or tell us why it is not required.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 2, 3, 92, and 93 of Amendment No. 1 to provide additional information on the COF, its operations, and the Company's involvement in the COF.

The Company further respectfully advises the Staff that it does not believe that the terms of the COF partnership agreement are material to an investor's decision to invest in the Company. The Company entered into the COF partnership agreement in the ordinary course of business as part of a framework for investments in technological innovations to enable the voluntary carbon market. The Company's business is not substantially dependent on such partnership agreement, nor is its investment as a limited partner in the partnership material to its business. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word "dependent" must be afforded substantive meaning. To be "dependent" on something is to have no other reasonable recourse. While the COF partnership agreement presents an opportunity for the Company to shape future investments in the voluntary carbon market, the COF partnership agreement has not yet resulted in a return on the investment the Company made in the COF and has not impacted the Company's business or operations. The Company has agreed to invest up to \$1.0 million in the COF, and as of March 31, 2023 it had only invested \$100,000, which represents the maximum exposure that the Company has in the COF to date. The COF partnership agreement and the Company's limited partnership role provide the opportunity for a return on investment. Should the partnership evolve or develop such that the Company derives material value from the COF or the COF becomes material to the Company's business and operations, the Company respectfully confirms that such partnership agreement will be properly filed as an agreement upon which the Company is dependent. For the foregoing reasons, the Company does not believe that its business is substantially dependent on the COF partnership agreement, and therefore it does not believe it is required to file the COF partnership agreement as an exhibit pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

12. **We note your disclosure that you were "selected to develop the foundation of the [Climate Action Data Trust]" and that you "expect this implementation to scale into a complex voluntary carbon market." Please revise to provide a materially complete description of the trust and its intended operations, and disclose the material terms of your agreement to develop and implement the foundation layer, including any timeframes and termination provisions. In addition, please file the agreement as an exhibit or tell us why it is not required.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 2, 3, 92, and 93 of Amendment No. 1 to provide additional information on the CAD Trust, its intended operations, and the implementation the Company is developing.

The Company further respectfully advises the Staff that it does not believe that the terms of the Company's agreements with the World Bank and the CAD Trust are material to an investor's decision to invest in the Company. The Company's agreements were entered in the ordinary course of business for purposes of expanding the Company's role in the voluntary carbon market

and acquiring customers; however, the Company's business is not substantially dependent on such agreements. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word "dependent" must be afforded substantive meaning. To be "dependent" on something is to have no other reasonable recourse. While the Company believes that the Company's relationship with the CAD Trust presents an opportunity for the Company to develop and play a central role in the development and future of the voluntary carbon market, to establish a proof of concept, and to acquire customers, the Company's does not receive materially significant revenue from the World Bank or CAD Trust, nor do the World Bank and CAD Trust agreements significantly impact the Company's business or operations. If the agreements with the World Bank and CAD Trust become material to the Company's business and operations, the Company respectfully confirms that any such material agreements with the World Bank and CAD Trust will be properly filed as agreements upon which the Company is dependent. For the foregoing reasons, the Company does not believe that its business is substantially dependent on its agreements with the World Bank and CAD Trust, and therefore it does not believe it is required to file any such agreements as exhibits pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

13. **Throughout the prospectus, you highlight the fact that the Chia blockchain is "compliant." Please revise as appropriate to provide a more detailed discussion regarding how the Chia blockchain is "compliant." In that regard, it is unclear whether you are referring to the blockchain itself or the applications the Company is developing on the Chia blockchain.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 1, 91, and 104 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that it intends to convey that the Chia blockchain is compliant in two ways. First, the Company believes that the native currency of the Chia blockchain is compliant with securities and commodities laws, as the Company believes XCH is not a security in the United States and is instead regulated as a commodity by the Commodity Futures Trading Commission. The Company respectfully directs the Staff to the Company's response to comment 2 above. The Company also respectfully notes that it is not operating as an exchange, broker-dealer, or a transfer agent. Second, the Company ships software development kits, primitives, and tools that allow customers and third-party projects and users of the Chia blockchain to customize their assets or decentralized applications ("dApps") to comply with their applicable regulations. For example, a customer could design its asset to only be purchasable by someone who presents cryptographic evidence that they have completed Know Your Customer ("KYC") information with an approved KYC vendor.

14. **We note your disclosure that half of your Strategic Reserve is held by your Swiss subsidiary. Please include an organizational chart depicting the company's structure.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 8 of Amendment No. 1 to include the Company's organizational chart.

Channels for Disclosure of Information, page 5

15. **You indicate that you intend to utilize multiple avenues for the dissemination of material information regarding the company, including through your website and other online platforms. Please revise your disclosure to clarify that your release of material information**

on other platforms does not limit your requirements to make such disclosures under the U.S. federal securities laws.

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 8 of Amendment No. 1 accordingly.

Risk Factors, page 14

16. **Describe any material risks to your business from the possibility of regulatory developments related to crypto assets and crypto asset markets. Identify material pending crypto legislation or regulation and describe any material effects it may have on your business, financial condition, and results of operations.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 31 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that the Company's management and board of directors continuously monitor proposed legislation in the United States, Europe, and Asia.

17. **To the extent material, describe any gaps your board or management have identified with respect to risk management processes and policies in light of current crypto asset market conditions as well as any changes they have made to address those gaps.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 36 of Amendment No. 1 to indicate that the Company's board of directors and management consider risks related to digital assets and blockchain technology as part of the Company's risk management policies and procedures.

The Company further respectfully advises the Staff that, other than the Company's Strategic Reserve, the Company does not hold a significant amount of digital assets and does not actively trade in digital assets. The Company held an immaterial quantity of non-XCH digital assets, with an aggregated carrying value of \$0.03 million as of December 31, 2023. The Company's board of directors and management assess the Company's exposure to digital assets as compared to fiat currency, and the Company has maintained a position of not increasing the Company's holdings in Bitcoin. The Company has not and does not intend to hedge digital assets. The Company's board of directors and management continually assess the Company's risk management policies and procedures, including those related to digital assets and blockchain technology.

A particular digital asset's status as a "security" in any relevant jurisdiction, page 26

18. **We note the statements in the risk factor on page 26 that the legal test for determining whether a particular crypto asset is a security may "evolve over time," that the "SEC's views in this area may have evolved over time and it is difficult to predict the direction or timing of any continuing evolution" and "[i]t is also possible that a change in the governing administration or appointment of new SEC commissioners could substantially impact the views of the SEC and its staff." Please remove these statements as the legal tests are well-established by U.S. Supreme Court case law and the Commission and staff have issued reports, orders, and statements that provide guidance on when a crypto asset may be a security for purposes of the U.S. federal securities laws.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 32 and 33 of Amendment No. 1 accordingly.

Material weaknesses in our internal control over financial reporting..., page 42

19. **We note your disclosure that your Strategic Reserve was put in the custody of your Chief Executive Officer and that there was a single point of failure. Under an appropriately captioned heading, please provide more information regarding this failure. Please also include details regarding your custodial practices for your Strategic Reserve, including the items below:**

- **briefly discuss what portion of your Strategic Reserve is held in hot wallets and cold wallets;**
- **disclose the geographic location where the Strategic Reserve is held in cold wallets and how the private keys are located;**
- **identify any custodians you use and discuss the material terms of any agreements you have with them;**
- **identify the person(s) that have access to the Strategic Reserve and whether any persons (e.g., auditors, etc.) are responsible for verifying the existence thereof;**
- **describe the terms and provisions of your insurance policies, if any, covering your Strategic Reserve and clarify whether any insurance providers have inspection rights. To the extent there are no such policies, please revise your disclosure to so clarify and expand your risk factor disclosure as appropriate;**
- **identify the person(s) that have the authority to release the Strategic Reserve from your wallets; and**
- **to the extent applicable, please discuss the impact a bankruptcy would have on your Strategic Reserve.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 40 of Amendment No. 1 to provide more information regarding the remediated single point of failure. The Company has also revised the disclosure on pages 5 and 111 of Amendment No. 1 to include additional information related to custodial practices for the Strategic Reserve.

The Company further respectfully advises the Staff that certain of the Company's officers, directors, and members of management have access to the Strategic Reserve, however, the Company respectfully declines to list the names of those individuals for security reasons.

20. **We note your disclosure that the company can void fraudulent transactions and recover funds of your Strategic Reserve during predetermined clawback periods. Please expand your disclosure to explain how the process for determining and voiding fraudulent transactions works, as well as the process for setting the predetermined clawback periods. Please also disclose whether this is only available to the XCH in your Strategic Reserve and how frequently the clawback periods occur.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 50 and 111 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that this software is not unique to the Company's Strategic Reserve. It is part of the Company's Advanced Custody tools that are available to all users of the Chia platform.

Management's Discussion and Analysis of Financial Condition and Results of Operations Overview, page 66

21. **We note your disclosure on page 67 that you launched a stablecoin in January 2022. Please revise to provide more detail about the stablecoin, your related rights and obligations, and how you are accounting for the stablecoin and why.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 75 and 112 of Amendment No. 1 to clarify the Company's relationship with Stably and the USDS stablecoin Stably provides on the Chia blockchain.

The Company further advises the Staff that, pursuant to its partnership with Stably, the Company pays Stably for various technical integration costs in order for Stably to make available its USDS stablecoin, its wrapped BTC and its wrapped ETH and to enable Stably users to move between USDC on ETH and USDS on the Chia blockchain from their Stably accounts. The Company has no rights or obligations related to Stably's USDS (nor its wrapped BTC and wrapped ETH) and therefore, the Company respectfully advises the Staff that it does not account for Stably's USDS.

22. **We note your disclosure on pages 67 and 103-104 concerning wallets. You disclose on page 103 that there are two types of wallets - custodial and self-custodial. Please tell us the following concerning your wallets:**

- **If you offer, or plan to offer, both custodial and self-custodial wallets;**
- **You disclose that, in January 2022, you launched a self-custodial wallet. Please tell us in more detail about the wallets and your related rights and obligations;**
- **Explain in greater detail the "system of backup wallets" for self-custodial wallets disclosed on page 104; and**
- **Tell us how you considered SAB Topic 121 for all of your wallet relationships.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 75 of Amendment No. 1 to provide additional details about the self-custodial software wallet that the Company offers.

The Company further respectfully advises the Staff that the Company does not plan or intend to offer a custodial wallet or to add such custodial services to its business, and the Company has revised the disclosure on page 107 of Amendment No. 1 accordingly. The Company's self-custodial software wallet is available for users to download, and the Company has no rights or obligations to such users.

The "system of backup wallets" refers to backup wallets where an individual key holder's wallets can be used in a quorum to remove and replace a lost or stolen key of another key holder using the Company's generally available Advanced Custody tools. For example, if one of the five keys managing the Strategic Reserve was to be lost, and its backup key also failed, three of the other key holders can sign a transaction that will alter the vault to include a newly created key to replace the lost key.

In addition, the Company respectfully advises the Staff that it considered SAB Topic 121, which provides interpretive guidance regarding the accounting for and disclosure of the obligation to safeguard digital assets that an entity holds on behalf of its platform users. The Company notes that SAB 121 states that when an entity provides its platform users with the ability to transact in digital assets, it may have an obligation to safeguard the platform user's digital assets and maintain the cryptographic key information necessary for users to access these assets. In this case, an entity should present a liability on its balance sheet to reflect its obligation to safeguard the digital assets held for its platform users. The Company does not provide a platform that allows any third parties to transact in digital assets (e.g., purchase, sell, exchange, or otherwise transfer digital assets). The Company offers a self-custodial software wallet, which is a software tool that, upon installation by a user, allows them to hold and control their own private keys to their digital assets. The Company does not provide custody services to users of the Chia platform, does not maintain private keys to user digital assets, and does not have the ability to recover these private keys for users. The Company does not have a formal relationship with any users of the Chia platform unless the users have engaged the Company for professional and/or subscription and support services and, even then, the Company does not provide custodial services for its customers. Thus, the Company has no rights or obligations related to the self-custodial software wallet or the digital assets held by users in their wallets. Accordingly, based on the nature of the Company's business, the Company determined that the interpretive guidance in SAB Topic 121 would not apply to its self-custodial software wallet.

23. **We note your disclosure that in “November 2021 – We launched the Circular Drive Initiative, a partnership between us, Seagate, Western Digital, and Bill McDonough, to reduce hard drive destruction and increase reuse of hard drives.” Please revise where appropriate to provide a materially complete discussion of the Circular Drive Initiative and the terms of the partnership and any agreements entered into. In addition, please file the agreements as exhibits.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 75 of Amendment No. 1 to provide additional details about the Circular Drive Initiative (the “CDI”) and the Company's membership in the CDI.

The Company further respectfully advises the Staff that it does not believe that the terms of the CDI membership agreement are material to an investor's decision to invest in the Company. The CDI is a 501(c)(6) membership association that the Company helped start in the ordinary course of its business and operations as part of the Company's efforts to drive a reduction of e-waste by promoting the reuse of storage hardware. The Company considers its membership in the CDI as part of its environmental, social, and governance initiatives. The Company's business is not dependent on the CDI, nor is the CDI material to the business of the Company. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word “dependent” must be afforded substantive meaning. To be “dependent” on something is to have no other reasonable recourse. Being a steward member of the CDI provides the Company an opportunity to promote sustainable storage hardware usage and practices and add supplies of used drives to the market for farmer acquisition, but such activity is not material to the Company's operations and the Company does not derive any revenue through the CDI. The Company estimates that it spends less than \$40,000 annually on the CDI. Should the Company's relationship with the CDI evolve or develop such that the Company's role in the CDI provides material value to the Company or becomes material to its business and operations, the Company respectfully confirms that the membership agreement will be properly filed as an agreement upon which the Company is

dependent. For the foregoing reasons, the Company does not believe that its business is dependent on the CDI, and therefore it does not believe it is required to file the CDI membership agreement as an exhibit pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

24. **We note that you own or have issued crypto assets, including, but not limited to, 21 million XCH tokens. To the extent material, explain whether these crypto assets serve as collateral for any loan, margin, rehypothecation, or other similar activities to which you or your affiliates are a party. If so, identify and quantify the crypto assets used in these financing arrangements and disclose the nature of your relationship for loans with parties other than third parties. State whether there are any encumbrances on the collateral. Please also disclose whether the current crypto asset market disruption has affected the value of the underlying collateral and explain any material financing and liquidity risk this raises for your business.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 80 of Amendment No. 1 to confirm that no digital assets issued or held by the Company served as collateral for any loan, margin, rehypothecation, or other similar activities to which the Company or its affiliates are a party through the date of the last filing.

The Company further respectfully advises the staff that commencing October 2023, the Company made available 150,000 XCH, or less than 1% of coins from our Strategic Reserve, to a third party market maker to provide liquidity on non-U.S. third party exchanges that are not available to persons in the United States. As XCH is not a token that can be staked via a Proof of Stake consensus mechanism, the Company believes that the XCH provided to the market maker does not serve as any margin or rehypothecation. The Company also respectfully directs the Staff to the Company's response to comment 2 above. Further, the XCH provided to the third party market maker is not encumbered to the Company's knowledge. The Company respectfully advises the Staff that it does not believe the current volatility or disruption of digital asset markets affects or raises the risk for the Company's business beyond what is disclosed in Amendment No. 1.

25. **We note your assertion that the "blockchain trilemma" dictates that a blockchain "can be only two of fast, decentralized, or secure." Please revise to provide a more complete description of the "blockchain trilemma" and clarify whether this is a widely accepted limitation of blockchain technology or simply a technological hurdle that could be solved in the future, and provide support for your assertion or belief.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 3, 15, 76, and 93 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that Vitalik Buterin, the co-founder of Ethereum, coined the term "blockchain trilemma" and discusses it in an article on his website entitled "Why sharding is great: demystifying the technical properties," which was published in April 2021.

26. **We note that you developed WalletConnect, which offers cross-blockchain support. Please revise to discuss which blockchains WalletConnect has integrated and include a detailed description of the functionalities WalletConnect offers to users.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 75 of Amendment No. 1 accordingly to clarify that WalletConnect is a third-party infrastructure company that makes its suite of application programming interfaces available to developers. Its open source protocol is widely used by many blockchains in the industry.

27. **We note your disclosure that “We may be faced with a choice between projects that develop our ecosystem, the Chia blockchain, and the Chia platform, and that are intended to maximize long-term revenue and potentially increase the value of our Strategic Reserve versus projects that maximize near-term revenue.” Please revise to clarify that the interests of Chia “farmers”, other public XCH holders, and customers that may utilize your development services, may not be aligned with the interest of the Company or its shareholders. Please also revise to provide related risk factor disclosure.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 20, 21, and 76 of Amendment No. 1 accordingly.

28. **We note your disclosure throughout that as of March 31, 2023 you have only had one customer. Please revise your disclosure to identify this customer.**

Response: The Company respectfully acknowledges the Staff's comment and has updated the disclosure on pages 23 and 76 of Amendment No. 1 to indicate that the Company has three customers as of December 31, 2023.

The Company further respectfully advises the Staff that the Company's three customers to date are the World Bank Group, the CAD Trust, and Data Vault Holdings, Inc. The Company believes that neither the identities of these customers, nor the terms of the Company's agreements with the World Bank Group, the CAD Trust, and Data Vault Holdings, Inc. are material to an investor's decision to invest in the Company because the Company has not received and does not expect to receive materially significant revenue from the World Bank Group, the CAD Trust, or Data Vault Holdings, Inc. nor do the World Bank Group, the CAD Trust, and Data Vault Holdings, Inc. agreements significantly impact the Company's business or operations. While such agreements may in the future provide additional customer opportunities for the Company, no such agreements have been entered into and the Company plans to assess whether any such future agreements are material to the Company's business or operations at the time they are entered into.

Average Nakamoto Coefficient, page 70

29. **Please revise to provide a more complete discussion of the Nakamoto Coefficient for the Chia blockchain and provide a detailed discussion of the underlying calculations and assumptions made in determining it. As part of your disclosure, provide a discussion of the limitations and manipulability of the Nakamoto Coefficient. Please also provide sources for your disclosure on page 109 that Ethereum has a Nakamoto Coefficient of one. Finally, include disclosure regarding how the Chia blockchain's Nakamoto Coefficient compares to other blockchains with similar attributes.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 53, 78, and 79 of Amendment No. 1 to discuss underlying calculations and assumptions as well as limitations and manipulability of the Nakamoto Coefficient.

The Company further respectfully advises the Staff that the Company has revised page 66 of Amendment No. 1 to include a source link related to Vitalik Buterin's complete presentation at the Science of Blockchain Conference 2022 where he discusses how Ethereum is partially automated, includes social consensus on top of its blockchain consensus mechanism, and leaves room for human messaging to allow validators to choose which blockchain is the proper Ethereum blockchain. Finally, the Company respectfully advises the Staff that disclosure regarding how the Chia blockchain's Nakamoto Coefficient compares to other blockchains, specifically Bitcoin and Ethereum, are included on pages 124 and 125 of Amendment No. 1.

Average Node Count, page 70

30. **We note your disclosure that there were 119,926 active nodes as of March 31, 2023. We further note that there were several months between the launch of the Chia Blockchain in March 2021, and when transactions were enabled in May 2021. Please revise to clarify whether individuals or entities can create more than one node. In addition, please clarify the number and percentage of active nodes that the Company and related parties controlled after the initial launch of the Chia blockchain, for each period presented, and as of the most recent practicable date. Further, discuss any known concentration in the control of the active nodes both geographically and by specific persons or entities.**

Finally, to the extent applicable, revise to discuss the total number of XCH that the Company has farmed since the genesis block and whether you have sold or otherwise disposed of those tokens.

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 53 and 79 of Amendment No. 1 related to active nodes to provide additional details regarding the creation of nodes and information known about nodes. In addition, the Company has revised the disclosure on pages 5, 6, 80, and 110 of Amendment No. 1 related to XCH to clarify that it has not farmed any XCH.

The Company further respectfully advises the Staff that the number of nodes are calculated based on IP addresses and therefore it is not possible to know the identity of an individual or entity running a node. The only way for the Company to know about the number of nodes run by related parties is to contact and ask each related person and entity. As of March 30, 2023, more than 95% of nodes were run on home internet service providers, rather than a cloud-based service provider, based on IP addresses. Given that average node count as of December 31, 2023 was 95,142 and that generally a person or entity only runs one node, if all related parties ran one node each, the number of nodes run by the Company, directors, officers, and 5% holders would be less than 0.01% of nodes. As a related matter, the Company notes that, pursuant to the Company's policy, employees and contractors are not permitted to use Company systems and hardware to participate in farming.

The Chia Strategic Reserve, page 71

31. **We note your disclosure on pages 71 and 96 regarding a potential value for your Strategic Reserve of \$1.5 billion and \$818 million at March 31, 2022 and March 31, 2023, respectively. Please tell us the following:**
- **How you determined that this disclosure of the potential value of the Strategic Reserve is appropriate under Item 303 of Regulation S-K;**

- **How you determined that the Messari Market Intelligence data represents a potential value for XCH; and**
- **How the value of XCH was determined given that you have never sold, gifted, loaned, collateralized, or otherwise disposed of any XCH and own the entire 21 million XCH in your Strategic Reserve.**

Response: The Company respectfully acknowledges the Staff's comment and respectfully advises the Staff that, in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for internally developed intangible assets, the Company carries the value of its Strategic Reserve at a zero dollar value. However, the Company believes the Strategic Reserve represents a potential significant source of Company and stockholder value if the Company can sell, distribute or dispose of it. The Company respectfully advises the Staff that the Company considers it important to disclose the potential value of the Strategic Reserve under Item 303 of Regulation S-K because the Company intends to transfer the XCH value in the Strategic Reserve to its stockholders over time or use the Strategic Reserve in the general course of its business based on business needs and applicable regulations. The Company has, and may in the future continue to, sell, distribute, dispose of, or otherwise receive value in exchange for small amounts of XCH from the Strategic Reserve. Such future sales, distributions, or disposals may include selling XCH from the Strategic Reserve and repurchasing the Company's common stock with the proceeds. Any such activities are subject to applicable regulations, applicable approvals, and tax considerations at the time of such sale, distribution, disposition, dividend, realization, or use. Therefore, the Company believes that disclosing the potential value of the Strategic Reserve provides material information relevant to the Company's financial condition. Any potential use of the Strategic Reserve in the manner described above would have a material impact on the Company's financial condition and the Company believes that it is important to include this information in order to enhance a reader's understanding of the Company's financial condition. Further, management takes into account the potential value of the Strategic Reserve when considering the Company's financial condition, therefore, management considers it important to share this information with investors and stockholders.

In addition, the Company respectfully advises the Staff that it determined the disclosed value of the Strategic Reserve using publicly available data from digital asset exchanges as aggregated by Messari.io. The Company relies on aggregators to look at price and volume data across multiple digital asset exchanges where XCH trades. Within the industry, the Company believes that Messari.io has a good reputation for market data and takes a thoughtful approach to market analytics. For example, Messari.io adjusts its volume metrics to exclude or discount reported numbers on digital asset exchanges suspected of undertaking wash sales and other manipulative market behavior.

While the Company had never sold, gifted, loaned, collateralized, or otherwise disposed of any XCH to any parties prior to October 2023, the Chia blockchain protocol, upon the network being launched and fully operational as of March 2021, creates XCH that rewards block validators (Chia farmers) and there is a trading market on several digital asset exchanges for XCH. Using a standard market capitalization methodology, the Company multiplied the total number of XCH in the Strategic Reserve by the reported market price (unadjusted for a potential corporate tax impact or liquidity) as of the reporting date.

32. **We note your disclosure that at March 31, 2022 you “held digital assets that primarily consisted of 67.5 Bitcoins.” Please revise to identify each crypto asset held by the Company as of the most recent practicable date, including the quantity and value of each crypto asset held.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 86 and 88 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that, with the exception of Bitcoin and the Company’s Strategic Reserve of XCH, as of March 31, 2023, the balances of the Company’s other digital asset holdings were immaterial, with a carrying value as of that date of less than \$25,000 in the aggregate. Those coins were purchased and held primarily for testing and research purposes. Given their carrying value of less than \$25,000, the Company does not believe that the identities or quantities of these digital assets are material to an investor’s decision to invest in the Company. As of December 31, 2023, the Company’s balance of Bitcoin was also immaterial. The Company respectfully directs the Staff to the Company’s response to comment 17 above.

Quantitative and Qualitative Disclosures About Market Risk, page 76

33. **We note your disclosure that a hypothetical 10% decrease in the fair value of Bitcoin during the periods presented would not have a material impact on your consolidated financial statements. Tell us the following concerning this disclosure:**

- **How you reached this conclusion given your disclosure on page F-7 that you are a, “South San Francisco-based digital asset company,” digital assets represents the second largest asset on your Balance Sheet after cash and cash equivalents, and impairment of digital assets represented approximately 4% of total operating expenses in the year ended March 31, 2022; and**
- **How you considered including additional volatility levels (20%, 30%, etc.) given the volatility in digital assets (e.g. Bitcoin) in recent periods.**

Refer to Item 305 of Regulation S-K.

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on page F-8 of Amendment No. 1 to clarify that the Company is a South San Francisco-based software company.

The Company further advises the Staff that the Company has maintained a position of not increasing the Company’s holdings in Bitcoin and the Company has not and does not intend to hedge any digital assets.

Additionally, as of March 31, 2023, the Company concluded that neither a 10%, 20%, nor 30% decrease in the fair value of Bitcoin would materially impact the Company’s financial statements. The \$28,336 per coin market price of Bitcoin as of March 31, 2023 was significantly above the carrying value per unit of the Company’s highest-valued Bitcoin tranche of \$15,944, meaning that the Company carried its Bitcoins at a discount of 43.7% or more below the market price of Bitcoin as of March 31, 2023. Thus, given that the carrying value of digital assets cannot be written up following an impairment, a drop of less than 43.7% in the fair value of Bitcoin would require no further impairment and it would not have an impact on the Company’s financial statements. The Company also respectfully directs the Staff to the Company’s response to

comment 32 above that as of December 31, 2023, the Company's balance of Bitcoin was also immaterial.

Business, page 80

34. **We note your disclosure on page 67 that in “January 2022 – We launched Offers files, a stablecoin by Stably, and a self-custodial wallet.” We further note that in order to purchase XCH through the portal on your website, purchasers are required to utilize the Stably stablecoin USDS. Under an appropriately captioned heading, please revise to provide a discussion of your relationship with Stably, the material terms of any agreements you have with them and file any agreement that you have with them as an exhibit or tell us why you are not required to do so. In addition, we note disclosure on your website that USDS is an “audited and fully backed stablecoin.” Please revise to provide disclosure regarding USDS and its integration into the Chia blockchain and wallet, as well as what you mean by the statement on your website that it is “audited and fully backed.”**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 75 and 112 of Amendment No. 1 to clarify the Company's relationship with Stably and the USDS stablecoin Stably provides on the Chia blockchain.

The Company further advises the Staff that its partnership with Stably included the Company paying Stably for various technical integration costs in order for Stably to make available its USDS stablecoin, its wrapped BTC, its wrapped ETH, and the ability for Stably users to move between USDC on ETH and USDS on the Chia blockchain from their Stably accounts. The Company has no rights or obligations related to Stably's USDS (nor its wrapped BTC and wrapped ETH) and therefore, the Company respectfully advises the Staff that it does not account for Stably's USDS.

In addition, the Company respectfully advises the Staff that its statement on its website that USDS is “audited and fully backed” was based on attestations provided on Stably's website. Per its public disclosures on its website, Stably engages a digital asset accounting and auditing firm to conduct monthly attestations and verify that the entire supply of issued coins is consistent with assets held in a collateral account managed by Stably's regulated trustee/custodian, Prime Trust, who holds all of Stably's customer fiat funds at Federal Deposit Insurance Corporation-insured banks. Such information is available at <https://stably.io/attestations/>. The Company is not privy to any of the audit information behind such attestations. As of the date of this letter, Prime Trust was placed into receivership by the Nevada Financial Institutions Division, which affected the ability of Stably to issue and redeem USDS, wrapped BTC, and wrapped ETH on the Chia blockchain because Prime Trust provided custody services to Stably. The Company does not have additional information regarding the assets custodied by Prime Trust. Accordingly, the Company has revised its website and removed the statement that USDS is “audited and fully backed.” The Company has also revised the disclosure on pages 22 and 37 of Amendment No. 1 to discuss the difficulty blockchain industry participants may have in accessing the services of custodians.

The Company further respectfully advises the Staff that it does not believe that the terms of the Stably agreement are material to an investor's decision to invest in the Company. The partnership was entered into in the ordinary course of the Company's business and operations as part of the Company's efforts to drive adoption and accessibility of the Chia blockchain. The Company's business is not dependent on the Stably partnership, nor is the Stably partnership material to the

business of the Company. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word “dependent” must be afforded substantive meaning. To be “dependent” on something is to have no other reasonable recourse. The partnership with Stably, Stably’s release of its stablecoin, its wrapped BTC, and its wrapped ETH, and the ability for Stably users to move between USDC on ETH and USDS on the Chia blockchain from their Stably accounts makes the Chia blockchain more accessible and appealing to users and developers, thereby increasing the potential users of the Chia blockchain and potential customers of the Company; however, such contributions and integrations to the Chia blockchain are not material to the Company’s operations and the Company does not derive any revenue as a result of its partnership with Stably. Should the Company’s relationship with Stably evolve or develop such that the Stably partnership provides material value to the Company or becomes material to its business and operations, the Company respectfully confirms that any agreement with Stably will be properly filed as an agreement upon which the Company is dependent. For the foregoing reasons, the Company does not believe that its business is dependent on its partnership and any previous agreements with Stably, and therefore does not believe it is required to file its previous agreement with Stably as an exhibit pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

35. **We note your disclosure that you developed and operate Offers, which allows peer-to-peer trading of assets on the Chia blockchain. Please revise to identify the crypto assets that Offers facilitates the trading of, as well as the amount of each crypto asset exchanged broken out by period. Please also disclose whether you have plans to expand the crypto assets that Offers facilitates the trading of. In addition, discuss whether the development or operation of this exchange triggers any obligations under the Securities Act or Securities Exchange Act, including any requirements to register as a national securities exchange, alternative trading system or broker-dealer, or any other obligations.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 100 and 101 of Amendment No. 1 to provide additional details on the Offers technology.

The Company further respectfully advises the Staff that Offers is a technology component of the self-custodial software wallet available for download and that the Company does not operate Offers, administer Offers, or participate in trades or transactions conducted using Offers.

Individuals and entities can use Offers to conduct direct, peer-to-peer transactions, and the Company is not involved in any such activities. An Offer is a bech32m-encoded, signed, partial transaction. The maker can offer any type of coin – a non-fungible token (“NFT”), a Chia Asset Token (“CAT”), plain XCH, or (planned for calendar year 2024) a DataLayer update transaction – in exchange for any type of coin or coins using a user interface in the Company’s self-custodial software wallet or via other wallets available from third parties in the Chia blockchain ecosystem. The coins offered must be valid individual coins that exist on the blockchain and are not fungible, meaning that the maker specifies exactly which coin(s) or exactly which NFT it is offering. The maker then artificially creates either the specific coin(s) or the amount and class of coin, like a CAT, that it wants in return. Then, the maker signs that partial transaction. (If the maker attempted to submit this partial transaction to the blockchain, nodes would reject it as it creates coin(s) that do not exist, which violates a core consensus rule.) The maker can then safely and securely communicate its Offer over any communication channel, such as email, websites like Reddit, Twitter, Pastebin, and Dexie.space, using text or QR codes.

Anyone who sees or receives the Offer can inspect it and confirm if it is still valid by confirming the coin(s) being offered remain available on the Chia blockchain. If the taker wishes to accept the Offer, the taker creates a partial transaction that spends in the coin(s) that the taker's wallet controls and that the maker is requiring in the Offer. The taker then signs that partial transaction. As long as the two partial transactions correctly balance out, this transaction is now valid and the taker submits it to the mempool for settlement.

The maker can cancel any pending Offer by spending the coins in the Offer into a new coin at a different wallet address under the control of the maker. This action invalidates that Offer regardless of its status, as a taker can clearly see that the offered coins no longer exist. In its 1.8.0 release in May 2023, the Company implemented a soft fork (CHIP-14) that will add new functionality to Chialisp that makes a coin or partial transaction not spendable after a specific time or block height. That soft fork activated on July 2, 2023 and allows a maker optionally specify a blockchain-enforced expiration time, which will add convenience in making Offers while limiting the occurrence of a forgotten offer being taken later after a market has moved against the maker.

Therefore, the Company does not believe that the development of the Offers technology triggers any obligations for the Company under the Securities Act or Securities Exchange Act as the Company is not enabling or operating a securities exchange platform. Further, Offers is not an exchange operated by the Company and the Company has no economic interest in the transactions executed using Offers. The Company respectfully advises the Staff that the Company does not and cannot dictate what assets can be exchanged using Offers.

The Company additionally respectfully advises the Staff that the Company does not believe that identification of the amount of each digital asset exchanged by period is relevant to an investor or stockholder and the Company notes that any digital asset available on the Chia blockchain can be part of an Offer. Creating a list of every NFT issued and traded as an Offer and every CAT issued and traded by asset ID would be difficult as those issuances are permissionless and could have been conducted by users and entities around the world without metadata that would allow those assets to be identified.

36. **We note that the Chia blockchain permits the creation of Chia Asset Tokens “CATs” and Non-Fungible Tokens “NFTs.” Please revise to clarify whether the Company has generated any CATs or NFTs since the launch of the Chia blockchain. To the extent you have, please revise to provide a materially complete discussion of those activities.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 107 of Amendment No. 1 accordingly.

37. **If material to an understanding of your business, describe any direct or indirect exposures to other counterparties, customers, custodians, or other participants in crypto asset markets known to:**
- **Have filed for bankruptcy, been decreed insolvent or bankrupt, made any assignment for the benefit of creditors, or have had a receiver appointed for them.**
 - **Have experienced excessive redemptions or suspended redemptions or withdrawals of crypto assets.**

- **Have the crypto assets of their customers unaccounted for.**
- **Have experienced material corporate compliance failures.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 26 of Amendment No. 1 to describe such exposures.

Additionally, the Company respectfully directs the Staff to the Company's response to comment 38 below regarding exposure to recent bankruptcies in the digital asset and blockchain markets. While not material to the Company's business, operations, or financial condition, the Company also respectfully directs the Staff to the Company's response to comment 34 above regarding Prime Trust being placed into receivership.

38. **To the extent material, discuss how recent bankruptcies in the market and the downstream effects of those bankruptcies have impacted or may impact your business, financial condition, customers, and counterparties, either directly or indirectly. Clarify whether you have material assets that may not be recovered due to the bankruptcies or may otherwise be lost or misappropriated.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 26 of Amendment No. 1 to further describe how such bankruptcies have impacted and may impact the Company.

The Company further respectfully advises the Staff that it was not and is not directly exposed to recent bankruptcies in the digital asset and blockchain markets and its customers are not in the digital asset and blockchain industry. The Company does not have any assets that may not be recovered due to such bankruptcies or may otherwise be lost or misappropriated. The Company respectfully advises the Staff that its business is software development for its customers and that it does not hold significant amounts of digital assets, other than its Strategic Reserve. As a software company focused on creating code to integrate the Chia blockchain into real-world applications, the Company is indirectly affected by the views of the general public and the regulatory stance on blockchain technology and digital assets because negative perceptions make it difficult to acquire customers and increase usage of the Chia blockchain. While not material to the Company's business, operations, or financial condition, the Company also respectfully directs the Staff to the Company's response to comment 34 above regarding Prime Trust being placed into receivership, which may affect users of Stably issued digital assets on the Chia blockchain.

39. **Please revise to describe any policies and procedures that are in place to prevent self-dealing and other potential conflicts of interest. Describe any policies and procedures you have regarding the commingling of assets, including customer assets, your assets, and those of affiliates or others. Identify what material changes, if any, have been made to your processes in light of the recent crypto asset market disruption.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 101 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that it does not custody any customer, affiliate, or user assets and therefore it is not possible to commingle such assets with the Company's assets. While the Chia blockchain offers Advanced Custody tools, these enable self-custody and control. Should the Company begin to hold any assets for customers, affiliates, users, or developers in the future, to the extent material to an understanding of the Company's business,

the Company undertakes to provide disclosure regarding this practice, including any steps the Company would take to safeguard such parties' assets, and the policies and procedures the Company would establish to address such storage activity, and to describe any relevant material risks. As a result, while the Company continually assesses its policies and procedures, no material changes have been made to its processes related to self-dealing and other potential conflict of interest policies in light of the recent crypto asset market disruption.

40. **Please revise to discuss whether you have obtained any governmental licenses or authorizations, and in which jurisdictions. To the extent you are not authorized or permitted to offer your products and services to customers outside of the jurisdictions where you have obtained the required governmental licenses and authorizations, provide risk factor disclosure addressing the attendant risk. Describe any material risks you face from unauthorized or impermissible customer access to your products and services outside of those jurisdictions in which you have obtained licenses or authorizations. Describe any steps you take to restrict access of U.S. persons to your products and services and any related material risks.**

Response: The Company respectfully acknowledges the Staff's comment and advises the Staff that it has not obtained, nor does it believe it is required to obtain, any specific governmental licenses or authorizations to conduct its business, other than routine business licenses equivalent to state registrations to do business, either in the United States or outside of the United States. The Company further respectfully advises the Staff that while it conducts KYC diligence on customers or potential customers with whom it enters or intends to enter into agreements, the Chia blockchain is an open source blockchain and the Company does not have the ability to control access to the Chia blockchain or control the Chia blockchain.

41. **Please clarify what "currency-agnostic" means in the context of the Chia blockchain and its potential appeal to government and enterprises.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 1, 91, and 104 of Amendment No. 1 accordingly.

42. **We note your disclosure throughout that you offer your services to customers on the Chia blockchain, including your discussion of your core innovations, professional services and subscription and support services. Please expand your disclosure to provide a more detailed description of all of the services you provide, how you are compensated and the "fee terms" for your services.**

Response: The Company respectfully acknowledges the Staff's comment and advises the Staff that the Company is an early-stage company and has limited revenue and customer history to date. The Company has put significant thought into the scope and terms of its services and believes it has the capabilities to deliver the services that are expected to generate revenue for the Company, as described on page 81 of Amendment No. 1. Given the early stage of the Company, however, the terms of the Company's services to date have been heavily customized to customer needs rather than standardized for a broad base of potential customers. As of December 31, 2023, revenue has consisted entirely of professional services to three customers. As the Company continues to develop its customer base and deliver services, it undertakes to expand the description of its services and the fee terms for those services. Further, to the extent the Company standardizes the fee terms for its services, it undertakes to provide detailed descriptions.

43. **Please expand your disclosure regarding your Advanced Custody program, including whether you custody, or plan to custody, crypto assets for yourself or customers through this program.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 101 of Amendment No. 1 accordingly.

44. **We note your disclosure that you released the Non-Fungible Token 1 ("NFT1") Standard in June 2022. Please revise to provide more information regarding the NFT1 and identify any NFTs that you or your businesses facilitate the trading of. Please also disclose whether you have any expansion plans with respect to NFTs.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 107 of Amendment No. 1 to further describe the Company's NFT1 standard, the Company's plans with respect to NFTs generally, and the NFTs that the Company has issued.

Process Integrity: Transparent, Trustless Tracking, page 82

45. **Please revise to discuss in greater detail how your DataLayer provides both confidentiality and transparency and what information gets stored and is made publicly visible on the blockchain. In addition, provide a discussion regarding the visibility, or lack thereof, law enforcement or other government regulators would have in reviewing transactions on the blockchain and how it may differ from fully public blockchains.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 101 and 102 of Amendment No. 1 to provide more detail on DataLayer.

The Company further respectfully advises the Staff that law enforcement or government regulators will be able to observe the public keys of any participant in any specific DataLayer instance. Those public keys will place hashes of the underlying data in each node of the federated database deployed by customers and other users of the Chia blockchain directly on the Chia blockchain. For customers or other users who choose to limit public access to the underlying data, after following the required legal process directed at such users, law enforcement or regulators would be able to compare the underlying data in the database and verify that those updates align with the data reflected on the public blockchain. By way of example, the CAD Trust relies on this capability and has opted to publicly publish all data entered into each federated database by default in order to allow third parties to audit the full life cycle of carbon offsets. Conversely, for patient records and clinical trial integrity, a drug manufacturer using a DataLayer to coordinate a stage three drug trial could limit access to the underlying clinical trial records to allow only the various hospitals participating in the trial the ability to update their own records.

Benefits of Blockchain Technology, page 84

46. **You identify Robinhood Markets Inc.'s January 2021 liquidity crunch as an example of a problem the blockchain could solve. We further note that the collateral that Robinhood Markets had to post was generally due to legal and regulatory requirements. Please revise to provide balancing language and to discuss the risks, including regulatory risk, associated with a blockchain or application on a blockchain, providing the same settlement and margin services to users without adhering to the same legal and regulatory requirements for**

collateral. In addition, provide a more detailed discussion regarding how blockchain could solve the liquidity crunch issues that Robinhood Markets experienced.

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 96 of Amendment No. 1 accordingly.

47. **For each of the problems you indicate that blockchains could solve, please revise to discuss whether any of the examples you provide have been applied by any enterprises or government agencies, and in what jurisdictions. To the extent these are hypothetical applications, revise to so state.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 96, 97, and 98 of Amendment No. 1 accordingly.

Our Innovations Offers, page 88

48. **Please revise to clarify whether you receive fees, commissions, or other payments, whether in the form of crypto assets or other consideration, for trades executed on Chia Offers or any of the decentralized exchanges operating on it.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 101 of Amendment No. 1 to clarify that the Company does not receive fees, commissions, or other payments, in the form of digital assets or other consideration, for trades executed using Chia Offers and to provide additional details about how Offers function and the Company's role in Offers.

The Company further respectfully advises the Staff that Offers is a technology component of the self-custodial software wallet available for download and that the Company does not operate Offers, administer Offers, or participate in trades or transactions conducted using Offers.

**Chia Blockchain
Upgrade Process and Security Overview, page 92**

49. **We note your discussion regarding the mechanism by which change is implemented on the Chia blockchain, including the CHIPs process, Pull Requests, and the High-Risk Security Vulnerabilities Process. We further note your disclosure that if changes were made that members of the community disagreed with, other developers could copy the code and create a new implementation of the blockchain. Please revise to clarify whether the current mechanisms in place for community approved changes to the Chia blockchain are mandatory for the Company to implement. If not, thoroughly revise your disclosure to discuss the control the Company has over changes to the Chia blockchain, and who is approved to make changes to the Chia blockchain's core GitHub repository.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 105, 106 and 107 of Amendment No. 1 accordingly.

The Chia Platform and Developer Ecosystem, page 93

50. **We note your disclosure that you have hired 7 of your 26 developers, that there were 936 developers for the Chia blockchain GitHub repository, but that "[t]he distinction between**

the company and community developers is fluid.” Please revise to clarify whether you offer compensation to the community developers or any other developers not employed by the Company, whether in the form of fiat currency, XCH, or other forms of consideration. To the extent you do offer such compensation, provide a materially complete discussion of the terms of your agreements with those developers, including the forms of compensation, and quantify the amount paid for the periods presented.

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 107 and 108 of Amendment No. 1 to clarify the relationship between the Company and community developers and provide additional details on its Chia Cultivation Grant Program, which is the only funding the Company provides to community developers. The Company does not provide any form of compensation to community developers. The Chia Cultivation Grant Program is addressed in the response to comment 52 below.

51. **We note your disclosure that the “Chia blockchain is one of the most popular blockchains among developers, as measured by GitHub stars of each project’s primary repository.” Please revise to provide balancing disclosure regarding methods for determining popularity, as well as a more complete discussion regarding how the star count is calculated and whether it can be manipulated. As non-exclusive examples, we note that metrics such as total contributors, commits, and types of contribution, among others, also represent important methods for determining the popularity and health of a project on GitHub.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 53 and 108 of Amendment No. 1 to include additional disclosure on star count, why the Company believes it is the most appropriate method for measuring the popularity of the Chia blockchain, and how star count can be manipulated.

The Company further respectfully advises the Staff that the Company believes its developer base is somewhat different than other blockchain projects due in part to the ease of access to farming. This lower barrier to entry means that more developers of many skill levels choose to farm and build plotting and farming tools. The Company believes many of the most active community developers on the Chia blockchain are senior developers with full time employment as developers that were attracted to the platform first via farming. The Chia blockchain has additionally attracted developers who the Company believes were dissatisfied with both Ethereum and Bitcoin, for differing reasons, and have returned to blockchain development based on their technical judgement of Mr. Cohen’s track record of innovation in distributed systems. These factors mean developers on the Chia blockchain are more likely to have existing GitHub accounts and be more likely to use stars, which the Company believes indicates developer interest by current and future developers on the Chia blockchain. The Company believes these factors partially explain why star counts for the Chia blockchain are considerably higher than most competitor blockchains and therefore a strong indicator of overall developer interest in the Chia blockchain and Chia platform. In addition, the Company respectfully advises the Staff that the Company also takes into account and discloses monthly active developers and total developers as key developer community metrics.

52. **We note that on your website you provide an opportunity for developers through your “Chia Cultivation Grant Program.” Please revise to provide a materially complete description of this program including any material payments made through the program.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 108 of Amendment No. 1 accordingly.

53. **We note your disclosure identifying numerous for-profit services and software platforms that utilize the Chia blockchain such as Dexie.space for decentralized exchange, MintGarden for NFTs, and Evergreen Miners for XCH farming, among multiple others. Please revise to clarify whether the Company, or its officers, directors, employees, or former officers, directors or employees are affiliated with any of the platforms, software or other parties that utilize the Chia blockchain, and whether you consulted or otherwise participated in the development of any of those entities. If so, please revise to provide a more complete discussion of the relationships and the material terms of any agreements for their development.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 110 of Amendment No. 1 to clarify that such entities are third parties and that the Company's involvement in such projects is limited to the unpaid provision of technical support.

The Company further respectfully advises the Staff that neither it nor any of its officers, directors, employees, or former officers, directors, or employees is affiliated with these projects or participated in the development of these entities.

Chia Blockchain as compared to Bitcoin Emission Schedule, page 98

54. **Please revise to explain why the Bitcoin emission schedule is relevant or comparable to the Chia blockchain which had a 21 million XCH pre-farm in the genesis block controlled by the Company.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 113 and 114 of Amendment No. 1 accordingly.

Our Employees and Human Capital Resources, page 100

55. **We note your references throughout to advisors, including that you have 10 advisors at present and that Bram Cohen and Chia Network advisors published an academic paper in 2017. Please revise to provide more disclosure regarding the role of these advisors and describe the parties' rights and obligations, payment terms and termination provisions. In addition, please file any agreements that you have with advisors as exhibits or provide an analysis explaining why they should not be filed pursuant to Item 601(b)(10) of Regulation S-K.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 74 and 114 of Amendment No. 1 to clarify that only one author of the 2017 paper is an advisor to the Company.

The Company further respectfully advises the Staff that it does not believe that the terms of the advisor agreements are material to an investor's decision to invest in the Company. Advisor agreements are entered in the ordinary course of business and generally provide an advisor with an equity grant in exchange for the advisor providing limited advisory services on an as-needed basis to the Company, and the Company's business is not substantially dependent on any advisor

agreement. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word “dependent” must be afforded substantive meaning. To be “dependent” on something is to have no other reasonable recourse. While the advisors provide important services to the Company, no one advisor, nor the advisors as a group, is currently essential or crucial to the Company’s operations or business. Should an advisor provide critical services to the Company, the Company respectfully confirms that such advisor agreement will be properly filed as an agreement upon which the Company is dependent on. For the foregoing reasons, the Company does not believe that its business is substantially dependent on its current advisor agreements, and therefore does not believe it is required to file the advisor agreements as an exhibit pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

Management, page 110

56. **Please revise to clarify whether any of your officers and directors serve as officers or directors of other companies, including specifically those in the blockchain or crypto asset market, and discuss any potential conflicts of interest.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on page 129 of Amendment No. 1 to clarify that the Company’s officers and directors do not serve as officers or directors of other companies or entities in the blockchain or digital asset industry. The Company further respectfully advises the Staff that the biographical information for the officers and directors as disclosed is complete pursuant to Item 401 of Regulation S-K.

Principal Stockholders, page 131

57. **Please revise to identify the natural person(s) with voting and/or dispositive control over the shares held by the “entities affiliated with” Slow Ventures and Global Ventures.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 149 and 150 of Amendment No. 1 accordingly.

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm, page F-2

58. **Please request your auditors to explain to us why they included the information in the emphasis of a matter paragraph, including the second sentence which makes an affirmative statement of management’s intent (i.e., the company will evaluate and comply). Refer to AS 3101.19.**

Response: The Company respectfully acknowledges the Staff’s comment. The Company’s auditor, Deloitte & Touche LLP, informed the Company that the emphasis of a matter paragraph was included in their report in accordance with AS 3101.19 to emphasize the disclosure in Note 7 to the financial statements, which included an affirmative statement of management’s intent related to the Company’s plans for XCH and the Company’s commitment to evaluate and comply with the requirements of any applicable laws and regulations.

Consolidated Statement of Operations, page F-4

59. **Please separately present your digital asset impairment losses from your gains on the sale of digital assets.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the presentation on page F-4 of Amendment No. 1 accordingly.

Consolidated Statement of Stockholders' Deficit and Mezzanine Equity, page F-5

60. **Please respond to the following:**

- **Consistently present negative amounts. For example, include brackets around your *Total stockholders' deficit as of March 31, 2022*; and**
- **Remove the total column combining your *Total stockholders' deficit* with your *Mezzanine Equity* consisting of *Redeemable Series C convertible preferred stock*, or explain to us how this presentation is consistent with U.S. GAAP.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the presentation on page F-5 of Amendment No. 1 accordingly.

Consolidated Statement of Cash Flows, page F-6

61. **With respect to your supplemental disclosure of cash flow information, please respond to the following:**

- **Tell us where you disclose the conversion of the SAFE notes to redeemable convertible preferred stock; and**
- **Reconcile the amount of the non-cash conversion of SAFE notes to convertible preferred stock of \$14,577 to page F-5.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the presentation on page F-7 of Amendment No. 1 accordingly.

The Company further respectfully advises the Staff that it has updated the supplemental disclosure to the Consolidated Statement of Cash Flows to include all non-cash components of the conversion of the SAFE notes to Series A and B convertible preferred stock (\$26.5 million) and Series C redeemable convertible preferred stock (\$52.5 million). The following table

provides further details of non-cash conversion of SAFE notes to convertible preferred stock (in thousands):

	SAFE note beginning balance for FYE March 31, 2022	SAFE notes fair value remeasurement loss prior to conversion	Conversion of SAFE notes into convertible preferred stock
Conversion of SAFE notes to convertible preferred stock	\$ 9,577	\$ 17,017	\$ (26,594)
Conversion of SAFE notes to redeemable convertible preferred stock	5,000	47,525	(52,525)
Total conversion of SAFE notes to preferred stock	\$ 14,577		\$ (79,119)

The balances in the table above do not include the issuance costs for the convertible preferred stock, which were not material (\$12,000).

The Company also respectfully advises the Staff that it amended its disclosure in Note 4, Fair value measurements on page F-17 of Amendment No. 1 to separately present the fair value measurement loss related to Series A and B convertible preferred stock and to Series C redeemable convertible preferred stock.

Note 1. Nature of Operations, page F-7

62. **You disclose that you are a software company, but you also refer to the Company as a digital asset company in the first sentence. Consider clarifying this sentence to explain how the Company's operations are those of a digital asset company. Tell us whether selling crypto assets is part of your ongoing major or central operations.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page F-8 of Amendment No. 1 to indicate that the Company is a software company to reconcile this disclosure with the description of the Company in Amendment No. 1.

The Company further respectfully advises the Staff that selling digital assets is not a central part of the Company's operations. The rare instances when the Company transacted with digital assets prior to October 2023 were when it (1) purchased digital assets with fiat currency to make a payment to a vendor that specifically asked to be paid in that digital asset (most often USD-denominated stablecoins), which has occurred less than ten times to date, and in such instances the Company converted fiat currency to the requested digital asset and promptly paid the vendor; (2) sold a non-XCH digital asset that it has received previously, generally from an equity transaction or to recover fiat currency; or (3) tested elements of its technology, which typically resulted in very small purchase transactions. The Company also respectfully directs the Staff to its response to comment 2 above regarding ongoing sales of XCH through a third party market maker commencing in October 2023.

Note 2. Summary of Significant Accounting Policies, page F-7

63. **Please revise your next amendment to include your accounting policy for revenue recognition in accordance with ASC 606.**

Response: The Company respectfully acknowledges the Staff's comment and revised the disclosure on page F-12 of Amendment No. 1 in Note 2.

The Company further respectfully advises the Staff that the Company is an early-stage company and it does not yet have standardized professional services contracts and subscription and support contracts for use with its customers. The Company included the summary of its revenue recognition policy and intends to and undertakes to expand its revenue recognition accounting policy in the future periods as more services are provided and the standardized terms for its customer contracts are developed.

Digital Assets, page F-8

64. **You disclose that in testing for impairment, you have the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. It appears that only when and if you perform a quantitative impairment test, you will evaluate whether the carrying value of the digital assets you hold exceeds their fair value and measure the fair value using the lowest intraday quoted price of the digital asset during the period of evaluation. Please tell us in more detail how and when you perform your assessments of impairment for your digital assets and how you consider the availability of quoted market prices in active markets in your analysis. Refer to ASC 350- 30-35-18.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages F-9 and F-10 of Amendment No. 1 in Note 2 to clarify its accounting policy for impairment of digital assets.

The Company further respectfully advises the Staff that set forth below is a summary of the Company's accounting policy for subsequent measurement, including impairment assessment of its digital assets, as of March 31, 2023 and 2022.

The Company notes that its accounting policy for its intangible assets with indefinite life, including its policy for subsequent measurement and impairment testing, was developed in accordance with the guidance in ASC 350. Specifically, in accordance with the guidance in ASC 350-30-35-18, the Company evaluates all its digital assets that are not subject to amortization for impairment if there are events or changes in circumstances that indicate it is more likely than not that the asset is impaired. The Company determined that there are frequent changes in circumstances surrounding the fair value of digital assets that may indicate with a high probability that a digital asset has been impaired. These changes of circumstance include, but are not limited to, changes in market conditions of a particular digital asset, expected or announced changes in the regulatory and legal environment of digital assets, and other factors. Accordingly, the Company determined that it is reasonable to assume that a change in circumstance that may lead to an impairment of a digital asset may occur more often than annually and performs its digital assets impairment assessment on a quarterly basis.

As such, in accordance with its accounting policy, at the end of each quarter, the Company performs an impairment assessment of each digital asset by comparing the carrying value of a respective digital asset tranche to the impairment value of that digital asset. The Company notes that the carrying value of its digital assets is determined on a first-in, first-out ("FIFO") cost method adjusted for any impairment recognized in the prior reporting periods. If the carrying value of a FIFO tranche is higher than its reporting quarter's impairment value, then this digital

asset tranche is deemed to be impaired, and its carrying value is adjusted to its impairment value. An impairment value is determined for each FIFO tranche as the lowest intraday fair market price of that digital asset that was observed during any reporting quarter subsequent to that digital asset's acquisition, multiplied by the number of coins in the tranche in question.

The impairment charge for an asset for a reporting quarter, if any, is equal to the total amount by which each digital asset tranche's carrying value as of the end of the quarter exceeds the impairment value observed during that reporting quarter. The impairment charge is recorded in profit and loss within operating expenses under "digital asset impairment losses."

If the impairment is recognized, then the carrying value of a digital asset is adjusted to its impairment value, and it will not be adjusted for any subsequent recoveries in the fair market price of that digital asset, meaning that any impairment that was previously recorded cannot be reversed, and the digital assets cannot be written-up in value in the future.

65. **Disclose how you determine the quoted price of your digital assets and the market(s) used. Tell us how you identify these market(s). Refer to ASC Topic 820 and ASC 820-10- 35-5A.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages F-9 and F-10 of Amendment No. 1 in Note 2 to update its explanation of its accounting policy for digital assets.

ASC 820, *Fair Value Measurement*, defines the fair market value as the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company does not have any liabilities that are measured using the fair value of digital assets, and therefore, determines the fair market value of its assets using the price it would receive upon sale of such asset at the measurement date.

In accordance with the ASC 820-10-35-5A, the Company's principal market for Bitcoin, Ethereum, Gemini Dollar, and USDC is the Gemini crypto exchange platform because this is the market the Company normally uses in the rare instances when the Company transacts in non-XCH digital assets. The Company notes that granular historical market data (e.g., intraday lows) is not downloadable via the Gemini web interface. Therefore, the Company selected Messari.io as an alternative pricing source for its digital assets. The Company performs a regular price comparison of available digital asset market pricing sources to ensure that the fair market prices as reported by Messari.io are reasonable. As noted in the response to comment 62 above, the rare instances when the Company transacted with digital assets prior to October 2023 were when it (1) purchased digital assets with fiat currency to make a payment to a vendor that specifically asked to be paid in that digital asset (most often USD-denominated stablecoins), which has occurred less than ten times to date, and in such instances the Company converted fiat currency to the requested digital asset and promptly paid the vendor; (2) sold a non-XCH digital asset that it has received previously, generally from an equity transaction or to recover fiat currency; or (3) tested elements of its technology, which typically resulted in very small purchase transactions.

Stock-Based Compensation, page F-10

66. **You disclose that volatility is based on a blend of volatility of guideline companies and cryptocurrencies. Please respond to the following:**

- **Tell us why you consider cryptocurrencies in the determination of the fair value of your stock-based compensation and how you applied ASC 718. Also refer to ASC 718-10-55-35 to 55-41;**
- **Tell us why you believe that the volatility of cryptocurrencies impacts the returns of your options since we note that the company is a software company;**
- **Tell us which cryptocurrencies you included, how you determined which cryptocurrencies to include, and how you incorporated their data into your valuation; and**
- **Tell us how you use this blend of volatilities in the Black-Scholes-Merton model since we note that this is a closed-form model that cannot incorporate a range of expected volatilities over the option's expected term.**

Response: The Company respectfully acknowledges the Staff's comment and provides the Staff with the information set forth below.

In accordance with the guidance in ASC 718, the overall objective in estimating expected volatility is to ascertain the assumption about expected volatility that marketplace participants would likely use in determining a fair value price for an equity option. While the Company's primary business is that of a software company, the Company holds a significant amount of XCH coins in its Strategic Reserve, which the Company believes represent a potential significant source of Company and stockholder value if the Company is able to sell, loan, collateralize, distribute, or dispose of its Strategic Reserve. Any movement in their fair market value should generally translate into fluctuations in the economic value of the Company's common stock and therefore contribute to the volatility of the Company's equity. Because of this, in addition to the typical factors for equity volatility in accordance with ASC 718-10-55-37, the Company determined that it is reasonable to include digital asset volatility in its estimate of the expected volatility of the Company's equity.

The Company used the volatility of liquid digital assets of various sizes, from industry-representative coins with a large market capitalization to coins with smaller market capitalization that are closer in market size to XCH to estimate the expected volatility of the Company's equity. This list consisted of Bitcoin, Ethereum, Ripple, Cardano, Litecoin, Stellar, Monero, Decred, Dash, IOTA, and EOS as of March 31, 2023. Because the Company has no publicly observable market for its equity volatility, the Company believes that a blended volatility number best represents the dual potential sources of volatility of the Company's common stock, which are (1) movements in the value of the Company's Strategic Reserve of XCH coins and (2) changes in the present and future expected potential of the Company's operating business.

The Company acknowledges that standard option pricing models only accept one volatility input. The estimate of an expected volatility that the Company uses in its option pricing model is an average of estimated equity volatilities calculated based on selected stock and digital asset volatilities in two valuation scenarios (going public and staying private) considered in the Company's 409A valuation reports.

Note 7. Digital Assets, page F-16

67. **Please respond to the following:**

- **Your rollforward only includes activity for your Bitcoin and not other digital assets you held such as Ethereum and Gemini. Revise to either present an aggregated rollforward for all of your cryptocurrencies, or present disaggregated rollforwards that encompass all of your digital assets held during the period presented;**
- **Disclose the nature of the other receipts of Bitcoin; and**
- **Relate for us your rollforwards of digital assets to the realized gains on digital assets and purchase and disposal of digital assets held in your statements of cash flows.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages F-18 and F-19 of Amendment No. 1 in Note 7 to present the aggregated rollforward for all of the digital assets the Company holds, disclose the nature of the other receipts of digital assets, including Bitcoin, and relate its realized gains recorded from the disbursements of its digital assets.

The Company further respectfully advises the Staff that the balances provided in its aggregated digital assets rollforward are reconciled to the purchases and disposals of digital assets as presented in its consolidated statements of cash flows. Realized gains on the disposal of digital assets in the digital assets rollforward is reconciled to the realized gain on disposal of digital assets held as presented in the Company's consolidated statements of cash flows.

68. **You disclose that costs you incurred during creation of the 21 million XCH that you own and control were related to your overall activities rather than to the creation of XCH to be held by you. As a result, you believe that under ASC 350, the XCH that you own and control should be carried as a digital asset indefinite-lived intangible asset at zero cost. Provide us with your analysis in determining how to account for and value the XCH that you own and control. Include a discussion of the nature of the XCH and the associated rights and obligations and whether you have any control or obligations associated with other XCH that is not in your strategic reserve. In your response confirm whether XCH was created or issued by you.**

Response: The Company respectfully acknowledges the Staff's comment and provides the Staff with the information and analysis set forth below.

In accordance with ASC 350 and the Company's accounting policy, the XCH coins created and held in the Company's Strategic Reserve are accounted for as indefinite-lived intangible assets. The Company noted that at inception there were no future economic benefits to the Company that could be directly linked to the creation of the XCH coins in the Strategic Reserve, as there were no imminent plans to directly derive future revenue from its creation. Nor was there any market price for the coin at the time of creation. Further, the Company's primary business does not involve any buy-sell, exchange, or transfer transactions with the XCH coins that are held in the Strategic Reserve.

Per ASC 350-30-25-3, "[c]osts of internally developing, maintaining, or restoring intangible assets that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business or nonprofit activity and related to an entity as a whole, shall be recognized as an expense when incurred." The costs of creating XCH coins that were held in the Strategic Reserve were difficult to identify because the Company's costs, including direct labor costs, office lease expenses, computer and server costs, travel costs, and others, were incurred and related to the overall activities of the Company as well as the creation of the Chia blockchain prior to the XCH coin creation (rather than specifically related to XCH coin creation). In addition,

there was a significant level of uncertainty about the future economic benefits associated with XCH coins when these costs were incurred as there was no market price for XCH and its acceptance and growth was highly uncertain. Accordingly, the Company determined that it should account for the costs related to the creation of XCH coins held in the Strategic Reserve as expenses when they were incurred. Since no specific costs were identified, XCH coins held in the Company's Strategic Reserve would have no initial value and would be recorded at \$0 as indefinite-lived intangible assets. The subsequent remeasurement of internally developed intangible assets is not permitted by ASC 350-10.

As of March 31, 2023, the Company held an immaterial balance of XCH coins (approximately 40 XCH) that were purchased in the open market in arm's length transactions during the testing of elements of the Company's Offers technology. These coins have never been a part of the Strategic Reserve and were not included in the Strategic Reserve upon their acquisition. These purchased XCH coins are carried at their carrying value (i.e., their purchase cost) and are included in the Company's digital assets balance as of March 31, 2023.

XCH is issued by the Chia blockchain protocol, which the Company created, but which it has not controlled since the launch of the Chia blockchain, and XCH issuance will continue according to the pre-programmed emissions schedule, even if the Company ceases to exist. In March 2021, upon the Chia blockchain launch, the Company pre-coded and a third-party farmer created (by virtue of winning the first block) the Strategic Reserve.

The XCH coins the Company holds (whether in the Strategic Reserve or not) and other XCH coins held by third parties do not provide their holders with any governance or voting rights in the Company, and do not grant any control over the operation of the Chia blockchain or the Company's operations. XCH is the native cryptocurrency of the Chia blockchain, which incentivizes farmers to secure the Chia blockchain and is necessary to pay transaction fees to farmers when blocks fill. However, by design, XCH does not grant holders any technological, operational, legal, or governance control over the Chia blockchain.

Note 10. Debt

SAFE Notes, page F-18

69. **Please provide us with your analysis of the accounting for the Series A SAFE note side letter which provides investors with a contingent option to receive XCH if you perform an initial coin offering in connection with the Chia blockchain launch. While we note your disclosure that the Chia blockchain was launched in March 2021 with no initial coin offering, explain to us why you disclose that you believe the side letter has no value as of March 31, 2022, which may imply that the side letter will have value in the future. Summarize for us the remaining terms and obligations of the side letter agreement.**

Response: The Company respectfully acknowledges the Staff's comment and provides the Staff with the information set forth below.

The Series A SAFE Note side letters (the "Series A Side Letters") included contingent options held by investors to receive XCH coins if the Company performs an XCH Initial Coin Offering ("ICO") in connection with the Chia blockchain launch. The Company notes that the Chia blockchain was launched in March 2021; however, no ICO was completed upon the Chia blockchain launch nor has one occurred to date.

At the issuance date of the Series A Side Letters and on March 31, 2022, the Company determined that the probability of this option becoming exercisable was effectively zero, as no ICO has occurred in a reasonable amount of time after blockchain launch such that it would be considered to be connected to the launch. As such, since the Company did not complete an ICO issuance in connection with the XCH blockchain launch, the occurrence of a contingent event in this redemption option is not possible.

Upon conversion of Series A SAFE Notes to preferred stock and as of March 31, 2022, the Company determined that the contingent option included in Series A Side Letters would not be accounted as a free standing derivative under the ASC 815 because the criterion for net settlement would not be met. In addition, given that the Series A Side Letters had no other remaining terms or obligations after conversion to preferred stock, the Series A Side Letters redemption option did not have any value on March 31, 2022 and will never have any value in the future because the contingent event (i.e., issuance of the ICO in connection with or shortly after the Chia blockchain launch) did not occur as of that date and, based on the Company's assessment, would not be probable to occur in the future.

In addition to the derivative guidance, the Company considered the ASC 450 guidance for contingent liabilities and determined that no recognition of liability for Series A Side Letters was required because the occurrence of a contingent event was not probable.

70. **Please provide us with your analysis of the accounting for the Series C SAFE note side letter and the Series C redeemable convertible preferred stock. Tell us in more detail about the rights and obligations under the side letter and how you will determine the redemption amount. Tell us whether the Series C preferred stock will automatically convert upon your initial public offering and how the conversion will impact your obligations under the side letter.**

Response: The Company respectfully acknowledges the Staff's comment and provides the Staff with the information set forth below.

The Series C SAFE Note side letters (the "Series C Side Letters") contained contingent options to redeem future equity securities that would be issued upon the conversion of Series C SAFE notes. There were two levels of contingencies included in Series C redemption options: (i) first contingency: all Series C SAFE notes convert into equity securities upon occurrence of the SAFE notes conversion events (e.g., a qualified financing, etc.) and (ii) second contingency: once the SAFE notes have been converted to shares of preferred stock (which was the Company's Series C preferred stock), each holder of Series C preferred stock has a right to redeem their shares of Series C preferred stock for cash if the Company's equity shares are not registered with the SEC by June 30, 2025, or, if the Company's equity shares are registered, then the holder of listed equity shares may redeem their listed shares (within a two-year period from a listing date) if the Company's share price multiplied by outstanding shares (adjusted for potential conversion of all then-outstanding convertible instruments) remains below 65% of a 30-day average price of the XCH coin multiplied by the number of XCH coins on the Company's balance sheet.

For each share of Series C preferred stock held, the redeeming holder is entitled to receive a cash payment upon redemption equal to the 30-day average trading price for XCH up to and including the redemption request date multiplied by the greater of: (i) 1 XCH; and (ii) a number of coins equal to the greater of the fair market value of the Company's listed securities or the original

issue price of the Series C preferred stock, divided by the 30-day average trading price for XCH up to and including the redemption request date.

Series C SAFE Notes were converted into shares of Series C preferred stock in May 2021. Upon conversion of the Series C SAFE Notes, redemption options included in the Series C Side Letters were viewed as redemption options attached to shares of Series C preferred stock.

Accounting Analysis of Series C Side Letters After Series C SAFE Note Conversion to Equity

A contingent cash redemption option held by a holder of Series C preferred stock would make these financial instruments possess both debt-like and equity-like characteristics. Accordingly, a detailed analysis of the debt versus equity guidance in the ASC 480 is required.

(a) *Scope of ASC 480 and Unit of Account Considerations:* Shares of Series C preferred stock (including Series C cash redemption options) would be within the scope the ASC 480-10 because (a) these instruments embody one or more obligations of the issuer (i.e., a conditional redemption option that is not under sole control of the Company as an issuer), (b) they would meet the definition of a financial instrument (i.e., cash settlement upon sale of redemption), (c) shares of Series C preferred stock are free standing financial instruments in their entirety, and (d) shares of Series C preferred stock are legal form equity.

Shares of Series C preferred stock, including conditional cash redemption options, form a single unit of account for the purposes of the Company's assessment based on the following: (1) both instruments were entered with the same counterparty and at the same time (although some redemption settlement terms were subsequently amended), (2) cash redemption options are not legally detachable because these cash redemption options cannot be transferred separately and independently from the underlying shares of Series C preferred stock (the Company's written approval is required for the transfer of shares of Series C preferred stock), and (3) upon exercise, cash redemption options will result in the termination of the underlying shares of Series C preferred stock.

(b) *Equity vs Liabilities Classification – Shares of Series C Preferred Stock:*

- Shares of Series C preferred stock are not mandatory redeemable financial instruments because the underlying redemption obligation is contingent (i.e., the Company's equity shares may or may not get registered before a pre-set date and/or there may or may not be a discount to the XCH coin price) and that contingency is not under the Company's sole control (i.e., a Series C preferred stock holder may or may not exercise a redemption option). The Series C preferred stock is not a liability under ASC 480-10-25-4 because these are hybrid instruments with an equity host and an embedded contingent redemption option, and registration payment arrangement scope exception would not apply to the Series C preferred stock. ASC 480 states that the issuer of an outstanding equity instrument with such a conditional redemption feature should evaluate whether these instruments should be classified as temporary equity under the SEC guidance. The Company provides its temporary equity analysis below in section (c).
- Shares of Series C preferred stock are legal form equity and are outstanding shares. Accordingly, under the ASC 480-10-25-8 these instruments would not be classified as assets or liabilities.

- Shares of Series C preferred stock are legal form equity and are not settled in a variable number of shares. Accordingly, the guidance in ASC 480-10-25-14 would not be applicable.

(c) SEC Guidance for Temporary Equity Classification – Shares of Series C Preferred Stock

Although the Company is a private entity, it elected to evaluate these instruments under the SEC guidance for temporary equity and determined that shares of Series C preferred stock would meet the classification of a temporary equity under the ASC 480-10 *SEC Materials – SEC Staff Guidance* based on the SEC guidance in ASR 268 that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity if they meet any of the three criteria:

1. at a fixed or determinable price on a fixed or determinable date,
2. at the option of the holder, or
3. upon the occurrence of an event that is not solely within the control of the issuer.

The Company determined that shares of Series C preferred stock met this criteria and should be classified outside of permanent equity.

The SEC guidance for temporary equity requires the Company to measure Shares of Series C preferred stock at fair value at the date of issue. The Company deducted direct issuance costs from the proceeds received from the issuance. No subsequent adjustment to the amount initially recorded in temporary equity is required as of March 31, 2022 and March 31, 2023 (or for any interim periods within the fiscal years ended March 31, 2022 and March 31, 2023) because, based on the Company's assessment, the non-redeeming events have more than remote likelihood. Accordingly, shares of Series C preferred stock would not become probable of being redeemed.

Additionally, the Company respectfully provides more detail about the other rights and obligations under the Series C Side Letters, whether the Series C preferred stock will automatically convert upon the Company's initial public offering, and how the conversion will impact the Company's obligations under the Series C Side Letters below.

In addition to the redemption rights addressed above, the Series C Side Letters also grant the holders of Series C preferred stock registration rights and a right of first offer over sales by the Company of securities in any of its subsidiaries. Further, pursuant to the Series C Side Letter, the Company may not make a distribution of coins to any then-serving directors, officers, or employees of the Company.

The Series C preferred stock will automatically convert to common stock upon the Company's initial public offering if the initial public offering satisfies the requirements for the automatic conversion of preferred stock into common stock as set forth in the Company's sixth amended and restated certificate of incorporation (hereinafter referred to as a "Qualified IPO"). If it appears unlikely that the initial public offering will constitute a Qualified IPO, the Company intends to seek stockholder approval for conversion of all preferred stock into common stock. Following conversion, the terms of the Series C Side Letter will continue to apply to the shares of common stock that the Series C preferred stock converted into, unless the Series C Side Letters are

amended prior to the initial public offering. If the initial public offering constitutes a Qualified IPO, then the registration rights in the Series C Side Letters will terminate.

* * *

LATHAM & WATKINS LLP

We hope the foregoing answers are responsive to your comments. Please do not hesitate to contact me by telephone at (650) 463-3060 with any questions or comments regarding this correspondence.

Very truly yours,

/s/ Tad J. Freese

Tad J. Freese

of LATHAM & WATKINS LLP

cc: Gene Hoffman, Jr., Chia Network Inc.
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LATHAM & WATKINS LLP

August 12, 2024

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VIA EDGAR

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Crypto Assets
100 F Street, N.E.
Washington, D.C. 20549-6010

Attention: Kate Tillan
David Irving
David Gessert
Sandra Hunter Berkheimer

**Re: Chia Network Inc.
Response to Letter dated May 23, 2024
Amendment No. 1 to
Draft Registration Statement on Form S-1
Submitted March 29, 2024
CIK No. 0001730166**

To the addressees set forth above:

On behalf of our client, Chia Network Inc. (the “**Company**”), we are submitting this letter in response to the comments received from the staff (the “**Staff**”) of the U.S. Securities and Exchange Commission (the “**SEC**”) by letter, dated May 23, 2024 (the “**Comment Letter**”), regarding the Company’s Amendment No. 1 to the Draft Registration Statement on Form S-1, as confidentially submitted to the Staff on March 29, 2024 (the “**Draft Registration Statement**”).

The Company is concurrently confidentially submitting to the Staff Amendment No. 2 to the Draft Registration Statement (“***Amendment No. 2***”), which has been revised to reflect certain revisions to the Draft Registration Statement in response to the Comment Letter as well as certain other changes.

For ease of review, we have set forth below each of the numbered comments of the Staff contained in the Comment Letter in bold type followed by the Company’s responses thereto. Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in Amendment No. 2 and all references to page numbers in such responses are to page numbers in Amendment No. 2.

Amendment No. 1 to the Draft Registration Statement on Form S-1 confidentially submitted on March 29, 2024

General

1. **We note your responses to prior comments 2 and 35. We continue to consider your responses and may have further comments.**

Response: The Company respectfully acknowledges the Staff’s comment and its continued review.

2. **We note the revisions you made in response to prior comment 7 and we reissue the comment in part. Please revise your disclosure to provide greater details regarding your audit process of implementations and components of the Chia blockchain software and the Chia platform.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 27 and 111 of Amendment No. 2 accordingly.

3. **We note your response to prior comment 4. Please revise your website to clarify what you mean by the statement that you “have proactively engaged with the SEC.”**

Response: The Company respectfully acknowledges the Staff’s comment and has revised its website as follows:

“We have proactively engaged with the SEC.

- We confidentially submitted a draft Registration Statement on Form S-1 with the SEC relating to a proposed initial public offering of our common stock. (This notice is being made pursuant to, and in accordance with, Rule 135 under the Securities Act of 1933, as amended (the “Securities Act”) and shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction. Any offers, solicitations or offers to buy, or any sales of

securities will be made in accordance with the registration requirements of the Securities Act.)

- We previously engaged with the staff of the SEC regarding potential offering structures on a confidential basis through emails and meetings in 2018.
- We confidentially submitted a Regulation A+ offering circular to the SEC in November 2018 and received a comment letter in early 2019. Based on comments received, we decided to focus on the business and a potential later initial public offering.”

Prospectus Summary, page 2

4. **We note your response and the revisions you made in response to prior comment 11 and we reissue the comment in part. Please revise to disclose the material terms of the partnership, including any termination provisions. Further, you state in your response that the "COF partnership agreement and the Company's limited partnership role provide the opportunity for a return on investment." Please expand your disclosure to describe the company's opportunity for a return on its investment. In addition, please file the partnership agreement as an exhibit or tell us why it is not a material contract. Please refer to Item 601(b)(10) of Regulation S-K.**

Response: The Company respectfully acknowledges the Staff's comment and advises the Staff that the COF is currently in discussions with its limited partners regarding various matters under the partnership agreement. The Company undertakes to update its disclosure and to update its response to this comment 4 following the conclusion of those discussions.

5. **We note your response and the revisions you made in response to prior comment 12 and we reissue the comment in part. Please revise to disclose the material terms of the agreements with the World Bank and CAD Trust, including any remaining timeframes and termination provisions. Additionally, please expand your disclosure to describe how the company may benefit from the agreements. Please also file your agreements as exhibits or tell us why you are not required to do so. Please refer to Item 601(b)(10) of Regulation S-K.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 95 of Amendment No. 2 to further clarify that the master service agreement with the CAD Trust will terminate one year following the expiration of any outstanding statement or work under the agreement, which is contemplated to be around March 2026 based on current outstanding statements of work, and that the World Bank agreement terminated by its terms in June 2024.

The Company further respectfully advises the Staff that the Company's agreements with the World Bank and the CAD Trust were entered in the ordinary course of business and the Company's business is not substantially dependent on such agreements or the revenue from such agreements. For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the

Company believes the word “dependent” must be afforded substantive meaning. To be “dependent” on something is to have no other reasonable recourse. While the Company believes that the Company’s relationship with the CAD Trust presents an opportunity for the Company to establish a proof of concept and to therefore potentially assist the Company in attracting additional customers, the Company does not receive significant revenue from the World Bank or CAD Trust and does not rely on any revenue under the agreements to fund its operations. If the agreements with the World Bank and CAD Trust become material to the Company’s business and operations, the Company respectfully confirms that any such material agreements with the World Bank and CAD Trust will be properly filed as agreements upon which the Company is dependent. For the foregoing reasons, the Company does not believe that its business is substantially dependent on its agreements with the World Bank and CAD Trust, and therefore it does not believe it is required to file any such agreements as exhibits pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

Chia Strategic Reserve and XCH, page 5

6. **We note your revised disclosure that "over 97% of the XCH traded and circulated in the global market consists of the coins that were farming rewards created by the Chia blockchain protocol and awarded to block validators." Please expand your disclosure to describe how the remaining 3% of XCH circulating entered the market.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 5, 81 and 118 of Amendment No. 2 accordingly to clarify that the remaining percentage of XCH traded and circulated in the global market consist of coins from the Company’s Strategic Reserve.

7. **We note your disclosure on the top of page 5 and throughout that "[f]rom October through December 2023, [you] made available 150,000 XCH... to a third party market maker to provide liquidity on non-U.S. third party exchanges," and that "[d]uring that period, [you] also made available 100,000 XCH... for sale in blind programmatic transactions through the same third party market maker on the same non-US third party exchanges." Please expand your disclosure to describe the terms of those transactions and identify the third party market maker and the third party exchanges.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 81, 115 and 116 of Amendment No. 2 to describe the terms of those transactions and identify the third-party exchanges. The Company further respectfully advises the Staff that it does not believe the identity of the third-party market maker is material or relevant to an investor because such market maker is a non-U.S. third-party vendor unaffiliated with the Company that provides services to the Company in the ordinary course of business.

8. **We note your disclosure that as of December 31, 2023, 2,375,000 XCH in your Strategic Reserve held in warm wallets is available to loan to enterprises, governments, or larger developers for use with their projects. Please provide expanded disclosure reflecting all of the company's rights or abilities to borrow, pledge, repledge, hypothecate, rehypothecate, loan or invest your pre-farmed coins, and disclose any plans and timeline, and whether you've entered into any related discussions with enterprises, governments or larger developers. In addition, please disclose any policies and procedures that you have for the use of these tokens. If you have no such policies and procedures, please include disclosure to such effect.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 48, 50, 81 and 116 of Amendment No. 2 accordingly.

Corporate Information, page 8

9. **We note the revisions you made in response to prior comment 14. Please expand your disclosure to describe the business activities of each of your subsidiaries.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 8 of Amendment No. 2 accordingly.

Risk Factors

Risks Related to Technology Information Systems, Cybersecurity, and Intellectual Property
Our Strategic Reserve has been subject to deficiencies in custodial practices..., page 40

10. **We note the revisions you made in response to prior comment 19. Please expand your disclosure here to clarify how the deficiencies in custodial practices have been remediated for each type of wallet—i.e., cold, warm, and hot—in which XCH in your Strategic Reserve is held and state whether your independent registered public accounting firm, or any other independent entity, has audited or examined the remediated controls. Additionally, for each type of wallet in which XCH in your Strategic Reserve is held, please expand your disclosure on page 111, and on page 5 as appropriate, to clarify the transaction controls you have in place and disclose how and where the respective private keys are stored or secured.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 27, 50 and 111 of Amendment No. 2 regarding the remediation of its custodial practices. The Company has also revised the disclosure on pages 105, 117 and 118 of Amendment No. 2 to further clarify the transaction controls in place on and custodial practices applicable to each wallet.

Additionally, the Company respectfully advises the Staff that its independent registered public accounting firm is required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control of financial reporting, either on an individual control basis or on internal controls in the aggregate. As such, they can not opine on the controls

specifically mentioned in this comment. Similarly, no other independent entity has audited or examined the remediated controls.

The Company respectfully acknowledges the Staff's request for disclosure of how and where the private keys are stored or secured and respectfully submits that the Company believes disclosure beyond what is provided on page 117 of Amendment No. 2 would jeopardize the security of the Strategic Reserve and the safety of certain of the Company's officers, directors, and members of management that have access to the Strategic Reserve. Additionally, the Company respectfully advises the Staff that access to a private key is like access to a bank vault. Private keys are intentionally not stored at the same locations to make it harder for an attacker to capture and coerce more than one signer at a time. Further, the Company submits that providing additional information would work against the controls and protections in place. Nonetheless, the Company further notes that it is committed to addressing concerns the Staff may have regarding the Company's private keys.

Management's Discussion and Analysis of Financial Condition and Results of Operations Overview, page 74

11. **We note your revised disclosure on pages 23 and 76 in response to prior comment 28 and we reissue the comment. Please revise your disclosure to identify your three customers as of December 31, 2023, or your customers as of the latest most practicable date. Refer to Item 101(c)(1)(i) of Regulation S-K.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 76 of Amendment No. 2 accordingly.

Average Node Count, page 79

12. **Refer to your response to prior comment 30. Please address the following:**
- **We note your disclosure on page 79 that it would be inefficient for an individual or entity to create more than one node and it would be unlikely that any individual or entity accounts for more than one node. We further note your disclosure on page 79 that you ran 38 nodes and 28 nodes as of December 31, 2022 and December 31, 2023, respectively. Please expand to clarify why you ran multiple nodes when you state that doing so is inefficient and explain why you believe others would not also do this; and**
 - **We note your disclosure that the number of active average node count on the Chia blockchain decreased from 117,530 to 95,142 from December 31, 2022 to December 31, 2023, approximately 19%. Additionally, please expand to explain any apparent trends in the average number of nodes.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 79 and 80 of Amendment No. 2 accordingly.

The Company further respectfully advises the Staff that while its engineering and infrastructure, platforms, and security team runs nodes and tests nodes for the purposes of software development, fault tolerance, testing, and monitoring of the Chia blockchain in various regions, the use of multiple nodes, however, is not common practice to the average developer, farmer, or user of the Chia blockchain. The typical farmer, even with a larger amount of storage devoted to farming the Chia blockchain, normally uses a single node due to his or her desire to win more blocks, which is directly proportional to the amount of storage devoted to farming. The Company believes it is far more typical for farmers to pool and aggregate their storage in order to increase their likelihood of winning and proposing blocks on the Chia blockchain, and receiving the block reward, than to run multiple nodes.

The Company respectfully advises the Staff that while the average node count decreased approximately 25% from March 31, 2023 to March 31, 2024, the amount of average total netspace, or total storage devoted to farming the Chia blockchain, increased by approximately 50% in the same period. The Company believes that some farmers consolidated or sold their farms to others, while others joined farming pools with closed source pooling software such as NoSSD. Because the average total netspace has increased or remained consistent, the Company believes that the overall security of the Chia blockchain has increased as it requires greater amounts of storage to attack the Chia blockchain despite the decrease in nodes. The Company further believes that the Chia blockchain is sufficiently decentralized even at the lower amount of nodes as almost no other Layer 1 blockchain can claim a similar amount of nodes or node diversity. Of the major general-purpose Layer 1 blockchains, only Bitcoin compares well with the Chia blockchain as the Bitcoin network contains 18,293 nodes, or 20.4% of the Chia blockchain's node count, as of March 31, 2024.

The Chia Strategic Reserve, page 80

13. **We acknowledge your response to prior comment 31. You disclose that your Chia Strategic Reserve consists of 20.75 million XCH owned by you. Also, per your disclosure, according to Messari Market Intelligence data, the closing price on March 31, 2022 and 2023 was \$69.14 and \$38.49, respectively, and this gives the Strategic Reserve an aggregate gross value of approximately \$1.4 billion and \$808 million as of those dates. Tell us your consideration of balancing the disclosure to include information about the circulating supply and volume of transactions and whether, given the size of the Strategic Reserve, you could reasonably realize the values disclosed. Also, to the extent you provide the valuation information, please provide it as of the most recent practicable date.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 82 and 119 of Amendment No. 2 accordingly.

The Company further respectfully advises the Staff that the ongoing secondary market for XCH has continued during the Company's sales of XCH from the Strategic Reserve

through a third-party market maker, which the Company commenced in October 2023 and the Company has also added to its disclosure to include Messari Market Intelligence data on trading volumes. Based on this information and the reaction of XCH markets to date, the Company believes that, over time, it will be able to realize much of the value of the Strategic Reserve.

Business

Our Innovations

DataLayer, page 101

14. **We note the revisions you made in response to prior comment 45 and we reissue the comment in part. Please expand to discuss the visibility, or lack thereof, law enforcement or other government regulators would have in reviewing transactions on the blockchain and how it may differ from fully public blockchains.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 123 of Amendment No. 2 accordingly.

The Company further respectfully advises the Staff that the Chia blockchain is a fully public blockchain. DataLayer enables users and developers to share hashes of data publicly on the Chia blockchain. Hashes, as cryptographic representations of data, do not constitute the underlying data itself. It is theoretically possible to derive the underlying data with sufficient computing power, but it is difficult and highly unlikely under the current state of computer technology. However, underlying data that is not stored on a public blockchain or a publicly available and accessible source, such as an internal cloud instance, is not inherently visible to law enforcement or other government regulators. DataLayer makes the hash transparent and provides greater visibility of transaction-related data than currently available systems, which are generally private systems and networks, thus making DataLayer a marked improvement over the current state of transaction monitoring of financial institutions.

The Chia Blockchain, page 105

15. **We note the revisions you made in response to prior comment 49 and we reissue the comment in part. Please revise your disclosure to discuss the control the Company has over changes to the Chia blockchain.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 5, 27, 108, 109, 110 and 111 of Amendment No. 2 accordingly.

The Chia Platform and Developer Ecosystem, page 107

16. **We note your revised disclosure in response to prior comments 36 and 44 that you have released one novelty CAT, two novelty NFTs and 10,000 NFTs as part of the Chia Friends project and that you have not derived any revenue or monetary value**

from these activities. Please expand your disclosure to clarify why you engage in these activities if they do not generate revenues and describe your intentions to release CATs and/or NFTs in the future and, if you have such intentions, state whether you expect to derive any revenue or monetary value from those activities. Please also disclose how you ensure secondary trading of any CAT or NFT that you release is in compliance with the federal securities laws.

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 111 and 112 of Amendment No. 2 accordingly.

17. **We note the revisions you made on pages 108 and 109 in response to prior comment 51 and we reissue the comment in part. Please revise to provide balancing disclosure for determining popularity of blockchains among developers. As non-exclusive examples, we note that metrics such as total contributors and types of contribution, among others, also represent important methods for determining the popularity and health of a project on GitHub. Additionally, revise to provide the basis for your beliefs: (i) that many of the most active community developers on the Chia blockchain are senior developers with full time third-party employment that were attracted to the platform first via farming, (ii) that the Chia blockchain has attracted developers who were dissatisfied with both Ethereum and Bitcoin, for differing reasons; and (iii) that some developers have returned to development on the Chia blockchain based on their technical judgment of Mr. Cohen's track record of innovation in distributed systems.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages 113 and 114 of Amendment No. 2 accordingly.

The Company further respectfully advises the Staff that it believes other metrics used to determine the popularity of other blockchains may not be accurate indicators of popularity or utility. For example, the number of contributions or ecosystem projects may give the appearance of growth and popularity, however, many projects may be financially incented to build on competing blockchains by way of grants, funding, or other subsidies in coin or fiat. By way of illustration, in December 2022, DeLabs, the startup behind NFT projects DeGods and Y00ts, migrated the Y00ts generative art project from Solana to Polygon. It was later confirmed that Polygon made a \$3,000,000 non-equity grant to DeLabs from its partnership fund in connection with the move. The Company believes that similar behavior is common in the cryptocurrency and blockchain industry and that many projects and developers chase incentives from Layer 1 and Layer 2 blockchains. In contrast, as of March 31, 2024, the Company has made less than 20 grants with an average value of \$105,000, which the Company believes is less than what projects in other blockchain ecosystems demand and receive. Therefore, the Company believes that its focus on GitHub stars better tracks the level of organic developer interest in the core Chia blockchain code.

Likewise, the Company believes that total value locked (“TVL”) is only relevant to competing blockchains that use Proof of Stake as a consensus mechanism, and therefore not a good indicator for the Chia blockchain that uses PoST. Additionally, the Company believes that TVL is subject to manipulation by rehypothecation. For example, in 2021, developers used fake identities to create the illusion of a developer community that masked the creation and use of interlocked “decentralized finance” protocols such as Saber and Sunny on top of the Solana blockchain. The DeFi protocols double counted billions of dollars of TVL in the Saber ecosystem, comprising \$7.5 billion of Solana’s then peak of \$10.5 billion TVL. With DeFi applications such as Cashio, Sunny, and Saber, it was possible for users to make \$1 appear as \$6 of TVL. Like the Chia blockchain, the Bitcoin network is not often judged by the amount of TVL on the blockchain. Instead, the Company believes that more relevant metrics for the Chia blockchain are utilization of block space and fees paid per block, which highlight the usage and demand of the Chia blockchain, as further described in Amendment No. 2 in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics—Chia Blockchain Metrics.”

In addition to the revised disclosure in Amendment No. 2, the Company further respectfully advises the Staff that many of the active community developers on the Chia blockchain have posted publicly on various internet forums, including but not limited to X (formerly known as Twitter), about their use of the Chia blockchain and Chia platform. For example, enterprise developers and technology executives at other enterprise companies posted about how they discovered the Chia blockchain on Chia Forum. These developers discuss their interest in farming on the Chia blockchain and specifically cite to Mr. Cohen’s expertise in designing peer-to-peer systems and experience as a significant factor in becoming part of the developer community. Developers have also emailed and posted publicly about the strengths of the Chia blockchain as compared to other competing blockchain systems. For example, one Bitcoin core developer learned ChiaLisp, recognizing that Bitcoin lacks a robust smart contract scripting language and even advocated for Bitcoin to port a version of ChiaLisp for the Bitcoin blockchain. Many have also commented on Bitcoin’s lack of developed applications.

Chia Strategic Reserve and XCH, page 110

18. **We note your revised disclosure on page 111 in response to prior comment 20. Please expand your disclosure to clarify if you are able to clawback XCH transacted from your warm and hot wallets if you determine a transaction was started by fraud or theft. Please also revise to clarify if the clawback applies only to XCH held in your reserve or if it also applies to any XCH that is farmed.**

Response: The Company respectfully acknowledges the Staff’s comment and has revised the disclosure on pages 117 and 118 of Amendment No. 2 accordingly.

XCH Farming Emissions Schedule as Compared to Bitcoin Emission Schedule, page 114

19. **We note the revisions you made in response to prior comment 54. Please revise the table to clearly label the column showing XCH emissions as post-genesis block farmed XCH.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 120 of Amendment No. 2 accordingly.

Our Employees and Human Capital Resources, page 117

20. **We note your response to prior comment 55 and your revised disclosure under this heading. Please revise to separately disclose the number of your employees and contractors, both in total and by area of focus. In addition, we continue to note your reference to advisors throughout. Please revise to provide more disclosure regarding the role of these advisors and describe the parties' rights and obligations, payment terms and termination provisions. In addition, please file any agreements that you have with advisors as exhibits or provide an analysis explaining why they should not be filed pursuant to Item 601(b)(10) of Regulation S-K.**

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on page 124 of Amendment No. 2 accordingly.

The Company further respectfully advises the Staff that academic advisor agreements are entered in the ordinary course of business and generally provide an academic advisor with an equity grant in exchange for the advisor providing limited advisory services on an as-needed basis to the Company in connection with blockchain engineering and cryptography research and development. The Company's business is not substantially dependent on any advisor agreement from an operational or financial perspective, nor are the Company's research and development efforts substantially dependent on the academic advisors. Rather, the Company values the opinion of certain academic thought leaders in the nascent areas of blockchain engineering and cryptography and from time to time seeks advice on research and development matters.

For purposes of Item 601(b)(10)(ii)(B) of Regulation S-K, the Company believes the word "dependent" must be afforded substantive meaning. To be "dependent" on something is to have no other reasonable recourse. No one advisor, nor the advisors as a group, is essential to the Company's operations or business or to the initial or further development of the Chia blockchain and the Chia platform. Should an advisor provide critical services to the Company, the Company respectfully confirms that such advisor agreement will be properly filed as an agreement upon which the Company is dependent on. For the foregoing reasons, the Company does not believe that its business is substantially dependent on its academic advisor agreements, and therefore does not believe it is required to file the advisor agreements as an exhibit pursuant to Item 601(b)(10) of Regulation S-K. The Company will continue to monitor its analysis on a going-forward basis.

Consolidated Financial Statements
Note 2. Summary of Significant Accounting Policies
Stock-Based Compensation, page F-13

21. We acknowledge your response to prior comment 66. Please respond to the following:

- Tell us how you considered SAB Topic 14.D, Question 6 and ASC 718 55-35 to 55-41 in determining that it is appropriate to use the volatility of liquid digital assets to estimate the expected volatility of your equity; and
- Tell us how you considered the expected volatilities of entities that are similar except for having publicly traded securities under ASC 718-10-55-25 and 37(c).

Response: The Company respectfully acknowledges the Staff's comment.

In evaluation of the guidance in SAB Topic 14D and ASC 718-10-55-35 to 55-41 as it relates to newly public and non-public entities, the Company considered the following:

- a. Chia Network Inc. is an early-stage company without sufficient company-specific information regarding the volatility of its share price on which to base an estimate of expected volatility;
- b. The Company evaluated other publicly traded companies in the digital assets industry (such as crypto asset miners and crypto exchanges) and concluded that their business models are very different from the Company's business model and, as such, using the equity volatility of these companies as comparable to estimate the expected volatility of the Company's equity would not be appropriate. In addition, the Company was not able to identify any other publicly traded securities or option-linked instruments issued by entities on the digital assets space that are closely comparable to the nature, size, and life cycle stage of the Company's business; and
- c. Chia Network Inc. operates in a nascent industry and, to the Company's knowledge, is the first software company that develops applications on a particular blockchain to confidentially submit a registration statement on Form S-1 to the SEC, which makes it difficult for the Company to rely on a sector index (even adjusted) to estimate the expected volatility of the Company's shares.

Therefore, based on the considerations described above, the Company believes that the guidance provided in ASC 718-10-55-35 to 55-41 (and particularly 55-37) is challenging to apply to the Company's fact pattern when estimating the expected volatility of the Company's equity.

Considering the scarcity of the company- and industry-specific information relevant to the Company, the Company evaluated other data inputs that are helpful for the Company

to estimate the expected volatility of its equity. Although the Company strongly believes in the long run that results of operations of the Company will be a significant indicator of value for the Company's investors, the Company estimated (barring a significant amount of speculative value placed on the future operations of the Company by investors) that the largest single component of current value of the Company's business is the total fair value of its Strategic Reserve, and thus the largest single determinant of the variance of the value of the Company's equity is the variance of the price of XCH.

Furthermore, while the XCH tokens that are held in the Strategic Reserve are not equity instruments, the Company believes that their value represents the future ability to utilize transaction blocks on the Chia blockchain (because transaction fees on the Chia Blockchain are denominated in XCH), and thus are linked in value to the ultimate utility created by the Chia blockchain, which the Company believes is also positively correlated to the overall value of the Company's equity. Thus, while not the same instrument and subject to some different market forces, given that there is a comparatively liquid market for other comparable Layer-1 tokens like BTC, ETH, and SOL (however, no publicly traded equity), the Company believes that incorporating token volatility in the calculation of the volatility of the Company's equity is reasonable.

Additionally, in estimating stock-based compensation expenses, the Company relies on the Black-Scholes valuation model in its calculation of stock-based compensation expense. Due to the lack of comparable information available to the Company, as discussed in the preceding paragraphs, the Company believes that applying a mean-reversion term to its calculated volatility in a closed-form model or utilizing a lattice model is extremely challenging because the magnitude of such mean-reversion term or forward volatility term structure are almost impossible for the Company to estimate. As such, the Company used a current volatility estimate rather than apply a mean-reversion term or forward volatility term structure to a lattice model.

As provided in ASC 718-10-55-25 and 55-37 (c), the Company considered newly public entities with a similar size, stage of development and financial leverage (to a lesser extent) when selecting comparable entities to estimate the Company's expected equity volatility. As discussed above, the Company concluded that there were no public entities that are similar to the company in the digital assets industry. Therefore, the Company decided to use smaller publicly traded software-as-a-service companies and smaller publicly traded companies that recently conducted an initial public offering because such companies are similar in size and stage of development and approximate the Company's business model, and, as a result, the Company believes such companies are most closely comparable to the Company.

Note 7. Digital Assets, page F-18

22. **With respect to your sale of XCH beginning in October 2023, you disclose that you received total proceeds of approximately \$8.6 million. Please tell us the quantity of**

XCH sold, the price per XCH, and how you will account for these transactions and classify the sales in your financial statements.

Response: The Company respectfully acknowledges the Staff's comment and has revised the disclosure on pages F-8 and F-9 in Note 2 "Summary of Significant Accounting Policies—Digital Assets" of Amendment No. 2 accordingly.

Note 10. Debt

SAFE Notes, page F-21

23. **We acknowledge your response to prior comment 69. With respect to the Series A SAFE Note side letters, which include contingent options held by investors to receive XCH coins if you perform an XCH Initial Coin Offering in connection with the Chia blockchain launch, please respond to the following:**

- **You told us that the Chia blockchain was launched in March 2021 and no ICO was completed upon the Chia blockchain launch nor has one occurred to date. As such, since you did not complete an ICO issuance in connection with the XCH blockchain launch, the occurrence of a contingent event in this redemption option is not possible. But your response also says that the contingent event would not be probable to occur in the future. In your response, clarify whether or not it is even possible that the investors can exercise their options to receive XCH coins as of March 31, 2023 or whether it is not possible because the contingent event did not occur and cannot ever occur under the terms of the side letters.**
- **If it is possible that the investors can exercise their options to receive XCH coins, provide us your analysis of why the side letter agreement is not a derivative under ASC 815, including why net settlement would not be met.**

Response: The Company respectfully acknowledges the Staff's comment and clarifies that a contingent event is not possible under the terms of the Series A SAFE Note side letters. The Series A SAFE Note side letters contemplated that investors would only receive tokens if the Company conducted an initial coin offering ("ICO") in connection with the launch of the Chia blockchain. In March 2021, the Chia blockchain launched and became fully operational without an attendant ICO. Given that the Company did not sell any XCH from its Strategic Reserve until October 2023, more than two and half years after the Chia blockchain was launched, fully operational, and decentralized, there was and can never be an ICO. As a result, the Company believes that investors cannot exercise their rights under the Series A SAFE Note side letters.

24. **We acknowledge your response to prior comment 70. You told us that the Series C SAFE Note side letters contain contingent options to redeem future equity securities that are issued upon the conversion of Series C SAFE notes and following conversion, the terms of the Series C Side Letter will continue to apply to the shares of common stock that the Series C preferred stock converted into, unless the Series C Side Letters are amended prior to the initial public offering. Provide us with your**

accounting analysis for those common shares issued if they are subject to the terms of the Series C SAFE Note side letters. Tell us how you will consider the Series C SAFE Note side letters in your pro forma presentations in the filing and why.

Response: The Company respectfully acknowledges the Staff's comment and intends to amend the Series C SAFE Note side letters prior to the initial public offering. The Company undertakes to provide updated disclosure based on the terms under the expected amended Series C SAFE Note side letters.

* * *

We hope the foregoing answers are responsive to your comments. Please do not hesitate to contact me by telephone at (650) 463-3060 with any questions or comments regarding this correspondence.

Sincerely,

/s/ Tad J. Freese

Tad J. Freese
of LATHAM & WATKINS LLP

cc: Gene Hoffman, Jr., Chia Network Inc.
Misha Graboi, Chia Network Inc.
Thomas C. Chow, Esq., Chia Network Inc.
Marc D. Jaffe, Esq., Latham & Watkins LLP
Erica D. Kassman, Esq., Latham & Watkins LLP



DIVISION OF
CORPORATION FINANCE

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

October 17, 2024

Gene Hoffman, Jr.
President and Chief Executive Officer
Chia Network Inc.
611 Gateway Boulevard, Suite 120
South San Francisco, CA 94080

**Re: Chia Network Inc.
Amendment No. 2 to
Draft Registration Statement on Form S-1
Submitted August 12, 2024
CIK: 0001730166**

Dear Gene Hoffman Jr.:

We have reviewed your amended draft registration statement and have the following comments.

Please respond to this letter by providing the requested information and either submitting an amended draft registration statement or publicly filing your registration statement on EDGAR. If you do not believe a comment applies to your facts and circumstances or do not believe an amendment is appropriate, please tell us why in your response.

After reviewing the information you provide in response to this letter and your amended draft registration statement or filed registration statement, we may have additional comments. Unless we note otherwise, any references to prior comments are to comments in our May 23, 2024 letter.

Amendment No. 2 to Draft Registration Statement on Form S-1
Prospectus Summary, page 1

1. We note your response to prior comment 4 and may have further comments.

Chia Strategic Reserve and XCH, page 5

2. We note your revised disclosure in response to comment 8. We also note your disclosure on page 48 that "[f]rom March 2021 until October 2023, we did not sell, gift, loan, collateralize, or otherwise dispose of any of the XCH in our Strategic Reserve." Please revise to clarify, to the extent accurate, that you have not loaned or

collateralized any of the XCH in your Strategic Reserve to present date. Alternatively, please revise your disclosure accordingly.

3. We note your response to comment 7. We note your disclosure that in October 2023, you began making sales of XCH from your Strategic Reserve. In particular that, "[a]s of March 31, 2024, [you] have made 350,000 XCH, or less than 1.7% of coins from [y]our initial Strategic Reserve, available to a third-party market maker to provide liquidity and to sell XCH on [y]our behalf in blind programmatic transactions." We also note your disclosure that you made other coins "available" from your Strategic Reserve from October 2023 through March 31, 2024 to a third-party market maker and that you also made coins from your Strategic Reserve "available" for sale in blind programmatic transactions. Please revise to clarify what you mean by your statements that you have made coins from your Strategic Reserve "available." Please revise to provide greater details regarding these transactions, including the proceeds from these transactions to the extent you sold XCH. Please also revise to identify the third-parties to which you made XCH available to in each transaction.

Summary Consolidated Financial Data, page 12

4. You show loss per share, basic and diluted, of \$2.17 for the year ended March 31, 2024 (without brackets). Please revise to reflect all negative amounts consistently by placing brackets around this amount. We note the presentation on page F-4 includes brackets.

Risk Factors

A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty.... page 32

5. Please expand your disclosure to more clearly discuss the consequences to the company, both in terms of being able to leverage its strategic reserve of XCH and potential liability for regulatory violations, if XCH were determined to be offered and sold as a security.

Management's Discussion and Analysis of Financial Condition and Results of Operations, page 74

6. Please expand your disclosure to describe the services you are providing the Gulf Organisation for Research & Development - Climate Action Center for Excellence. In addition, please file any agreement you have with the Gulf Organisation for Research & Development as an exhibit or tell us why you are not required to do so. Please refer to Item 601(b)(10) of Regulation S-K.

The Chia Strategic Reserve, page 81

7. We note your added disclosure on pages 81, 116 and F-29 that in April 2024 you entered into an advisory agreement related to the promotion and marketing of the Chia blockchain, the Chia platform and associated projects and that, in connection with the advisory agreement, you transferred a total of 47,872 XCH tokens as consideration for the services. Please revise to provide greater specificity regarding the terms of the advisory agreement, including the purpose and duration of the agreement, services to be provided, additional payment terms and identification of the

October 17, 2024

Page 3

British Virgin Islands company. Please also file the agreement as an exhibit or tell us why you are not required to do so. Please refer to Item 601(b)(10) of Regulation S-K.

Business

Chia Strategic Reserve and XCH, page 115

8. We note your disclosure that XCH trades and is available for purchase on third-party on-ramps, such as wrapped USDC or USDT via the warp.green bridge, bulletin boards and exchanges. Please revise to clarify if you mean that wrapped USDC or USDT can be traded on your blockchain for XCH, or if you mean something different.

Note 7. Digital Assets, page F-17

9. We continue to evaluate your accounting for sales of XCH in response to prior comment 22 and may have further comments. Regarding classification for the sales of XCH in your financial statements, please tell us why you classify the realized gains from sales of digital assets - including realized gains from sales of your XCH - within net operating expenses. It appears these gains would be more appropriately classified within non-operating income based on Rule 5-03.7 of Regulation S-K. Please revise your next amendment, or advise otherwise.

Item 16. Exhibits and Financial Statement Schedules, page II-4

10. We note your response to prior comment 5. As your agreements with the World Bank and CAD Trust appear to be material contracts, please file these agreements as exhibits to your registration statement. Please refer to Item 601(b)(10) of Regulation S-K.
11. We note your revised disclosure on page 81 that pursuant to a services agreement, the third-party market maker provides liquidity services for a set monthly retainer and earns a set service fee for any XCH sales on your behalf. Please file the services agreement as an exhibit or tell us why you are not required to do so. Please refer to Item 601(b)(10) of Regulation S-K.

Please contact Kate Tillan at 202-551-3604 or David Irving at 202-551-3321 if you have questions regarding comments on the financial statements and related matters. Please contact David Gessert at 202-551-2326 or Sandra Hunter Berkheimer at 202-551-3758 with any other questions.

Sincerely,

Division of Corporation Finance
Office of Crypto Assets

cc: Erica Kassman Esq.

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Chia Network Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)

82-2550702
(I.R.S. Employer
Identification Number)

611 Gateway Boulevard, Suite 120
South San Francisco, California 94080
(628) 222-5925

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Gene Hoffman, Jr.
President and Chief Executive Officer
Chia Network Inc.
611 Gateway Boulevard, Suite 120
South San Francisco, California 94080
(628) 222-5925

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Marc D. Jaffe, Esq.
Tad J. Freese, Esq.
Erica D. Kassman, Esq.
Latham & Watkins LLP
140 Scott Drive
Menlo Park, California 94025
(650) 328-4600

Thomas Chia-San Chow, Esq.
Chief Legal Officer and Secretary
Chia Network Inc.
611 Gateway Boulevard, Suite 120
South San Francisco, California 94080
(628) 222-5925

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 ☒

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED _____, 2024

PRELIMINARY PROSPECTUS



Chia Network Inc.
Common Stock

This is the initial public offering of shares of common stock of Chia Network Inc. Prior to this offering, there has been no public market for our common stock. We anticipate that the initial public offering price per share of our common stock will be between \$ _____ and \$ _____. We intend to apply to list our common stock on the _____ under the symbol “CHIA.”

We have granted the underwriters a 30-day option to purchase up to _____ additional shares from us at the initial public offering price, less the underwriting discounts and commissions.

We are an “emerging growth company” as the term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this registration statement and may elect to do so in future reports after the completion of this offering.

Investing in our common stock involves risks. See the section titled “[Risk Factors](#)” beginning on page [19](#).

	Price to Public	Underwriting Discounts and Commissions ⁽¹⁾	Proceeds to Chia Network Inc.
Per Share	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

(1) See the section titled “Underwriting” for a description of the compensation payable to the underwriters.

Neither the Securities and Exchange Commission, any state securities commission, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about _____, 2024.

CAVU Securities

The date of this prospectus is _____, 2024.

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We have proprietary rights to trademarks, trade names, and service marks appearing in this prospectus that are important to our business. Solely for convenience, the trademarks, trade names, and service marks may appear in this prospectus without the ®, ™, and ™ symbols, but any such references are not intended to indicate, in any way, that we forgo or will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable owners of these trademarks, trade names, and service marks. All trademarks, trade names, and service marks appearing in this prospectus are the property of their respective owners.

Numerical figures included in this prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

Neither we nor any of the underwriters have authorized anyone to provide any information or make any representations other than those contained in this prospectus or in any free writing prospectus we have prepared. Neither we nor the underwriters take responsibility for, and can provide assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of common stock offered by this prospectus, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock. Our business, results of operations, financial condition, and prospects may have changed since such date.

For investors outside of the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus and any free writing prospectus must inform themselves about and observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

Through and including _____, 2024 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled “Risk Factors,” “Special Note Regarding Forward-Looking Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to “Chia Network,” the “company,” “we,” “us,” “our,” and similar terms refer to Chia Network Inc. and, where appropriate, its subsidiaries, taken as a whole. Our fiscal year ends on March 31. Our fiscal years ended March 31, 2024 and 2023 are referred to herein as fiscal 2024 and fiscal 2023, respectively. Throughout this prospectus, we use a number of industry terms and concepts that are defined in the section titled “Glossary.”

Overview

We are Chia Network Inc., a software company focused on creating modular pieces of code that act as accelerants to integrate the Chia blockchain into real-world applications. Through the creation of modular software, the Chia platform enables the creation of “One Market,” a forum where developers can build global trading markets that leverage the tools and attributes of blockchain technology to increase market efficiency. The Chia blockchain serves as the infrastructure layer of this One Market. We built the Chia platform to drive real-world adoption of blockchain technology. The internet enabled large-scale efficiency gains by allowing for nearly instantaneous communication and information sharing around the globe, but users were required to trust the authenticity of information shared, and there was no digitally native financial transaction infrastructure. Blockchain technology can expand on the revolution of the internet by further increasing efficiencies while also strengthening trust in the systems that provide information and enable transactions. Existing blockchain solutions have been widely studied, but not broadly adopted, for enterprise and government use cases due to a myriad of security, ownership, and information protection concerns. We believe blockchain technology enables collaboration and transactions without expensive intermediaries in currently opaque markets. Blockchain technology is being used in various markets including carbon, payments, automobile finance and titles, agriculture, securities, supply chain, and royalty-based creator economies. We believe the Chia blockchain is the first public, highly secure, sustainable, compliant, auditable, and currency-agnostic solution for enterprises, governments, and developers seeking to use blockchain technology in real-world applications.

The Chia blockchain is an open source blockchain, similar to Bitcoin or Ethereum, but it is purposefully designed to be secure, sustainable, and compliant. Although Chia Network built and continues to build on top of the Chia blockchain, we do not own, operate, or control the Chia blockchain. Chia Network releases open source modules aimed at making it easier and more secure for individuals to interface with the Chia blockchain. We believe that by increasing the accessibility and capabilities of the Chia blockchain and, by extension, increasing the user base, more expansive and complex projects will be drawn to the Chia blockchain and will require the services of Chia Network to develop, implement, maintain, and support those projects. The Chia blockchain’s secure environment allows for agreements to be converted to code and their execution to be automated based upon the status of the blockchain (commonly referred to as smart contracting), resulting in the completion of transactions in a reliable and auditable fashion. Additionally, transactions completed on the Chia blockchain are currency agnostic, which means digital currencies besides the Chia blockchain native currency, XCH, can be used for transactions on the Chia blockchain. The Chia blockchain also utilizes a fraction of the energy of Bitcoin and is more decentralized than Bitcoin and Ethereum based on number of nodes and Nakamoto Coefficient. We believe that the Chia blockchain is compliant with U.S. federal securities laws because we believe XCH is not a security and is instead subject to the anti-manipulation and anti-fraud regulations applicable to commodities that are enforceable by the Commodity Futures Trading Commission (“CFTC”). We expect that enterprises, governments, and developers will use XCH to issue new Chia Asset Tokens (“CATs”), issue asset titles as non-fungible tokens (“NFTs”) in accordance with existing regulation, or purchase goods or services. Further, the Chia blockchain offers a compliance framework for users who can use Chia platform primitives like decentralized identifiers (“DIDs”) and verifiable credentials to comply with their applicable regulations.

The Chia platform represents the intersection of protocols and smart contracts created by Chia Network and others in our ecosystem to more easily enable users to transact, custody assets, integrate the Chia blockchain into applications, and store data in permissioned databases that remain accessible to the Chia blockchain itself. We believe the combination of the Chia blockchain and the Chia platform is ideal for large-scale enterprise, government, and developer projects.

Enterprise blockchain technology is developing rapidly and offers new and differentiated solutions that are driving market expansion and a large total addressable market. We believe there are six primary areas where blockchain technology offers a superior toolkit to current technologies: markets; process integrity; identity; custody; payments; and randomness and gaming. Chia Network's core innovations include:

- **Chialisp:** Secure, purpose-built programming language powering all innovation on the Chia blockchain
- **Offers:** Secure peer-to-peer transactions enabling trustless settlement with no need for escrow
- **DataLayer:** Technology providing the ability to coordinate and secure databases
- **Advanced Custody:** Capability that simplifies the user experience while enhancing the security of digital asset management through key management, access control, back up keys, rate limits (account security), and timed clawbacks (transaction security)

Historically, markets have depended on a consolidated order book operated by a single entity (e.g., NYSE) relying on aggregated data from numerous parties (e.g., brokerage firms). Central verification and clearance have been necessary to address market complexity and ensure market participants are treated fairly and equitably. Blockchain technology changes this paradigm by providing an efficient system that enables markets where participants can interact with one another directly and data is freely available and auditable, creating a system where no centralized entity needs to intermediate or be trusted.

We implemented the foundation for the voluntary carbon market from Article 6.2 of the Paris Agreement on the Chia blockchain. This implementation includes the Climate Action Data Trust ("CAD Trust") and the Carbon Opportunities Fund ("COF"). The CAD Trust is an independent entity domiciled in Singapore and led by a council and a board. It was formed through a partnership between the World Bank, the International Emissions Trading Association ("IETA"), and the Republic of Singapore. The CAD Trust also refers to the open source decentralized metadata platform that links, aggregates, and harmonizes major carbon credit registry data to enhance transparent accounting of carbon credits, and provides public access to such information in a user-friendly format to enhance the overall integrity of the voluntary carbon market. National governments and voluntary registries can configure their own carbon credit registries to store their data on the Chia blockchain through the CAD Trust. With the CAD Trust, private sector, non-governmental organizations, and national governments can see exactly what carbon credits are available around the globe. The CAD Trust also tracks the creation and retirement of carbon credits. We were selected to develop the foundation of the CAD Trust because of our ability to solve key problems inherent in prior solutions, including the lack of visibility and auditability and the requirement for global coordination and cooperation. We expect this implementation to scale into a complex voluntary carbon market, which would make it the first complex market on the Chia blockchain.

The COF is a partnership among the International Finance Corporation ("IFC"), Aspiration, Cultivo, and Chia Network investing in the development of the voluntary carbon market. It is a global investment platform that acquires high-quality, nature-based carbon offsets that are reflected in the CAD Trust, tokenized on the Chia blockchain, and made available to be traded and/or retired to offset carbon footprints. We are a limited partner and have committed to invest \$1.0 million and, as of March 31, 2024, have invested \$0.1 million in the COF. The COF is administered by Cultivo as general partner. The COF has raised up to \$10.0 million to tokenize and trade carbon offsets. The COF uses an environmental and social management system to ensure that all acquisitions of carbon offset projects meet the fund's environmental and social objectives, comply with applicable laws, and pass a documented due diligence process. The COF relies on the trust created from the operation of the CAD Trust on the Chia blockchain. We implemented the foundation for a cross-border and cross-market One Market for the voluntary carbon market by creating a single location for price discovery. Participating countries and registries have begun to establish their implementation in the CAD Trust on the Chia blockchain.

For the voluntary carbon market implementation, we delivered a set of interconnected databases to broadly disseminate previously opaque market data. We believe this single, transparent source of information ensures assets in the carbon market are auditable and available to all participants, globally, while optimizing market efficiency. These databases provide clarity in the market, minimizing the risk of double creation and counting of carbon credits. In the future, we believe that the voluntary carbon markets enabled by the CAD Trust will be a foundational piece of climate or environmental, social, and governance (“ESG”) reporting. This same concept may be applied to other global markets, and we believe the CAD Trust and the COF will act as a strong proof of concept for future markets.

Our business model is, for the most part, similar to those of most other open source software companies. We do not make money directly from allowing access to or development on the Chia blockchain and we do not directly or indirectly control access to or development on the Chia blockchain. Our business model is to add value to our customers by developing, implementing, maintaining, and supporting applications for customers that are built using this open source software infrastructure on the Chia blockchain. As this open source software for the Chia blockchain was designed by our engineering team, we believe we are well positioned to provide expert development, implementation, maintenance, and support services for our customers. We believe our primary customers will be enterprises and governments, which generally require extensive professional support from domain experts for complex projects using novel technology. We recognized customer revenue for the first time in the third quarter of fiscal 2023.

We may also indirectly benefit from value creation on the Chia blockchain by our customers and other developers and users of the Chia blockchain through the Strategic Reserve of 20.7 million XCH held by the company as of March 31, 2024. We believe that there is fundamental value in the native currency of a well-designed blockchain, such as XCH. Blockchains provide secure transaction, custody, identity, and other infrastructure, which generates value; however, the “blockchain trilemma,” an industry-accepted concept, dictates that, to date, a Layer 1 blockchain can be only two of fast, decentralized, or secure. The Chia blockchain optimizes security and decentralization, limiting block space, which limits speed. We expect that this limited block space will cause transaction fees, denominated solely in XCH, to increase as adoption rises and blocks fill. These transaction fees on the Chia blockchain go directly to farmers, not to us. As more users, developers, and potential customers adopt the Chia blockchain, it is likely more market participants will want to buy XCH, which is required for access to block space, and thus transaction access, which we believe will cause the value of XCH relative to fiat currency to increase.

As a result, we believe that our Strategic Reserve represents a potential significant source of company and stockholder value if and when we sell, loan, collateralize, distribute or dispose of it. For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Select Use Cases of Blockchain Technology

Blockchain technology offers numerous benefits to enterprises, governments, developers, and individuals, including improved efficiency, transparency, and security, as well as self-ownership of data and assets. We believe there are many real-world applications that require or are materially improved by blockchain technology.

Markets: Trustworthy, Inclusive, and Global Trading

A secure and sustainable blockchain featuring a trust-enhancing smart contract environment empowers enterprises, governments, and developers to create markets and rapidly tap into global trading liquidity. Blockchain technology enables the trading of assets among two or more entities anywhere in the world at any time and in a way that reduces the ability of one party to defraud another. It makes completing a trade more trustworthy and fast.

Process Integrity: Transparent, Trustless Tracking

Blockchains are excellent transparency engines. For practical reasons, tension arises when considering whether to run a private blockchain versus a public blockchain. A project benefits from the core elements of a public

blockchain, like transparency and an immutable, append-only nature; however, many projects need partial or total confidentiality. We built our DataLayer technology with these needs in mind. Leveraging the DataLayer technology, participants can be pseudonymous to the outside world and transparent (or not) internally. Users can also prove inclusion of select elements in a joint database selectively or publicly.

Identity: Digital Identification and Credentialing

Blockchain technology provides the opportunity for scalable and trusted DID infrastructure. Users can obtain credentials through their DID, which could allow access to or certification of information such as a passport, trade license, investor accreditation, or NFT authorship. This infrastructure enables DID login, a replacement for web2 logins, enterprise email access, etc. By removing the need for trusted third parties, DID helps secure identity and enable single sign-on.

Custody: Security and Control

Blockchain technology allows for ownership of digital assets, which comes with the responsibility of security and control. Even today's best practices are not user friendly and are prone to user error or theft. Advancement in blockchain technology has made it possible to mitigate the risk of unauthorized transfers or loss of money by building safety nets directly into the software.

Payments: Democratizing Infrastructure

According to McKinsey, the cost of moving money in 2020 was approximately \$915 billion. Existing payment systems are dated, require counterparty trust, and are increasingly complex for cross-border transactions. For example, "simple" domestic debit card transactions require end users to trust sellers, card networks, merchant and cardholder banks, and Fedwire or ACH to achieve final settlement. Advances in blockchain technology and smart contract capabilities have enabled trustless payments. With blockchain technology, payments can be available to anyone, anywhere, 24x7, and settle transparently with finality in just a few minutes.

Randomness and Gaming: Predictable Unpredictability

Blockchains are a source of publicly verifiable random numbers. Sports drafts, lotteries, and on-chain games of skill can be provably secure using blockchain technology. When the source of randomness can be trusted, corruption becomes difficult.

Growth Strategies

We intend to pursue the following growth strategies:

- Acquire new customers and expand within our existing customer base through new use cases and expanded implementations
- Increase usage of the Chia blockchain by making the Chia platform one of the easiest to use and most robust ecosystems for development
- Enable the creation of markets to attract market sellers and buyer service providers as customers
- Develop strategic partnerships

The Chia Blockchain

We initially developed the Chia blockchain over a period of four years and during that time we had control over the Chia blockchain. Following the launch of the Chia blockchain in March 2021, we ceased to have control over the Chia blockchain as it began running independently on farmer nodes operating the Chia blockchain protocol and the consensus mechanism contained in the Chia blockchain software. As the Chia blockchain is a decentralized public blockchain, we do not own, operate, or control, directly or indirectly, the Chia blockchain and we cannot control, directly or indirectly, its usage, including the publication of CATs, NFTs, or decentralized applications ("dApps"). The node software, as agreed upon by over 50% of the nodes on the Chia blockchain, is what ultimately determines

the rules for the creation and reward of the next block. The Chia blockchain's rules are determined by each node operator and that limits what farmers can propose in blocks. A block seen as valid by a majority of the nodes will generally get included as long as it is otherwise on the chain with the most space also agreeing with those rules. We or any community member can propose to materially enhance or change components of the Chia blockchain and/or the Chia platform. We propose enhancements and improvements to the Chia blockchain through updates to our software and have influence on the Chia blockchain, but any upgrades have to be downloaded and installed by a majority of farmers in order to be implemented. We do not operate any farmer nodes and, pursuant to our internal policies, our personnel are not permitted to run farmer nodes on hardware owned or provided by us to ensure that we do not have direct or indirect control over the Chia blockchain. The acceptance of changes proposed by us or the community requires the majority of farmers to adopt the changes. We are not able to control or implement changes unilaterally.

Chia Strategic Reserve and XCH

In March 2021, we launched the Chia blockchain. We pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), the Chia Strategic Reserve, a pre-farmed "genesis block" of 21 million XCH owned by the company. We have not directly or indirectly farmed any XCH, nor have we added XCH to our Strategic Reserve since its creation.

In October 2023, we began making sales of XCH from our Strategic Reserve. As of March 31, 2024, we have made 350,000 XCH, or less than 1.7% of coins from our initial Strategic Reserve, available to a third-party market maker to provide liquidity and to sell XCH on our behalf in blind programmatic transactions. From October 2023 through March 31, 2024, we made available between 50,000 and 150,000 XCH, or less than 1% of coins from our initial Strategic Reserve, to a third-party market maker to provide liquidity on non-U.S. third-party exchanges that are not available to persons in the United States: Gate.io, KuCoin, MEXC, and OKX Exchange. During that period, we also sold a total of 270,174.35 XCH, or less than 1.3% of coins from our initial Strategic Reserve, in blind programmatic transactions through the same third-party market maker on the same non-US third-party exchanges.

We expect that we will continue to sell XCH from our Strategic Reserve to fund operations until we secure alternative financing and, at that time, possibly discontinue sales of XCH or continue sales of XCH from our Strategic Reserve to a lesser extent. While we make available XCH to a third-party market maker to provide liquidity services and make sales of XCH from our Strategic Reserve, we have no immediate plans to sell, distribute, or dispose of, a substantial amount of our Strategic Reserve. In the future, we may sell, loan, collateralize, distribute, dispose of, or otherwise receive value in exchange for these pre-farmed coins, which may include selling more XCH from our Strategic Reserve and repurchasing our common stock with the proceeds. We intend to transfer the XCH value to our stockholders over time or continue to use our Strategic Reserve in the general course of our business based on business needs and applicable regulations. These future activities are subject to applicable regulations, applicable approvals, and tax considerations at the time of such sale, distribution, disposition, dividend, realization, or use.

As of March 31, 2024, there were 10,550,741.7 XCH traded and circulated in the global market. Over 96.6% of the XCH traded and circulated in the global market consists of the coins that were farming rewards created by the Chia blockchain protocol and awarded to block validators for maintaining the security and integrity of the Chia blockchain, and never a part of the Strategic Reserve and the remaining 3.4% of the XCH traded and circulated in the global market consists of coins from our Strategic Reserve.

XCH does not grant holders any governance rights, voting rights, or control of the Chia blockchain or the company. XCH is the native cryptocurrency of the Chia blockchain, which is required to secure the Chia blockchain and pay the transaction fee for transactions completed on the Chia blockchain and such transaction fee may be fully assumed by one of the parties to the transaction. We do not collect any revenue or share of the proceeds from third-party transactions on the Chia blockchain, in XCH or other digital assets. For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled "Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty."

Our History

Chia Network Inc. was incorporated in the State of Delaware on August 1, 2017. It was founded by Bram Cohen, the inventor of BitTorrent. Until March 2021, we focused on fundamental and foundational research and development of the Chia blockchain and its technology and promoting its uses. The Chia blockchain prioritizes security, sustainability, and compliance while retaining ease of adoption and use. The Chia blockchain was built and made available to the world using the Apache 2.0 open source license. We launched the Chia blockchain on March 19, 2021 and we pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), our pre-farmed Strategic Reserve. We had control over the Chia blockchain prior to launch. Following the launch of the Chia blockchain, we ceased to have control over the Chia blockchain as it began running independently on farmer nodes operating the Chia blockchain protocol and the consensus mechanism contained in the Chia blockchain software. As the Chia blockchain is a decentralized public blockchain, we do not own, operate, or control, directly or indirectly, the Chia blockchain and we cannot control, directly or indirectly, its usage. For more information, see the section titled “Business—The Chia Blockchain.”

Since the launch of the Chia blockchain and enablement of Chialisp, the Chialisp Virtual Machine (“CLVM”), and transactions in May 2021, we have focused on creating development tools aimed at reducing the complexity of building on the Chia blockchain.

Risk Factors Summary

Our business is subject to a number of risks and uncertainties of which you should be aware before making a decision to invest in our common stock. These risks are more fully described in the section titled “Risk Factors” and are summarized below. We have various categories of risks, including risks related to our business and operations, risks related to legal and regulatory matters, risks related to technology information systems, cybersecurity, and intellectual property, risks related to financial, tax, and accounting matters, and risks related to the ownership of our common stock and this offering. As a result, this risk factors summary does not contain all of the information that may be important to you, and you should read this risk factors summary together with the more detailed discussion of risks and uncertainties set forth in the section titled “Risk Factors.” In particular, risks associated with our business include, among others, the following:

- We are an early-stage company and have not generated material revenue. Our limited operating history makes it difficult to forecast our future results of operations and evaluate our business, performance, and prospects.
- Our business strategy is focused on adoption of the Chia blockchain and the Chia platform, and the goal of generating long-term revenue rather than short-term profitability.
- If we are not able to develop our business as anticipated, we may not be able to generate adequate revenue or achieve profitability and you may lose your investment.
- The development and widespread acceptance of blockchain technology, a new and rapidly changing industry, is subject to a variety of risks that are difficult to predict and evaluate. If blockchain technology in general and the Chia blockchain and the Chia platform in particular do not gain widespread acceptance as we expect, our business, results of operations, financial condition, and prospects could be adversely affected.
- The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.
- The Chia blockchain is new and we have a very small number of customers.
- If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, results of operations, financial condition, and prospects will be adversely affected.

- The Chia blockchain operates in a highly competitive industry and competes with other blockchain networks and legacy payment platforms, subject to different or no regulations, and our business, results of operations, financial condition, and prospects may be adversely affected if we are unable to respond to our competitors effectively.
- The regulatory environment for blockchain technology is evolving rapidly and may become more restrictive and require that we comply with new or revised legislation and regulations, and our failure to comply with these evolving laws and regulations could adversely affect our reputation and brand, and would adversely affect our business, results of operations, financial condition, and prospects.
- A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and our use or ownership of any digital assets in our business, including XCH and our role in creating XCH and developing the Chia blockchain, may subject us to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, results of operations, financial condition, and prospects.
- Technological changes could adversely affect the Chia blockchain, the Chia platform, and our services, assets, and operations.
- We do not have direct or indirect control over the Chia blockchain, and Chia farmers could adopt changes that adversely affect our business, results of operations, financial condition, and prospects.
- We expect to require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.
- In recent fiscal periods, our financial condition has raised substantial doubt as to our ability to continue as a going concern.
- There has been no prior public market for our common stock. An active market may not develop or be sustained, and you may not be able to resell your common stock at or above the initial public offering price.
- The market price of our common stock may be volatile and may decline regardless of our operating performance, resulting in substantial losses for investors purchasing shares in this offering.
- Sales, directly or indirectly, of a substantial amount of our common stock in the public markets by our existing security holders may cause the price of our common stock to decline. Further, Bram Cohen, our Chief Technology Officer and Founder, holds a significant amount of our common stock and voting power. This ownership may limit your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Channels for Disclosure of Information

After the completion of this offering, we intend to announce information to the public through filings with the U.S. Securities and Exchange Commission ("SEC"), the investor relations page on our website, blog posts on our website, press releases, public conference calls, webcasts, posts on our Twitter, Reddit, and Discord accounts, and announcements we make on Twitter Spaces, YouTube, and Zoom webinars we participate in.

The information disclosed on the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and to review the information disclosed through such channels. Our disclosure of information on the foregoing channels does not limit our obligations to make required disclosures as prescribed by U.S. federal securities laws, including in SEC filings.

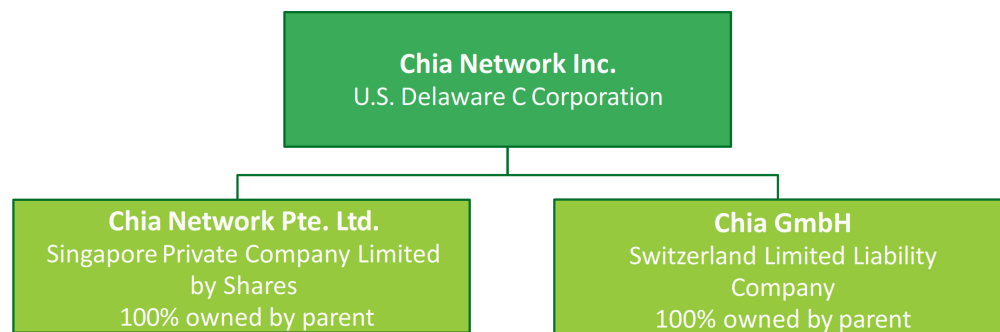
Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Further, while we do not intend to announce information through the Chia blockchain, due to the public nature of the Chia blockchain and elements of the Chia platform, information such as utilization of block space, fees paid per block, and other data can be obtained, in near real time. While such information may be available, the Chia blockchain is not a disclosure channel.

Corporate Information

We were incorporated in August 2017 as a Delaware corporation. Our principal executive offices are located at 611 Gateway Boulevard, Suite 120, South San Francisco, California 94080, and our telephone number is (628) 222-5925. Our website address is www.chia.net. Information contained on, or that can be accessed through, our website or through the channels for disclosure of information identified above does not constitute part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only. Investors should not rely on any such information in deciding whether to purchase our common stock.

We have two wholly owned subsidiaries, as reflected in our organization chart below: Chia GmbH, a Switzerland limited liability company registered in December 2020, and Chia Network Pte. Ltd., a Singapore private company limited by shares registered in August 2022.



Chia GmbH holds over half of our Strategic Reserve and may engage in commercial activities in the future in Switzerland, the European Economic Area, Middle East, and Africa, including, but not limited to, sales, marketing, business development, and entering into agreements with customers. Chia Network Pte. Ltd. employs personnel in Singapore and may engage in commercial activities in the future in Singapore and the Asia-Pacific region, including, but not limited to, sales, marketing, business development, and entering into agreements with customers.

Implications of Being an Emerging Growth Company

As a company with less than \$1.235 billion in revenue during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to take advantage of this extended transition period for complying with new or revised accounting standards and, as a result, our results of operations and financial

statements may not be comparable to the results of operations and financial statements of public companies who have adopted the new or revised accounting standards.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year in which we have more than \$1.235 billion in annual revenue; (2) the date we qualify as a “large accelerated filer,” with at least \$700.0 million of equity securities held by non-affiliates; (3) the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; and (4) the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

We may take advantage of these exemptions until such time that we are no longer an emerging growth company or, in the case of the extended transition period, until we affirmatively and irrevocably opt out of the extended transition period. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

THE OFFERING

Common stock offered by us.....	shares.
Option to purchase additional shares of common stock....	shares.
Common stock to be outstanding after this offering	shares (or shares if the underwriters exercise their option to purchase additional shares of common stock in full).
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately \$ million (or \$ million if the underwriters exercise their option to purchase additional shares of common stock in full), based upon an assumed initial public offering price of \$ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We currently intend to use the net proceeds from this offering for working capital and other general corporate purposes. We will have broad discretion in the way that we use the net proceeds of this offering. See the section titled “Use of Proceeds” for additional information.
Risk factors	See the section titled “Risk Factors” and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Listing	We intend to apply to list our common stock on under the symbol “CHIA.”

The number of shares of our common stock to be outstanding after this offering is based on shares of our common stock outstanding as of March 31, 2024, gives effect to the Preferred Stock Conversion (as defined below), and excludes:

- shares of our common stock issuable upon the exercise of stock options outstanding under our Second Amended and Restated 2017 Stock Incentive Plan (the “2017 Plan”) as of March 31, 2024, with a weighted-average exercise price of \$ per share;
- shares of our common stock issuable upon the exercise of stock options outstanding under the 2017 Plan granted subsequent to March 31, 2024, with a weighted-average exercise price of \$ per share;
- up to aggregate shares of our common stock issuable upon the exercise of warrants with a weighted-average exercise price of \$ per share, which may be exercised prior to the completion of this offering or net exercised prior to the completion of this offering for an aggregate of shares of our common stock, assuming an initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- shares of our common stock reserved for future issuance under the 2017 Plan as of March 31, 2024 (without giving effect to the issuance of stock options granted subsequent to March 31, 2024 to purchase shares of our common stock described above);
- shares of our common stock reserved for future issuance under our 2024 Incentive Award Plan (the “2024 Plan”), which will become effective on the business day immediately prior to the date of effectiveness of the registration statement of which this prospectus forms a part; and

- shares of our common stock reserved for future issuance under our Employee Stock Purchase Plan (the “ESPP”), which will become effective on the business day immediately prior to the date of effectiveness of the registration statement of which this prospectus forms a part.

Upon effectiveness of the 2024 Plan, any remaining shares available for issuance under the 2017 Plan will be added to the shares of our common stock reserved for issuance under the 2024 Plan, and we will cease granting awards under the 2017 Plan. The 2024 Plan and ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled “Executive Compensation—Equity Incentive Plans.”

Unless otherwise indicated, this prospectus reflects and assumes or gives effect to:

- the adoption, filing, and effectiveness of our amended and restated certificate of incorporation and the adoption and effectiveness of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
- the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of shares of our common stock, which will occur immediately prior to the completion of this offering (the “Preferred Stock Conversion”);
- no exercise of the outstanding stock options or warrants described above; and
- no exercise by the underwriters of their option to purchase additional shares of our common stock in this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. The summary consolidated statements of operations data for the fiscal years ended March 31, 2024 and 2023 and the consolidated balance sheet data as of March 31, 2024, except for pro forma amounts, have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following summary consolidated financial data in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

Consolidated Statements of Operations Data

	Year Ended March 31,	
	2024	2023
	<i>(in thousands, except share and per share data)</i>	
Revenue:		
Revenue from professional services	\$ 71	\$ 125
Revenue from subscription and support	\$ 119	\$ —
Total revenue	190	125
Cost of revenue⁽¹⁾:		
Cost of professional services revenue	169	37
Cost of subscription and support revenue	97	—
Total cost of revenue	266	37
Gross (loss) profit	(76)	88
Operating expenses and (gains)/losses:		
Research and development ⁽¹⁾	11,547	15,653
Sales and marketing ⁽¹⁾	10,007	12,672
General and administrative ⁽¹⁾	8,780	9,912
Net realized (gains)/losses on sale of digital assets	(9,668)	—
Digital asset impairment losses	19	602
Total net operating expenses	20,685	38,839
Loss from operations	(20,761)	(38,751)
Non-operating income (expense), net:		
Interest expense	—	(380)
Other income, net	249	482
Non-operating income (expense), net	249	102
Net loss	\$ (20,512)	\$ (38,649)
Loss per share - basic and diluted⁽²⁾	\$ 2.17	\$ (4.11)
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) ⁽³⁾	\$ (1.09)	\$ (2.07)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited) ⁽³⁾	18,840,919	18,713,525

- (1) Includes stock-based compensation expense as follows:

	Year Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Cost of revenue	\$ 41	\$ 23
Research and development	2,686	2,808
Sales and marketing	4,150	4,534
General and administrative	3,443	3,273
Total stock-based compensation expense	<u>\$ 10,320</u>	<u>\$ 10,638</u>

- (2) For an explanation of the method used to calculate the historical basic and diluted net loss per share and the weighted-average number of shares used in the computation of the per share amounts, see Note 2 “Summary of Significant Accounting Policies—Net Loss Per Share of Common Stock” to our consolidated financial statements included elsewhere in this prospectus.
- (3) The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended March 31, 2024 is computed to give effect to the Preferred Stock Conversion. We use the if-converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later. The following table summarizes our unaudited pro forma net loss per share for the year ended March 31, 2024 (in thousands, except share and per share data):

	Year Ended March 31, 2024
Numerator:	
Net loss attributable to common stockholders	\$ (20,512)
Pro forma net loss attributable to common stockholders - basic and diluted	<u>\$ (20,512)</u>
Denominator:	
Weighted-average common shares outstanding - basic and diluted	9,436,554
Pro forma adjustment to reflect conversion of convertible preferred stock as converted to common stock	4,964,533
Pro forma adjustment to reflect conversion of redeemable convertible preferred stock as converted to common stock	<u>4,439,832</u>
Pro forma weighted-average common shares outstanding - basic and diluted	<u>18,840,919</u>
Pro forma net loss per share attributable to common stockholders - basic and diluted	<u>\$ (1.09)</u>

Consolidated Balance Sheet Data

	As of March 31, 2024		
	Actual	Pro Forma ⁽¹⁾	Pro Forma As Adjusted ⁽²⁾⁽³⁾
	<i>(in thousands)</i>		
Cash and cash equivalents	\$ 1,583		\$
Current assets	3,276		
Total assets	9,072		
Current liabilities	4,132		
Total liabilities	4,411		
Mezzanine equity	52,521		
Additional paid-in capital	29,835		
Accumulated deficit	(167,015)		
Total stockholders' (deficit) capital	(47,860)		

- (1) The pro forma balance sheet column in the table above has been computed to give effect to (i) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the completion of this offering, and (ii) the Preferred Stock Conversion.
- (2) The pro forma as adjusted column reflects: (i) the pro forma adjustments set forth in footnote (1) above and (ii) the issuance and sale of shares of common stock by us in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) The pro forma as adjusted information discussed above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing. Each \$1.00 increase or decrease in the assumed initial public offering price per share of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as

applicable, each of pro forma as adjusted cash and cash equivalents, total assets, additional paid-in capital, and total stockholders' deficit by approximately \$ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares of common stock offered by us in this offering would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, total assets, additional paid-in capital, and total stockholders' deficit by \$ million, assuming that the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

GLOSSARY

Throughout this prospectus, we use a number of industry terms and concepts which are defined as follows:

- **Asset Tokens:** Blockchain instruments that represent unique whole or partial ownership of a separate physical or digital asset, deriving its value in part or whole from the represented asset. A “CAT” is a Chia Asset Token.
- **Advanced Research Projects Agency Network (“ARPANET”):** The first public, wide-area packet-switched network, and one of the first networks to implement the TCP/IP protocol suite, forming the technical foundation of the modern internet.
- **Application Specific Integrated Circuits (“ASICs”):** Integrated circuits purpose built for a specific or single use, such as voice recording or digital asset mining.
- **Blocks:** Synonymous with digital pages in a ledger. Blocks are added to an existing blockchain as transactions occur on the network.
- **Blockchain:** A constantly growing shared database where items may be added but never changed. Records are organized and added into the database in grouped sets called blocks and may represent items such as transferring assets from one person to another, purchasing goods, or swapping one asset for another. In addition to these records of change, each block contains a timestamp, a summary of events taking place (Merkle trees), and the prior block’s unique identifier (i.e., cryptographic hash). A cryptographic hash is created by an algorithm that can translate data input into a fixed-size output of encrypted text. These hash functions are used in each block to generate its unique identifier. Each function takes in as input its own timestamp, the prior block’s events, and the prior block’s identifier. This allows for the creation of a sequential system database, which is important because a change to any given block would only be possible if every block before it was able to be altered as well.
- **Blockchain Trilemma:** The industry-accepted concept that a Layer 1 blockchain can be only two of fast, decentralized, or secure. The term was coined by Ethereum co-founder Vitalik Buterin and is widely accepted as a fundamental blockchain design concept. At the current stage of blockchain technology development and innovation, it is not possible for a Layer 1 blockchain to be fast (have a high amount of transactions per second), decentralized, and secure because increasing two of the three properties results in weakening the third property. While developers are attempting to solve the trilemma by experimenting with scalability and other solutions, no workable solution within a Layer 1 blockchain has been developed. We believe such solution would require a fundamental innovation in computer science. The Chia blockchain optimizes security and decentralization, limiting block space, which limits speed on Layer 1. In order to allow for higher transactions per second and address the limitations of the blockchain trilemma, we intend to leverage various net settlement Layer 2 technology scaling solutions, like payment channels and rollups. We create primitives for use on the Chia blockchain that we anticipate developers will be able to use to implement Layer 2 technologies for specific applications like payments, peer-to-peer gaming, and Offer settlements.
- **Carbon Credit:** A transferable instrument certified by governments or independent certification bodies to represent an emission reduction of one metric ton of CO₂.
- **Carbon Offset:** Any activity that compensates for the emission of carbon dioxide or other greenhouse gases by providing for an emission reduction elsewhere.
- **Central Bank Digital Currency (“CBDC”):** Digital currencies issued by a country’s central bank, with a value and circulation controlled, directly or indirectly, by the central bank and pegged to the country’s fiat currency.
- **Chialisp Virtual Machine (“CLVM”):** The Chia blockchain’s secure runtime computing environment that deploys and executes smart contracts written in Chialisp. CLVM allows smart contract execution to be

automated based upon the status of the Chia blockchain, resulting in the completion of transactions in a reliable and auditable manner. It is similar in function to the Ethereum Virtual Machine.

- **Cold Wallet:** A type of wallet that stores private keys offline and is not connected to the internet. Cold wallets typically use a hardware security module such as a Secure Element, USB, or smart card, but also include paper-based wallets and managed cold storage services.
- **Consensus Mechanism:** A set of ideas, incentives, protocols, and social constructs that enable a distributed set of nodes or validators to agree on, or “validate,” the current state of a blockchain.
- **Decentralized Application (“dApp”):** Any application whose core elements are a blockchain and code-based execution.
- **Decentralized Exchange (“DEX”):** A peer-to-peer bulletin board that enables transactions to take place without a centralized intermediary such as a bank or broker.
- **Epoch:** In Ethereum, a group of 32 slots that present a 6.4-minute average window of opportunity for validators to propose blocks for a series of transactions.
- **Ethereum Request for Comment 20 (“ERC-20”):** The technical standard for fungible tokens created on the Ethereum blockchain that allows developers to build smart-contract-enabled tokens.
- **Ethereum Request for Comment 721 (“ERC-721”):** The technical standard for non-fungible tokens created on the Ethereum blockchain that allows developers to build unique, non-replicable digital tokens.
- **Farming:** The process of validating and being rewarded in XCH by the Chia blockchain protocol for validating transactions on the Chia blockchain through the Proof of Space and Time consensus mechanism. Users who engage in farming are called “farmers.”
- **Federated Database:** A database management system that helps to map multiple autonomous databases.
- **Finality:** The agreed upon methodology of determining that a block can no longer be manipulated by a bad actor using a short-range attack.
- **GitHub Stars:** A metric available on public Git repository GitHub whereby users “star” open source projects and repositories to bookmark them and show appreciation for the project developer’s work, in turn serving as both an indicator of popularity and a proxy for frequency of use.
- **Hash Function:** A function that converts and assigns a given numeric or alphanumeric value of arbitrary size into a small and practical fixed-size integer value.
- **Hot Wallet:** A type of software wallet that stores public and private keys online and connected to the internet. Hot wallets are typically accessed through a computer web browser, smartphone, or third-party centralized exchanges and emphasize access and convenience in performing transactions.
- **Layer 1:** The foundational code that defines the rules of a blockchain.
- **Layer 2:** A second layer of code that that can be used to expand the functionality of a Layer 1 blockchain. Layer 2 blockchains are generally scaling solutions that include payment channels, rollups, and net settlement.
- **Maximal Extractable Value (“MEV”):** The maximum excess value over the base block reward and transaction fees that can be extracted by a validator on a given blockchain.
- **Mempool:** A staging area for signed transactions awaiting confirmation for inclusion in a block.
- **Merkle Trees:** A data structure used for data verification and synchronization.

- **Mining:** The process of validating and being rewarded for validating transactions through the Proof of Work consensus mechanism on blockchains such as Bitcoin, based on the amount of compute power allocated. Users who engage in mining are called “miners.”
- **Multi-signature Delayed Transactions:** Transactions that require the consent of multiple parties as well as the passage of a defined amount of time.
- **Nakamoto Coefficient:** A measure of the smallest number of nodes or entities that could collude and reach the minimum threshold needed to exercise control over, significantly hinder the finality of, or launch a successful attack on a blockchain.
- **Nakamoto Consensus:** The Nakamoto Consensus is a set of rules that verifies the authenticity of a blockchain network using a rule that selects the blockchain that has had the most work completed. This is the approach to verification used by Bitcoin and the Chia blockchain.
- **Node:** A device authorized to keep track of the distributed ledger and serve as a communication hub for various network tasks.
- **Nonce:** An abbreviation of “number only used once,” a nonce is the number that blockchain validators are solving for in a Proof of Work consensus mechanism.
- **Non-fungible Token (“NFT”):** Any unique piece of data that lives on a blockchain as code. This can be contrasted with a cryptocurrency, which is an example of a “fungible token” and can be used interchangeably with other cryptocurrencies of the same type.
- **One Market:** Today, markets are often opaque and siloed just as information was before the advent of the internet. We believe blockchains have the capacity to bring to finance and trading markets the same kind of broad discoverability, ease of access, and interoperability that web2 brought to information generally. This “One Market” is a forum where any issuer or dApp provider can build a global 24x7 trading market for its assets that leverages existing liquidity, uses on-chain trading tools that provide for trustless settlement that does not require escrow, increases trust by requiring fewer intermediaries, and improves discoverability, auditability, and authenticity, all of which leads to increased market efficiency.
- **Pooling:** The aggregation of resources by validators to increase the probability of being selected as a miner.
- **Primitive:** In the context of software development, a basic interface or piece of code that can be used to build more complex or targeted applications.
- **Pre-plotted Recycled Drive:** Recycled hard drives that come pre-filled with cryptographic data, offering plug-and-play, sustainable, and low barriers-to-entry for farming on the Chia blockchain.
- **Protocol:** A type of algorithm or software that governs how a blockchain operates.
- **Public Blockchain, Private Blockchain:** Public blockchains are accessible to anyone, while private blockchains are accessible to only select users.
- **Private Key:** Each public address has a corresponding public key and private key that are cryptographically generated. A private key allows the key holder to access any funds belonging to the address, similar to a bank account password. A public key helps validate transactions that are broadcasted to and from the address. Addresses are shortened versions of public keys, which are derived from private keys.
- **Raspberry Pi:** A series of low-cost computers with minimal compute power, produced originally for education purposes.
- **Scaling Solutions:** Technological solutions that help blockchains to process more transactions per second, including Layer 2 blockchains, also known as “sidechains,” cryptographic consolidation of transactions off the blockchain, also known as “rollups,” and communication protocols between participants, also known as “state channels.”

- **Secure Hash Algorithm 256-bit (“SHA-256”)**: A deterministic unkeyed cryptographic hash that converts inputs of variable length into a 256-bit hash output and is used in blockchains to ensure that no one can tamper with the previously agreed upon transaction history.
- **Slots**: Intervals of approximately 12 seconds in Proof of Stake blockchains when validators have the opportunity to build and propose a block.
- **Smart Contract**: Software that digitally facilitates or enforces a rules-based agreement or terms between transacting parties.
- **Stablecoin**: Digital assets with a pegged value, tracking the price of another asset such as a fiat currency, commodity, or financial instrument, for a lower volatility digital currency that is more suited to everyday use.
- **Staking**: An energy efficient replacement for mining. Stakers use pools of tokens as collateral to validate transactions and create blocks. In exchange for this service, stakers earn a reward.
- **Tokenization**: In the context of blockchain, tokenization refers to the creation of blockchain-based digital assets.
- **Validator**: Someone who is responsible for verifying transactions on a blockchain.
- **Verifiable Delay Function (“VDF”)**: A function that requires a specified number of sequential steps to evaluate and which has a publicly and rapidly verifiable output. VDFs are most commonly used to ensure that a specified amount of time passes, based on currently available compute capabilities, before an event occurs.
- **Voluntary Carbon Market**: The market where carbon emitters and projects that remove or reduce greenhouse gases from the atmosphere can buy or sell carbon offsets and carbon credits.
- **Wallet**: A place to store public and private keys for digital assets. Wallets are typically software, hardware, or paper based.
- **Wallet Address**: An alphanumeric reference to a wallet where digital assets can be sent or stored.
- **Warm Wallet**: A term we use to describe one kind of wallet that holds a portion of our Strategic Reserve. Warm wallets are functionally identical to cold wallets – the hardware security module is offline and never connected to the internet; however, the warm wallets require fewer signatures and the required length of delay between spends and the length of clawbacks are measured in hours instead of days. Our warm wallets use the same technologies as our cold wallets.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be harmed. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, the Chia blockchain, and the Chia platform.

Risks Related to Our Business and Operations

We are an early-stage company and have not generated material revenue. Our limited operating history makes it difficult to forecast our future results of operations and evaluate our business, performance, and prospects.

We were founded in 2017 and to date have focused primarily on the development and launch of the Chia blockchain, evolution of the Chia platform and new protocols on the Chia blockchain, development and implementation of code to support projects on the Chia blockchain and the Chia platform, and our go-to-market strategy. In May 2021, transactions were first enabled on the Chia blockchain, and we began offering our services for developing, implementing, maintaining, and supporting applications built for our customers on the Chia blockchain. Accordingly, we have a limited history for evaluating our performance and prospects. We have incurred net losses of \$20.5 million and \$38.6 million in fiscal 2024 and 2023, respectively, had an accumulated deficit of \$167.0 million and \$146.5 million as of March 31, 2024 and March 31, 2023, respectively, and have had very limited revenue since inception. As a result of our limited operating history, our ability to forecast our future results of operations and plan for and model future growth is limited and subject to a number of uncertainties. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by companies early in their development in rapidly evolving industries, including fluctuations in results of operations, difficulties managing growth effectively, and the entry of competitors into the market as well as risks and uncertainties affecting the blockchain technology industry. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays in our operations arising from these factors and delays in or failures by our customers to adopt our services, and our results of operations in future reporting periods may be below the expectations of investors. If we do not address these risks successfully, our results of operations could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our common stock price to decline.

Further, the growth and expansion of our business has placed and continues to place a significant strain on our management, operations, financial and other infrastructure, and corporate culture. To manage growth, we will need to continue to improve our operational, financial and management controls, and reporting systems and procedures. Failure to manage growth effectively could result in difficulty or delays in attracting new customers, increases in costs, difficulties in introducing or enhancing technology and services, loss of customers, difficulties retaining personnel, information security vulnerabilities, or other operational difficulties, any of which could adversely affect our business, results of operations, financial condition, and prospects.

Additionally, any of the aforementioned adverse effects on our business, results of operations, financial condition, and prospects may adversely affect the use and adoption of the Chia blockchain and Chia platform, which would further cause our business, results of operations, financial condition, and prospects to suffer.

Our business strategy is focused on adoption of the Chia blockchain and the Chia platform, and the goal of generating long-term revenue rather than short-term profitability.

As an open source software company, we do not sell our software for money or receive direct revenue from allowing access to or development on the Chia blockchain. Our business model is to add value by developing, implementing, maintaining, and supporting applications built for our customers or by our customers using this open source software infrastructure on the Chia blockchain. We may indirectly benefit from development and creation on the Chia blockchain and Chia platform by developers and other third parties because the adoption of the Chia blockchain and Chia platform may lead to more customers engaging our services and because we believe that there is fundamental value in the native currency of a well-designed blockchain, such as XCH. As of March 31, 2024, we

held 20.7 million XCH in our Strategic Reserve. We may be faced with a choice between projects that develop our ecosystem, the Chia blockchain, and the Chia platform, that potentially increase the value of our Strategic Reserve, and that are intended to maximize long-term revenue versus projects that maximize near-term revenue. For instance, we may prioritize developing software enhancements that will benefit our customers and ecosystem in the long term over achieving more near-term revenue. We may also choose to focus our resources on customer acquisition and expansion rather than developing updates that might primarily benefit farmers or other users of the Chia blockchain and Chia platform. We generally expect to develop the ecosystem, the Chia blockchain, and the Chia platform, including development of proof points of blockchain technology, and we expect that this will lead to more revenue generation in the long term. However, this may not ultimately prove to have been the most effective business strategy, or may not be well received by investors. It is also possible that the interests of our customers, farmers on the Chia blockchain, and holders of XCH may not be aligned with our interests and those of our stockholders. For instance, actions that we take related to our Strategic Reserve may benefit us and our stockholders but may not benefit holders of XCH generally such as potential downward price pressure as we sell or make available XCH in the market.

Further, many of our competitors may be better funded than us, potentially through fundraising methods that may not have conformed to U.S. securities laws, such as initial coin offerings, simple agreements for future tokens, or token warrants prior to being fully operational and sufficiently decentralized networks, or that may have been accompanied by inaccurate disclosures. We believe these fundraising methods may have lowered their cost of capital. Many of our competitors also appear to be focused on user, ecosystem, and technology adoption, including the use of substantial grants, funding, or investments in projects, use cases, and proofs of concept, seemingly with less regard for revenue or profit maximization, thereby distorting market conditions. Competitors with a lower cost of capital may freely give away substantial amounts of funds, digital assets, and professional services to drive adoption of their blockchain technology which may adversely affect our ability to achieve our business strategy, drive adoption of the Chia blockchain and the Chia platform, attract paying customers, and generate revenue.

We expect to remain unprofitable for the foreseeable future, and we expect to require additional financing, which may not be available.

If we are not able to develop our business as anticipated, we may not be able to generate adequate revenue or achieve profitability and you may lose your investment.

To date, we have a very small number of customers, have earned limited revenue, and have not achieved profitability. Our business prospects are difficult to predict because of our limited operating history and unproven marketing strategy. Our primary business activities are focused on the development and implementation of the Chia blockchain and maintaining and supporting projects built atop the Chia blockchain for our customers. We may not ever become profitable or maintain profitability if we achieve it in any period, and our management may not succeed in realizing our business objectives. If we are not able to develop our business as anticipated, we may not be able to generate revenue or achieve or maintain profitability and you may lose your entire investment.

We have incurred net losses of \$20.5 million and \$38.6 million in fiscal 2024 and 2023, respectively. We must generate and sustain higher revenue levels in future periods and control our costs to become profitable, and, even if we do, we may not be able to maintain or increase our profitability. We expect to continue to incur losses for the foreseeable future as we expend substantial financial and other resources on, among other things:

- sales and marketing, including expanding our sales and marketing team and resources spent in acquiring new customers, particularly enterprise and government customers;
- investments in the development and enhancement of new products and new features for the Chia blockchain, the Chia platform, and our services;
- expansion of our operations and infrastructure organically and through acquisitions and strategic partnerships, both domestically and internationally; and
- general and administrative expenses, including legal, risk management, accounting, and other expenses related to being a public company.

These expenditures may not result in additional revenue or the growth of our business. Accordingly, we may not be able to develop our business as we anticipate or generate sufficient revenue to offset our expected cost increases and achieve and maintain profitability. If we fail to achieve and maintain profitability, the price of our common stock could decline, and you may lose your entire investment.

Additionally, in October 2023, we announced a reduction in workforce to align resources to focus on our core business. This reduction may have a negative impact on business and we may incur additional expenses not currently contemplated due to events associated with the reduction in workforce, such as costs in connection with attrition beyond our intended reduction in force, the loss of institutional knowledge and expertise, or other unforeseen difficulties, delays, or other impacts on other areas of our liabilities and obligations, in each case which could result in losses in future periods or otherwise prevent us from realizing, in full or in part, the anticipated benefits and savings from the reduction in force.

Our inability to generate adequate revenue, achieve and maintain profitability, or grow our business may adversely affect the use and adoption of the Chia blockchain and Chia platform and further cause our business, results of operations, financial condition, and prospects to suffer.

The development and widespread acceptance of blockchain technology, a new and rapidly changing industry, is subject to a variety of risks that are difficult to predict and evaluate. If blockchain technology in general and the Chia blockchain and the Chia platform in particular do not gain widespread acceptance as we expect, our business, results of operations, financial condition, and prospects could be adversely affected.

We intend to continue to develop and invest in the success and utility of the Chia blockchain by building the Chia platform and offering our services to customers on the Chia blockchain. Our services rely on the Chia blockchain, which may rely on or be connected with other blockchain technologies in the future. Blockchain technology was introduced in 2008 and remains in the early stages of development as of the date of this prospectus. In addition, different blockchain technologies are designed for different purposes, which may affect the adoption and acceptance of blockchain technology, whether specific purpose-built blockchain technology or blockchain technology in general. Some blockchains are purposefully designed for high transaction throughput in a manner that is considered by many reviewers to not yet be possible, leading to blockchain downtime, pauses, and restarts. Other blockchain technologies may be purposefully designed to be decentralized and immutable in name only because they may use a small number of validators or centralized smart contracts in a way that allows them to stop or re-write the blockchain. We believe this causes confusion about the blockchain technology industry in general. Further, this may result in a lack of trust in the blockchain technology industry, which harms adoption and could lead to regulatory scrutiny and enforcement actions. The growth and adoption of blockchain technology in general is subject to a high degree of uncertainty due in part to unsupported or false claims made by some blockchain market participants about their products and services. The slowing or stopping of the development or acceptance of blockchain technology may have a material adverse effect on the use and adoption of the Chia blockchain and the Chia platform by users, developers, and customers, who may view all blockchain technology with a degree of skepticism, and on participation by farmers who verify transactions on the Chia blockchain, which is required for security of the Chia blockchain. In addition, such slowing or stopping of the development or acceptance of blockchain technology would likely decrease the value of digital assets that we hold and may hold in the future, including XCH. XCH is the native cryptocurrency of the Chia blockchain, which is required to secure the Chia blockchain and transact on the Chia blockchain. Accordingly, if the value of XCH declines or the value of farming rewards generated by the Chia blockchain protocol and transaction fees on the Chia blockchain are not attractive, farmers may no longer participate in the Chia blockchain, which would compromise the functioning of the Chia blockchain, decrease security, increase centralization, and ultimately result in making the Chia blockchain and Chia platform unattractive to users and customers, which would decrease the potential for widespread acceptance of the Chia blockchain and the Chia platform and therefore could have an adverse effect on our business, results of operations, financial condition, and prospects. Additionally, widespread adoption and acceptance of the Chia blockchain and Chia platform depends on our ability to simplify both the end-user and developer experience, thereby making the Chia blockchain and Chia platform more accessible and attractive to users, developers, and

customers. Factors affecting the further development, acceptance, or public perception of blockchain technology include, without limitation:

- worldwide growth in the adoption and use of blockchain technology;
- government regulation of and regulatory enforcement actions relating to blockchain technology, digital assets, and their use;
- difficulties faced by digital asset market participants in accessing the banking system and the services of custodians;
- restrictions on, or regulation of, access to and operation of blockchain technology or similar systems;
- the maintenance and development of open source software protocols of blockchain technology;
- changes in consumer demographics and public tastes and preferences;
- the impact of environmental, social, and governance concerns surrounding digital assets;
- the availability and popularity of other forms or methods of buying and selling goods and services or trading assets, including new means of using fiat currencies or existing networks;
- lack of validation of blockchain technology and platforms due to limited operating histories, which could affect the design, supply, issuance, functionality, and governance of digital assets and underlying blockchain technology;
- potential bugs, security risks, inherent weaknesses, or software errors in blockchain technology, which could be exploited by malicious actors;
- the impact of weaknesses, negative press about and failure of key infrastructure to blockchain technologies, including digital asset trading platforms and stablecoins;
- the development of new technologies for mining and farming or changes in industry patterns that could reduce the security of blockchain technology;
- a decline in the value or desirability of mining or farming the native cryptocurrency of a blockchain;
- lack of consensus or clarity on the governance of any particular blockchain technology and a lack of incentives for developers to maintain or develop the blockchain;
- lack of clarity, accurate information, or fraud in the reporting of metrics for any particular blockchain technology;
- the overall user and developer experience in blockchain technology;
- general economic conditions driving adoption or aversion to blockchain technology; and
- a decline in the popularity or confidence in the integrity of blockchain-based digital assets, including trading digital currencies.

Various other technical issues have also been and could be uncovered from time to time in other blockchains that resulted or will result in disabled functionalities, exposure of certain users' or customers' personal information, theft of users' or customers' assets, and other negative consequences. If any such risks or other risks materialize, and in particular if they are not resolved, the development, growth, and acceptance of blockchain technology and digital assets generally may be significantly affected, including the Chia blockchain and the Chia platform, and, as a result, our business, results of operations, financial condition, and prospects could be adversely affected.

The Chia blockchain is new and we have a very small number of customers.

In May 2021, we launched transactions on the Chia blockchain, and we implemented our first proof of concept implementation in March 2022. We have had three total customers as of March 31, 2024 and we have limited experience providing our services for our customers. We can offer no assurance that the technology and software associated with the Chia blockchain (including the Proof of Space and Time (“PoST”) consensus mechanism) and the Chia platform (including Chialisp and our primitives) will consistently function as intended or that the Chia blockchain and the Chia platform will succeed in attracting and retaining sufficient interest and usage from key stakeholders, including customers, users, and developers. Other blockchain networks have more users and developers building on top of them than does the Chia blockchain. Any adverse event, such as if the technology and software associated with the Chia blockchain and Chia platform does not function as intended, would harm our reputation and brand, delay and limit our ability to acquire customers and increase our revenue, and could have an adverse effect on our business, results of operations, financial condition, and prospects.

While we intend to increase the number of customers using our services, it is likely that our revenue and receivables, at least in the near term, will continue to depend on the engagement of a very small number of customers. As a result of this customer concentration, our revenue could fluctuate materially and could be materially and disproportionately impacted by decisions of our customer or any future significant customer to cancel agreements with us or otherwise no longer use our services. If we are unable to diversify our customer base, we will continue to be susceptible to risks associated with customer concentration.

Our inability to increase the number of customers and lower our customer concentration may also adversely affect the use and adoption of the Chia blockchain and Chia platform, which may further cause our business, results of operations, financial condition, and prospects to suffer.

Additionally, our business model depends on the Chia blockchain and the Chia platform, which are in the early stages of adoption, and our revenue model for the services we offer or intend to offer to customers is largely unproven given we have only had three total customers account for all of our revenue and accounts receivable as of March 31, 2024. As we expand our customer base and acquire new customers, such potential customers may not ultimately accept our revenue model, or may not pay for our services at fee amounts we consider sufficient to support our business. As such, we may need to adapt our business model and/or our revenue model. The inability to predict acceptance of our business and/or revenue model could make it difficult to forecast our future results of operations, which could materially adversely affect our business, results of operations, financial condition, and prospects.

If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, results of operations, financial condition, and prospects will be adversely affected.

To increase our revenue, we will rely on broad market acceptance of the Chia blockchain, the Chia platform, and our services, and we must attract new customers and expand our potential customer and sales pipeline. Our success will depend to a substantial extent on the widespread adoption of blockchain technology as an alternative to current and future competing solutions, which is subject to the risks described in “The development and widespread acceptance of blockchain technology, a new and rapidly changing industry, is subject to a variety of risks that are difficult to predict and evaluate. If blockchain technology in general and the Chia blockchain and the Chia platform in particular do not gain widespread acceptance as we expect, our business, results of operations, financial condition, and prospects could be adversely affected” included in this section. In addition, as blockchain technology gains acceptance, our services evolve, and competitors introduce lower-cost or differentiated services that compete with our services, our ability to sell our services and acquire new customers could be impaired. In order to drive broad market acceptance, we expect to make further investments in our sales efforts and marketing function, which is focused on the sale of value-added services and support for complex enterprise and governmental implementations on the Chia blockchain, specifically to accelerate real-world use cases for the Chia blockchain and the Chia platform. Our sales efforts will also focus on helping users and potential customers of the Chia blockchain realize the value and use cases for the Chia blockchain and the Chia platform. These sales and marketing efforts could be adversely impacted if existing and potential customers perceive that features incorporated into competitive blockchain or other technologies reduce the need for our services. Consequently, our existing sales and marketing strategies and efforts for new customer acquisition may be unsuccessful. If we are unable to grow our business by driving overall adoption of the Chia blockchain and the Chia platform, our business, results of operations, financial condition, and prospects will be harmed. Moreover, there are certain risks that may arise in our future acquisition of different types of customers, such as the risks associated with acquiring large enterprise and government customers. Such potential customers may present risks associated with longer engagement and sales cycles, more complex customer requirements, or in the case of government customers, compliance with specific regulatory obligations and heightened security or privacy requirements, among others. Such potential customer acquisitions may require considerable time, including from our executive management team, and upfront costs and may not be successful. As a result of these and other factors, we may be unable to attract new customers or expand our potential customer and sales pipeline, which would have an adverse effect on our business, results of operations, financial condition, and prospects.

The Chia blockchain operates in a highly competitive industry and competes with other blockchain networks and legacy payment platforms, subject to different or no regulations, and our business, results of operations, financial condition, and prospects may be adversely affected if we are unable to respond to our competitors effectively.

The Chia blockchain and the Chia platform compete against a variety of existing products and platforms in the blockchain and other technology marketplaces and will likely compete with new entrants into these markets. Some of these current or future competing blockchains and their developers or operators may be subject to different regulatory regimes than the Chia blockchain as described more specifically below. Within the Chia ecosystem, current or future competitors of our company may offer similar software and implementation services as we do. Likewise, developers on different blockchains are subject to different regulations than Chia Network or may benefit from lack of enforcement of existing regulations, which might provide those service providers, and therefore competitor blockchain ecosystems and competitor blockchain technologies, with competitive advantages. Alternatively, other competitors may exercise greater amounts of control, with varying degrees of transparency about that control or centralization, over the blockchains they design, which differs from us in that we do not control or operate the Chia blockchain. However, even though we do not control or operate the Chia blockchain, we may nonetheless be deemed by regulators to do so. Accordingly, we may be subject to certain regulatory regimes that we do not comply with by virtue of our relationship with and indirect interest in, and our continued development on, the Chia blockchain, which, if we need to comply, may affect our ability to compete. Furthermore, some competitors may also be better capitalized than us, have greater liquidity, have better brand and name recognition, and have larger existing user bases, any of which would give them a significant advantage in marketing and operations.

The Chia blockchain competes with a number of existing and well-known blockchains, such as Bitcoin, Ethereum, Polygon, Avalanche, Solana, and Ripple, and we and the Chia platform therefore compete with the

developers who develop enterprise implementations on those blockchain networks and technologies such as ConsenSys, and technologies such as Solidity. Additionally, new entrants in the blockchain technology industry could include those that may already have a foothold in the financial services industry, including existing money services businesses and traditional financial institutions. Further, existing or new competitors may create blockchain and smart contracting platforms with similar or superior functionality and technology, or which may be better capitalized and have more resources, including emerging competitors Aptos and Mysten Labs, which created technologies that compete with the Chia platform and exist on competitor blockchains to the Chia blockchain, such as Sui and Move. Our competitors may offer similar software and implementation services as us on such blockchain or contracting platforms with similar or superior functionality, which may decrease the number of users on the Chia blockchain. Further, transferring funds and facilitating financial transactions through blockchain technology is not the only way to address such transactions. Incumbent competitors, including financial institutions, central banks, and settlement networks continue to develop competitive responses with or without blockchain technology.

Competitors outside of the United States and their business models may benefit from being unregulated or only regulated in a small number of jurisdictions with less stringent regulations than those in the United States, while also offering their products, including competitor blockchain networks, and services in highly regulated jurisdictions, including the United States, without necessarily complying with the relevant regulatory requirements in such jurisdictions, which may also increase the value of the blockchains' native coins if such competitor blockchains experience high transaction volumes. For example, some of our competitors employ personnel, offer products and services, and make their digital assets available for investment or speculation in highly regulated jurisdictions, but have attempted to decentralize their blockchains by using two or more operating entities (or purposefully non-entities) based in offshore or otherwise less regulated jurisdictions. If competitor blockchains are or appear to be less regulated, or have benefited from the time it takes to conclude enforcement actions, the Chia blockchain, the Chia platform, and the value of XCH may be adversely affected, all of which would negatively affect our business, results of operations, financial condition, and prospects. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of competitors subject to less regulation than we are, our business, results of operations, financial condition, and prospects, as well as the Chia blockchain and Chia platform, could be adversely affected.

If we are unable to adapt the Chia platform and our services to changes in blockchain technology and the evolving demands of users, customers, and potential customers for blockchain technology and offerings, our business, results of operations, financial condition, and prospects could be materially adversely affected.

The industries in which we compete are characterized by rapidly changing technology, evolving regulatory regimes, new use cases, and expanding user demands and preferences and accordingly, we have and will continue to invest significant resources into our services and the Chia platform. Our future success will depend on our ability to continually innovate on and improve the Chia platform and our ability to enhance the services we provide to customers. As a result, we intend to continue to spend significant resources maintaining, developing, securing, and generally enhancing the Chia platform and our services in order to remain competitive; however, these efforts may be more costly than expected and may not be successful. For example, we may not make the appropriate investments in certain Chia platform developments or enhancements, which could materially adversely affect our business, results of operations, financial condition, and prospects. Further, such innovations could result in unintended consequences such as bugs, vulnerabilities, or security concerns. Any such bug, vulnerability, or security concern, especially in connection with a significant enhancement or development in the Chia platform or our services, could harm our reputation and brand, and could materially adversely affect our business, results of operations, financial condition, and prospects.

Our market opportunity assessment may prove to be inaccurate, and even if the markets in which we intend to compete achieve the growth we expect, our business could fail to grow at similar rates, if at all.

Our management team guides its decision making, in part, by assessing market opportunity in various areas. These market opportunity estimates are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the selection and calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable potential customers covered by our market opportunity estimates will use the Chia blockchain, the Chia

platform, and our services or generate a significant amount of revenue. Any expansion in our markets depends on a number of factors, including acceptance and regulation of blockchain technology, the cost, performance, and perceived value associated with using the Chia blockchain and the Chia platform in general and our services in particular, and the offerings of our competitors. Even if the markets in which we compete and/or intend to compete achieve the forecasted growth, our business could fail to be adopted in such markets or grow at similar rates, if at all.

We have a limited history with pricing models for our services, and we may need to adjust the fee terms for our services, which could have an adverse effect on our business, results of operations, financial condition, and prospects.

We have limited experience with respect to determining the optimal fees for our services, and we have limited experience pricing our services in general and under economic conditions characterized by high inflation or in recessionary or uncertain economic environments, as we are currently experiencing. We also intend to continue providing additional features and functionality as part of our services as we work toward expanding applications and use cases for the Chia blockchain and the Chia platform, which will require us to continuously evaluate optimal pricing and fee models. If we do not optimally adjust pricing and fees for the services we offer, our revenue and margins as well as future customer acquisitions may be negatively impacted. As the markets for our services mature, as macroeconomic conditions evolve, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers or retain existing customers at the same price or on the same terms. Some customers may demand price and fee concessions, or we may be unable to increase prices or fees to offset increases in costs. Further, our historical data and operating experience is very limited, unproven, and insufficient to adequately inform our future pricing and fee strategies for changing market environments. As a result, our future prices and fees may change, which could adversely affect our business, results of operations, financial condition, and prospects.

Recent disruptions in and unfavorable media coverage of blockchain technology could negatively affect our reputation and brand, the adoption and use of the Chia blockchain and the Chia platform, and our ability to attract and retain customers.

Blockchain technology is relatively new. We believe many competing blockchains and their developers do not provide the public with significant or accurate information regarding their ownership and/or control structures, management teams (as applicable), and corporate, cybersecurity, and regulatory compliance practices and do not follow applicable regulations. Blockchain technology and the digital asset market have recently received a high degree of negative media coverage. Further, recent significant disruptions in the digital asset markets have caused greater uncertainty in the validity of blockchain technology and digital asset markets. For example, certain digital asset trading platforms may lack standardized governance practices, may not provide disclosures to investors, and may be subject to competing or, in some cases, less stringent regulatory and compliance requirements based on their jurisdictions. This lack of standardized governance and regulatory oversight has led to a number of well-publicized bankruptcies, both in digital asset trading platforms and other entities with related but different business models. Terraform Labs Pte. Ltd., Three Arrows Capital Pte. Ltd., Celsius Network LLC, FTX Trading Ltd., and Alameda Research LLC, and some of their respective tokens such as Terra, Luna, CEL, and FTT, are recent examples of blockchain companies and products that received negative media coverage due to insolvency, fraud, excessive or suspended redemptions, loss of customer funds, material corporate compliance failures, and regulatory action, resulting in the price of such tokens failing. While we do not perform activities or offer services that compete with or are similar to these companies, the interest of and sales to potential customers, including large enterprise customers, financial institutions, and government customers could be adversely affected by these factors and regulatory risks. We do not have direct exposure to companies in the blockchain technology industry that have recently been declared insolvent, been charged with fraud, experienced excessive or suspended redemptions, experienced loss of customer funds, experienced material corporate compliance failures, or been subject to regulatory action. Such developments have not affected and are not expected to directly affect our business. However, we are affected by negative perceptions of the industry caused in part by such companies and developments. Negative perception, a lack of stability and standardized regulation of blockchain technology, and the closure or temporary shutdown of blockchains due to government mandated regulation, fraud, business failure, or hackers or malware, and associated losses suffered by users, such as those described above, may reduce confidence in blockchain technology generally. As a result, users, customers, and the general public may lose confidence in

blockchain technology, including the Chia blockchain, the Chia platform, and the services we offer. Additionally, these disruptions and negative perceptions may affect the price of our common stock and the price of XCH. If users and existing and potential customers do not adopt blockchain technology or engage our services due to negative perceptions of blockchain technology and digital asset markets, negative publicity, and resulting volatility, our business, results of operations, financial condition, and prospects may be adversely impacted.

Real or perceived bugs, errors, or failures in the Chia blockchain, the Chia platform, or our services may affect our reputation and brand and cause us to lose customers, reduce the number of users on the Chia blockchain and the Chia platform, and affect the fees we charge for our services, which may harm our business, results of operations, financial condition, and prospects and, with respect to our customers, subject us to liability.

The Chia blockchain is a complex environment that we do not control. Because a myriad of users with competing interests and skills levels develop implementations on the Chia blockchain and use the Chia platform, errors or failures on the Chia blockchain and the Chia platform could arise, or such activities may expose undetected errors, failures, or bugs on the Chia blockchain and the Chia platform. For example, in 2022, we identified a vulnerability through a third-party software audit on the Chia blockchain that had minimal impact on users and was mitigated by an update to the Chia blockchain. Additionally, we engaged a third-party software auditor to review the CAT1 standard as we made material enhancements to the original fungible token standard that was also previously audited by a third-party software auditor in 2021. For newly released software, we make a determination of whether a material risk might be present that poses a financial or reputational risk to Chia blockchain users or the company. If warranted, we perform the necessary software audits, including through the engagement of a third-party software auditor. While we do not own, operate, or control the Chia blockchain, we engage third-party software auditors to audit different components of the Chia blockchain software and the Chia platform two to three times per year, or more frequently depending on blockchain and platform developments that were previously unaudited or that have had significant changes since the last audit and our assessment of risk in such new or changed implementations. In the course of these audits, we have in the past identified and may in the future identify errors, bugs, or failures in the Chia blockchain. We have used in the past and expect to use in the future third-party audit services to assist us with identifying any potential vulnerabilities, errors, bugs, or failures on the Chia blockchain. We assess such third-party audit results and determine materiality and remediation efforts based on user, developer, or customer demand or risk. Nonetheless, there may be other errors, bugs, or failures on the Chia blockchain outside of our implementations that are not captured in our audits. For any updates or fixes to the Chia blockchain to be implemented, they must be adopted by a majority of farmers and a majority of users must download and use the updated version. Even with high-risk security vulnerabilities, it is the farmers and users who control updates and fixes. We do not control the acceptance of any such update or fix, and we have not controlled the Chia blockchain since March 2021. Further, users and developers can propose changes to the Chia blockchain that could contain errors, bugs, or failures. Such real or perceived errors, bugs, or failures on the Chia blockchain or the Chia platform may decrease user confidence in the Chia blockchain and the Chia platform, which could result in fewer users on the Chia blockchain and, as a result, fewer prospects for customer acquisitions, which would harm our business, results of operations, financial condition, and prospects.

Additionally, the services we provide atop the Chia blockchain and Chia platform interact with the Chia blockchain, and the software applications or services we develop and implement may include undetected errors, bugs, or failures. The services and applications we provide may be installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our implementations or may expose undetected errors, failures, or bugs in our services. Despite our tests and audits, we may not identify all errors, failures, or bugs in our services until after implementation. In the past, we have discovered errors, failures, and bugs in our implementations after their introduction. We may not be able to fix errors, failures, and bugs without incurring significant costs or an adverse impact to our business. We believe that our reputation and brand are critical factors in our ability to compete and acquire customers. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective services. The occurrence of errors in our implementations or the detection of bugs by our customers may damage our reputation and brand in the market and our relationships with our existing customers, and as a result, we may be unable to attract or retain customers. Any of these events may result in the loss of, or

delay in, market acceptance of our services, which would adversely affect our business, results of operations, financial condition, and prospects.

Incorrect implementation or use of our services and software applications on the Chia blockchain and the Chia platform could result in customer dissatisfaction and negatively affect our reputation, business, results of operations, financial condition, and prospects.

Our services are developed for and used by customers who are looking to build projects on the Chia blockchain. Some of our customers may be novices in blockchain technology and may require education and experience that may be difficult for us to provide or that we may be unable to provide. They may not be able to achieve the proper use of and the benefits that can be derived from the services we offer to properly implement their projects on the Chia blockchain. If our customers do not implement or use the services we provide correctly or as intended, or if we make an error or omission in our technical implementations, then inadequate performance and/or security vulnerabilities may result. Further, we provide ongoing subscription and support, which includes both technical and operational support. If we fail to provide effective support of any type, or if our customers are unable to effectively use our support, it could result in customer dissatisfaction, negative publicity, and an adverse effect on our reputation and brand, in turn, resulting in decreased ability to attract and retain customers, lost opportunities for increased transactions carried out on the Chia blockchain and adoption of the Chia blockchain and the Chia platform, which would adversely affect our business, results of operations, financial condition, and prospects.

Incorrect or improper use of the Chia blockchain and Chia platform could result in user dissatisfaction and negatively affect our reputation and brand, business, results of operations, financial condition, and prospects.

The Chia blockchain and the Chia platform are generally used by developers who are looking to build on the Chia blockchain's existing capabilities. Some users or developers may be novices in blockchain technology and may lack the education and experience in the proper use of and the benefits that can be derived from blockchain technology and the Chia blockchain in particular. If such users of the Chia blockchain and the Chia platform do not properly develop on or use the Chia blockchain, or if they encounter issues or difficulties in using the Chia blockchain, this may result in user dissatisfaction, negative publicity, less use and market acceptance of the Chia blockchain and the Chia platform, may affect our ability to acquire new customers, and may adversely affect our reputation and brand, all of which would adversely affect our business, results of operations, financial condition, and prospects. While we make efforts to engage with users and provide resources regarding the functionality and proper use of the Chia blockchain and the Chia platform, particularly through our social media channels and ecosystem teams, we do not control users or developers on the Chia blockchain. Accordingly, we may suffer negative publicity due to frustration or errors by users or developers.

Our operations are international in scope, and we plan significant geographic expansion, creating a variety of operational challenges including by obligating us to comply with the laws, rules, regulations, and policies of a variety of jurisdictions, which may subject us to inquiries, investigations, and enforcement actions by U.S. and non-U.S. regulators and governmental authorities.

A component of our growth strategy involves the expansion of our operations and customer base internationally. We are developing strategies to address international markets and operating in international jurisdictions, but there is no guarantee that such efforts will have the desired effect. We expect that our international activities will continue to grow for the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources.

Our international business and operations involve a variety of risks, including:

- slower than anticipated blockchain technology adoption by international enterprises and the existence of new competitors;
- changes in a specific country's or region's political, economic, or legal and regulatory environment, including pandemics, such as the COVID-19 pandemic, tariffs, wars, including trade wars, or long-term environmental risks;

- the need to adapt and localize our services for specific countries, including different regulatory regimes and requirements;
- greater difficulty collecting accounts receivable and longer payment cycles;
- unexpected changes in trade relations, regulations, or laws;
- new, evolving, and more stringent laws, rules, regulations, and standards relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing and potentially more onerous labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute resolution systems, and regulatory regimes;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, the cost and risk of entering into hedging transactions if we choose to do so in the future, and inflation;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties obtaining, maintaining, protecting, or enforcing our intellectual property and other proprietary rights, including our trademarks and patents;
- political instability or terrorist activities;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the Foreign Corrupt Practices Act, the UK Bribery Act of 2010, and similar laws and regulations in other jurisdictions;
- burdens of complying with laws and regulations related to taxation; and
- regulations, adverse tax burdens, and foreign exchange controls that could make it difficult to repatriate earnings and cash.

If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business, results of operations, financial condition, and prospects will suffer.

We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could adversely affect our business, results of operations, financial condition, and prospects.

Our performance is substantially dependent on the continued services of our management, particularly Bram Cohen and Gene Hoffman, Jr., and on our ability to hire, retain, and motivate other highly skilled and qualified employees. Additionally, competition in the blockchain industry is high and skilled employees are necessary to develop, market, and promote us, the Chia blockchain, and the Chia platform. There can be no assurance that we

will be able to attract, integrate, or retain sufficiently qualified personnel in the future. From time to time, there may be changes in our executive management team or other key employees resulting from the hiring or departure of these personnel. Our executive officers and other key employees are employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. The loss of one or more of our executive officers, or the failure by our executive management team to effectively work with our employees and lead our company, could harm our business, results of operations, financial conditions, and prospects.

In addition, we must attract and retain highly qualified personnel to execute our growth plan. Competition for these personnel is intense, especially for engineers and developers experienced in designing and developing distributed applications, experienced sales professionals, and expert customer support personnel. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Moreover, in October 2023, we announced a reduction in workforce to align resources to focus on our core business. This reduction may have a negative impact on our ability to retain current employees and attract highly skilled employees in the future. Many of the companies with which we compete for experienced personnel have greater resources than we have and employ compensation structures that we do not, including compensation in the form of native blockchain tokens, token options, restricted token units, and token warrants that are provided to their employees, contractors, vendors, and professional services firms. These forms of remuneration may be more attractive to employees, who may obtain value more quickly and easily, and may be less costly for our competitors, all of which may make it more difficult for us to attract and retain highly skilled employees. Moreover, if we hire employees from competitors, such competitors may attempt to assert that these former employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value and liquidity horizon of the equity awards they receive in connection with their employment with us against equity and tokens received from competitors. If the perceived value of our equity awards declines, experiences significant volatility, or increases such that prospective employees believe there is limited upside to the value of our equity awards, it may adversely affect our ability to recruit and retain key employees.

Our corporate culture has contributed to our success, and if we fail to maintain this culture as we grow, we could lose the innovative approach, creativity, and teamwork fostered by our culture, and our business could be harmed.

We believe our culture has been a key contributor to our success to date and that the critical nature of the services that we provide promotes a sense of greater purpose and fulfillment in our employees. As we continue to grow, including geographically, and develop the infrastructure of a public company, we may find it difficult to maintain our corporate culture. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and growth prospects would be harmed.

Some members of our executive management team have limited experience managing a public company.

Some members of our executive management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our executive management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our executive management and could divert their attention away from the day-to-day management of our company, which could adversely affect our business, results of operations, financial condition, and prospects. Any missteps, mistakes, or errors by our executive management team may adversely affect our reputation and brand, as well as the use and adoption of the Chia blockchain and Chia platform, which could further cause our business to suffer.

Future acquisitions, strategic investments, partnerships, or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our business, results of operations, financial condition, and prospects.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, and technologies that we believe could complement or expand the Chia blockchain or the Chia platform, enhance our technology, or otherwise offer growth opportunities. As we grow, this increases the likelihood that we will devote resources to exploring larger and more complex acquisitions and investments than we have previously attempted. Any such acquisitions or investments may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our business, or we have difficulty retaining the users or customers of any acquired business due to changes in ownership, management, or otherwise. Any such transactions that we are able to complete may not result in the benefits we expect to achieve, which could result in substantial impairment charges. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our business, results of operations, financial condition, and prospects.

Risks Related to Legal and Regulatory Matters

The regulatory environment for blockchain technology is evolving rapidly and may become more restrictive and require that we comply with new or revised legislation and regulations, and our failure to comply with these evolving laws and regulations could adversely affect our reputation and brand, and would adversely affect our business, results of operations, financial condition, and prospects.

There is significant risk and uncertainty surrounding the ongoing development of regulatory frameworks governing blockchain technology around the world, including in the United States, and as the blockchain and digital assets markets continue to grow, we expect regulatory scrutiny to increase across jurisdictions. Globally, implemented and proposed regulatory regimes have included outright mining bans, exchange bans, tax/network reporting rules (which may be difficult or impossible to comply with), government backdoors, and coin issuance bans. Potential new legislation may require certain licenses for or the registration of farmers, users, and developers who use blockchain technology, including the Chia blockchain. While we do not own, operate, or control the Chia blockchain and may not be subject to similar regulatory regimes as other companies or entities in the blockchain technology and digital asset markets, we may nonetheless become subject to such regulations due to our services provided to develop and implement projects on the Chia blockchain, our launch of the Chia blockchain, or our ongoing participation in the Chia blockchain and the Chia platform. While we view our ability and intent to comply with appropriate legislation or regulation addressing blockchain technology as a competitive advantage, onerous, restrictive, or inconsistently applied legislation or regulations could impair the adoption of the Chia blockchain, the Chia platform, and our services or negatively affect our farmers or users, which would have a material adverse effect on our business, results of operations, financial condition, and prospects.

Laws and regulations in the markets in which we operate may include those governing financial services and banking, federal government contractors, trust companies, securities, insurers, derivative transactions and markets, broker-dealers and alternative trading systems, clearing agencies, commodities, credit, digital asset custody, exchanges, transfer agents, cross-border and domestic money and digital asset transmission, retail and commercial lending, usury, foreign currency exchange, privacy, data governance, data protection, cybersecurity, fraud detection, payment services (including payment processing and settlement services), retail protection, escheatment, antitrust and competition, bankruptcy, tax, anti-bribery, economic and trade sanctions, anti-money laundering, and counter-terrorist financing. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, blockchain technology, digital assets, and related technologies. As a result, some applicable laws and regulations do not contemplate or address issues associated with blockchain technology, are subject to significant uncertainty, and vary widely across U.S. federal, state, and local and international jurisdictions. These legal and regulatory regimes evolve frequently and may be modified, interpreted, and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, or even within a given jurisdiction. Moreover, the complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of blockchain technology and digital assets requires us to continuously monitor and assess proposed and new laws, rules, and regulations and to exercise our judgment as to whether certain laws, rules, and regulations apply to us, and it is possible that governments and regulators may disagree with our conclusions. There is pending

legislation in certain jurisdictions that we do not believe will materially impact us, but that we are monitoring. For example, legislators in jurisdictions such as Illinois and New Jersey are proposing draft legislation regarding potential disclosure, safeguarding, and licensing requirements for digital asset businesses operating in the state that could affect us, our farmers, and other users or developers of the Chia blockchain and the Chia platform. Certain laws, rules, and regulations may apply to us, the Chia blockchain, or other digital asset market participants, including already-deployed and often immutable code, that by the nature of blockchain technology may not be possible or may be very difficult to comply with. Our operations may also require licenses and permits from various governmental authorities to carry on our business, and such licenses and permits are subject to changes in regulations and various operating circumstances. While we believe that we are not subject to requirements such as money services business licensing or anti-money laundering obligations, more restrictive regulations or legislation may be passed and/or regulators may take different positions. As new regulations are proposed and implemented or regulators interpret current regulations in ways that we do not currently anticipate, depending on the scope of such new regulations or interpretations, there is risk that we, farmers, and other users or developers of the Chia blockchain and the Chia platform will be not able to obtain and maintain all necessary licenses, registrations, and/or permits. Any prohibitive legislation or regulation on blockchains or digital assets could impair the adoption of the Chia blockchain and our services, and adversely affect our business, results of operations, financial condition, and prospects. To the extent we have not complied with any such laws, rules, and regulations, we could be subject to cease and desist orders, significant fines, revocation of licenses (if applicable), limitations on the services we offer on the Chia blockchain and the Chia platform, reputational and brand harm, and other regulatory consequences, each of which may be significant and could adversely affect our business, results of operations, financial condition, and prospects.

Further, as blockchain technology has grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies, and public advocacy groups have been examining the operations of such blockchains and their users, with a focus on how blockchain technology, and particularly digital assets, can be used to launder the proceeds of illegal activities and fund criminal activities or terrorist enterprises. Competitors may have lobbyists working for them, who may have already spent years developing and implementing strategies to advance their interests with policymakers. Some competitors have started to engage policymakers directly or with the help of external advisors and lobbyists, but this work is in a relatively nascent stage. As a result, new laws and regulations may be proposed and adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that harm blockchain technology and digital assets. While such regulations may be intended to target companies that specifically manage or operate blockchain technology, we may be implicated in such regulations given our services to develop and implement projects on blockchain technology and our interest in the success of the Chia blockchain and the Chia platform in order to conduct our business, all of which could adversely impact our business, results of operations, financial condition, and prospects. Further, such regulations may implicate our customers and users of the Chia blockchain and the Chia platform, which could adversely impact adoption and use of the Chia blockchain, the Chia platform, and our services.

A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and our use or ownership of any digital assets in our business, including XCH and our role in creating XCH and developing the Chia blockchain, may subject us to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, results of operations, financial condition, and prospects.

We believe that many digital assets fall within the definition of a "security" under the U.S. federal securities laws and agree with many recent statements by the SEC regarding the status of digital assets. The legal test for determining whether any given digital asset is a security is a highly complex, fact-driven analysis, and the outcome may be difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular digital asset as a security. The SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given digital asset is a security in April 2019, but this framework is also not a rule, regulation, or statement of the SEC and is not binding on the SEC. Our position that XCH is not a security under applicable law in the United States may be challenged at any time, and the outcome of any such challenge is uncertain.

Several foreign jurisdictions have taken broad-based approaches to classifying digital assets as securities, while other foreign jurisdictions have adopted narrower approaches. As a result, certain digital assets may be deemed to be a “security” under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of digital assets as securities.

The classification of a digital asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, and clearing of such assets. For example, a digital asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with and declared effective by the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in digital assets that are securities in the United States may be considered statutory underwriters and/or may be subject to registration with the SEC as a broker or dealer. Platforms that bring together purchasers and sellers to transact in digital assets that are securities in the United States are generally subject to registration as national securities exchanges, or must qualify for an exemption from registration, such as by being operated by a registered broker-dealer as an alternative trading system, in compliance with applicable rules. Persons facilitating the clearing and settlement of securities may be subject to registration with the SEC as clearing agencies. Foreign jurisdictions may have similar licensing, registration, and qualification requirements. While we may conduct our own analyses concluding that certain digital assets on the Chia blockchain that we may interact with in the course of providing our services, including but not limited to XCH, are not securities, we could nonetheless be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to determine that such digital asset is a security under applicable laws. We have conducted our own legal analyses and believe that sales or loans of XCH by the Company from the Strategic Reserve, such as through blind programmatic sales by third parties on non-U.S. exchanges that do not permit U.S. persons to trade tokens, should not be viewed as transactions involving securities based on applicable case law precedents, SEC frameworks, and/or exemptions from registered offerings; however, we could be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to disagree or otherwise determine that sales of XCH from the Strategic Reserve is a securities transaction or investment contract under applicable laws.

If XCH is determined or asserted to be a security, it is likely to become difficult or impossible for it to be traded, cleared, or custodied in the United States through the same channels used by non-security digital assets, which in addition to materially and adversely affecting the trading value of XCH is likely to significantly impact its liquidity and market participants’ ability to convert XCH into U.S. dollars, which would adversely affect our business, results of operations, financial condition, and prospects as well as the adoption and use of the Chia blockchain, the Chia platform, and our services, and would cause our common stock price to decline.

Enforcement actions are ongoing. In 2020 the SEC filed a complaint against the issuer of XRP, Ripple Labs, Inc. (“Ripple”), and two of its executives, alleging that they raised more than \$1.3 billion through XRP sales that should have been registered under the federal securities laws, but were not. In the years prior to the SEC’s action, XRP’s fully diluted market capitalization at times reached over \$384.1 billion. However, in the weeks following the SEC’s complaint, XRP’s market capitalization fell to less than \$10 billion, which was less than half of its market capitalization in the days prior to the complaint. This action against Ripple, as well as other enforcement actions, are ongoing and as a result we believe some competitors may continue to benefit from marketing and capital raising methods, including direct payments of coins in exchange for adoption, payments of artificially inflated yields, the use of digital asset market makers to inflate the price of native coins, social media influencers who inflate the price of coins, and other marketing methods that we cannot and do not use.

Digital asset transactions on or facilitated by the Chia blockchain may be subject to the CFTC’s regulatory authority. Any fraudulent or manipulative activity in respect of digital assets occurring on the Chia blockchain could subject us to increased regulatory scrutiny, regulatory enforcement, and litigation and may adversely affect our business, results of operations, financial condition, and prospects.

The CFTC has stated that cryptocurrencies, including Bitcoin, fall within the definition of a “commodity” as defined in the U.S. Commodities Exchange Act of 1936 (“CEA”). Although “spot” or “cash” contracts for commodities that result in the immediate or near-immediate delivery of a commodity are generally beyond the regulatory scope of the CFTC, the CFTC nonetheless retains broad enforcement authority to police against manipulation and fraud with respect to any contract of sale of any commodity in interstate commerce and we may be

subject to such authority with respect to improper trading on the Chia blockchain. Manipulation, fraud, or other forms of improper trading by market participants in respect of transactions on or facilitated by the Chia blockchain may subject us to CFTC investigations, inquiries, enforcement action, and similar actions by other regulators, government agencies, and civil litigation. Such investigations, inquiries, enforcement actions, and litigation may cause us to incur substantial costs and could result in negative publicity and harm our reputation and brand. Separately, the extent of liability by software companies such as us with regards to such manipulation and fraud remains unclear. Should the CFTC choose to hold us responsible for the actions of others on the Chia blockchain, the Chia platform and our business, results of operations, financial condition, and prospects could be materially and adversely affected.

Transactions in digital assets may constitute “commodity interests” subject to regulation by the CFTC. If transactions in digital assets on or facilitated by the Chia blockchain are deemed commodity interests, we could be subject to additional regulatory requirements, licenses and approvals and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.

The CFTC has exclusive jurisdiction over “commodity interests” as defined in the CEA, which generally are transactions involving swaps and contracts of sale of a commodity for future delivery (i.e., futures contracts), or options on futures contracts. Commodity interests are subject to extensive supervisory oversight and regulation by the CFTC, including licensing of entities engaged in, and platforms offering, commodity interest transactions. To the extent that any transactions in digital assets on or facilitated by the Chia blockchain constitute futures, swaps, other derivative products, or retail commodity transactions, we may become subject to regulatory scrutiny or legal challenge with respect to our compliance with applicable CFTC requirements.

Certain transactions in digital assets may constitute “retail commodity transactions” subject to regulation by the CFTC as futures contracts. If transactions on or facilitated by the Chia blockchain are deemed to be such retail commodity transactions, we could be subject to additional regulatory requirements, licenses and approvals and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs, which could affect our business, results of operations, financial condition, and prospects.

Any transaction in a commodity (including a digital asset) that is entered into with or offered to a retail customer (i.e. a non-“eligible contract participant,” within the meaning of the CEA) on a leveraged or margined basis, or other financing arrangement (a “retail commodity transaction”) is subject to CFTC regulation as a futures contract unless such transaction results in “actual delivery” within 28 days. To the extent that digital asset transactions that are conducted on or facilitated by the Chia blockchain are deemed retail commodity transactions, including pursuant to current or subsequent rulemaking or guidance by the CFTC, we may be in violation of CFTC regulatory and legal requirements and may be subject to extensive legal action and additional regulatory requirements and oversight as well as judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registration(s) with the CFTC. Given the uncertainty regarding the application of certain rules and regulations to open source blockchain companies such as ours, we may incur this liability even if we do not control what is offered on the Chia blockchain, which could affect our business, results of operations, financial condition, and prospects.

If we were deemed an “investment company” under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

A company may be deemed an investment company under section 3(a)(1) of the Investment Company Act of 1940, as amended (the “1940 Act”) if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities or it owns or proposes to acquire investment securities having a value exceeding 40% of its total assets (exclusive of U.S. government securities and cash items) on a consolidated basis. We believe that we are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. As a result of creating and retaining our Strategic Reserve, however, if XCH were determined by the SEC to be a security, our Strategic Reserve could exceed 40% of our total assets and, accordingly, we could be deemed an investment company under the 1940 Act. We do not believe that XCH or any of the digital assets we currently own are securities, but the

position of the SEC on the status of particular digital assets has not been fully resolved or made clear by SEC rules, regulations, or guidance.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operations of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. If we were deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates, and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, force our operations to significantly change, impair the agreements and arrangements between and among us and our executive management team, prevent us from successfully executing our business strategy, and materially and adversely affect our business, results of operations, financial condition, and prospects.

To avoid regulation under the 1940 Act and related SEC rules, we may need to sell significant amounts of XCH in our Strategic Reserve and other assets which we would otherwise want to retain, and we could be unable to sell assets which we would otherwise want to sell. In addition, we could be forced to acquire additional, or retain existing, income-generating or loss-generating assets that we would not otherwise have acquired and could need to forgo opportunities to acquire digital assets and other assets that would benefit our business. If we were forced to sell, buy, or retain assets in this manner, we could be prevented from successfully executing our business strategy, which would materially adversely affect our business, results of operations, financial condition, and prospects. A forced sale of XCH from our Strategic Reserve may also negatively affect the value of XCH generally, which would negatively impact the adoption and use of the Chia blockchain, the Chia platform, and our services and further cause our business to suffer and our common stock price to decline.

Blockchain platforms, including the Chia blockchain and the Chia platform, may be exploited to facilitate illegal activity such as fraud, money laundering, illegal gambling, tax evasion, and scams, which would adversely affect our reputation and brand as well as our business, results of operations, financial condition, and prospects.

The Chia blockchain and the Chia platform may be exploited to facilitate illegal activity including fraud, money laundering, illegal gambling, tax evasion, and scams. If any third party uses the Chia blockchain and the Chia platform to further such illegal activities, our reputation and brand and our business, results of operations, financial condition, and prospects could be adversely affected. We or our customers may be specifically targeted by individuals seeking to conduct fraudulent transactions, and it may be difficult or impossible for us to detect and avoid such transactions in certain circumstances. While we do not own, operate, or control the Chia blockchain or the activities of its users, the use of the Chia blockchain and the Chia platform for illegal or improper purposes could subject us to claims, including individual and class action lawsuits, and government and regulatory investigations, prosecutions, enforcement actions, inquiries, or requests that could result in liability and reputational and brand harm for us. Moreover, certain activity that may be legal in one jurisdiction may be illegal in another jurisdiction, and certain activities that are at one time legal may in the future be deemed illegal in the same jurisdiction. In the event that a customer or a user is found responsible for intentionally or inadvertently violating the laws in any jurisdiction, we may be subject to governmental inquiries, enforcement actions, prosecution, or otherwise held secondarily liable for aiding or facilitating such activities in providing software that enabled such activity. Any threatened or resulting claims could result in reputational and brand harm, and any resulting liabilities or increased costs could harm our business, results of operations, financial condition, and prospects.

Moreover, while fiat currencies are used to facilitate illegal activities, digital assets are relatively new and, in many jurisdictions, may be lightly regulated or largely unregulated. Many types of digital assets have the characteristics of fiat currencies that make them susceptible to use in illegal activity, such as the speed with which currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain transactions, and the pseudonymity or anonymity of such transactions. U.S. federal and state and foreign regulatory authorities and law enforcement agencies, such as the Department of Justice, Department of the Treasury, SEC, CFTC, Federal Trade Commission, U.S. Internal Revenue Service (the “IRS”), and various state securities and financial regulators have taken and continue to take legal action against persons and entities alleged to be engaged in fraudulent schemes or other illicit activity involving digital assets (and fiat currencies). Facilitating transactions in

these assets through the Chia blockchain, the Chia platform, and through the services we provide our customers may subject us to increased risk of liability and regulation.

Our failure to comply with applicable economic and trade sanctions could materially adversely affect our business, results of operations, financial condition, and prospects.

Our business must be conducted in compliance with applicable economic and trade sanctions and export control laws and regulations, such as those administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council, and other relevant authorities. Such laws and regulations prohibit or restrict certain operations, investment decisions, and sales activities, including dealings with certain countries or territories and with certain governments and designated persons. Our global operations expose us to the risk of violating, or being accused of violating, these laws and regulations. Although we do not service customers in, or enter into contracts or agreements with, persons that are the target of U.S. or other applicable sanctions, or persons who are located in countries or territories that are the target of comprehensive U.S. sanctions, we cannot entirely prevent such persons from interacting with the Chia blockchain or the Chia platform. For instance, due to the open source nature of the Chia blockchain and, in particular, the fact that the software necessary to become a farmer on the Chia blockchain is open source and publicly available, certain farmers on the Chia blockchain appear to be located in Iran, a country that is the target of comprehensive U.S. sanctions.

While we maintain policies and procedures designed to maintain compliance with applicable economic and trade sanctions and export controls, we cannot ensure that such policies will be effective in preventing violations or allegations of violations. In addition, our employees, representatives, or other third parties acting on our behalf may engage in conduct for which we might be held responsible. Our failure to comply with these laws and regulations may expose us to reputational and brand harm as well as significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions, and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive, and any violation (or even the allegation of a violation) could materially adversely affect our business, results of operations, financial condition, and prospects.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation and brand as well as our business, results of operations, financial condition, and prospects.

Our ability to comply with applicable complex and evolving laws, regulations, and rules is largely dependent on the establishment, maintenance, and scaling of our compliance, audit, and reporting systems to continuously keep pace with customer and internal activity, as well as our ability to attract and retain qualified compliance and other risk management personnel. We have devoted and will continue to devote significant resources to develop policies and procedures to identify, monitor, and manage our risks, including risks related to digital assets and blockchain technology, such as our Global Code of Business Conduct and Ethics, Anti-Bribery Policy, Whistleblower Policy, and Audit Committee Charter. Our board of directors and management continually monitor various aspects of our risk management processes as well as regulatory and industry developments. However, we cannot assure you that our policies and procedures are and will always be effective or that we have been and will always be successful in monitoring or evaluating the risks to which we are or may be exposed in all market environments or against all types of risks, including unidentified or unanticipated risks. Our risk management policies and procedures may not adequately prevent issues and losses. Our risk management policies and procedures also may not adequately prevent issues or losses due to technical errors if our testing and quality control practices are not effective in preventing issues or failures of our implementation services generally, which could adversely affect our reputation and brand as well as our business, results of operations, financial condition, and prospects.

Participants in the blockchain technology industry may have difficulty accessing the services of banks and custodians, which may make it difficult for us and other participants to operate.

Banks and financial institutions have been wary of accepting funds from businesses in the blockchain technology and digital assets industries, as well as managing and custodialing digital assets, particularly given the

price volatility of digital assets, evolving public perception, and regulatory developments related to blockchain technology. Certain banks and financial institutions in the United States that were known to service digital asset market participants and technology companies have recently closed due to liquidity concerns, which has resulted in digital asset market participants and technology companies needing to seek alternative banking relationships. We have in the past and may in the future have trouble opening bank accounts and establishing banking relationships. Our potential customers and developers have and may continue to experience similar challenges opening bank accounts and establishing banking relationships. For example, Prime Trust was placed into receivership by the Nevada Financial Institutions Division, which affected the ability of Stably to issue and redeem USDS, wrapped BTC, and wrapped ETH on the Chia blockchain because Prime Trust provided custody services to Stably. Digital asset market participants may experience challenges similar to those Stably experienced. Such challenges affect the ability of Chia blockchain developers, users, and farmers to acquire or sell XCH, and in turn, may negatively affect adoption of the Chia blockchain. Our inability or the inability of potential customers and developers to open a bank account or obtain custody services may make it difficult, and potentially impossible, for us and others to effectively operate their businesses, which could affect us and the digital asset marketplace generally, and therefore our business, results of operations, financial condition, and prospects.

Risks Related to Technology Information Systems, Cybersecurity, and Intellectual Property

Technological changes could adversely affect the Chia blockchain, the Chia platform, and our services, assets, and operations.

Blockchain technology is characterized by rapid and continuous technological developments and evolving industry standards. The emerging character of these developments and standards and their rapid evolution require us to continually improve the performance, features, and reliability of the Chia blockchain and the Chia platform. Moreover, any major updates to the Chia blockchain must be adopted by the Chia blockchain community. There may be unforeseen developments that could threaten the viability of our technology including, but not limited to, advancements in Verifiable Delay Function (“VDF”) implementations and a faster emergence of quantum computing. There is a further risk that advancements in graphics processing units (“GPUs”) and computer bus speeds could cause farmers to use GPUs and not storage, increasing the Chia blockchain’s energy footprint (despite our efforts to mitigate this risk with a new plot compression format, which may not gain consensus and may not be ultimately adopted), and the future prevalence of solid-state drives. The widespread adoption of new technologies or standards in the industry and other sectors could require substantial expenditures by us to modify or adapt our technology, the Chia platform, and attempt to modify or adapt the Chia blockchain, and could fundamentally alter the viability of our business model. There can be no assurance that we will have sufficient resources to respond, or be successful in responding quickly, cost effectively, and sufficiently, to these developments and evolving industry standards. Further, we cannot guarantee that actions we take, such as further development of the Chia blockchain code, even when adopted by the blockchain community (e.g., through the Chia Improvement Proposals (“CHIPs”) process), would be adopted and implemented by a majority of farmers on the Chia blockchain, potentially rendering any actions by us futile and/or creating an accidental fork of the Chia blockchain. Any of these factors could adversely affect our business, results of operations, financial condition, and prospects.

This methodical approach may make us slower to respond to recent developments in blockchain technology relative to our competitors, who we believe take a different approach to peer review and feedback. Further, our technological innovations may be diminished in the eyes of developers, enterprises, and potential customers when other competitors can publish whitepapers that we believe include technical impossibilities or technology and features that may not actually be used in their blockchains, which may lower their cost of capital and increase adoption of their blockchains. Our approach and perceived image may make the Chia blockchain and the Chia platform appear less attractive compared to those of our competitors, which may adversely affect our business, results of operations, and financial condition as well as continued use and adoption of the Chia blockchain and the Chia platform.

We do not have direct or indirect control over the Chia blockchain, and Chia farmers could adopt changes that adversely affect our business, results of operations, financial condition, and prospects.

We do not have direct or indirect control over the Chia blockchain, as we do not directly or indirectly participate in farming and have not farmed any XCH, nor do we control, directly or indirectly, the actions of users on the Chia blockchain or the Chia platform. We also do not control access to or development on the Chia blockchain or the Chia platform or the ability to farm XCH. While we provide dashboards for monitoring the Chia blockchain and are influential in developing and implementing certain primitives and software development kits (“SDKs”), i.e., the Chia platform, that impact the functionality of the Chia blockchain, such as CHIPS, any changes to the Chia blockchain made must ultimately be voluntarily adopted by a majority of farmers on the Chia blockchain. Thus, even though we have dedicated ecosystem teams engaging with users, developers, and farmers of the Chia blockchain, we cannot control the community and the Chia blockchain itself. Because we do not have direct or indirect control over our blockchain, we may be open to certain risks. For example, Chia farmers could adopt changes that adversely affect the Chia blockchain, such as causing inadvertent blockchain forks, and may require us to expend capital and resources to develop code to remediate the Chia platform, which would only be adopted if enough users download the mitigating code. In addition, developers on and users of the Chia platform and the Chia blockchain can develop software and applications that compete with us or adversely affect the Chia blockchain, the Chia platform, and our reputation and brand, such as a bridge between blockchains that is compromised, which may also require us to expend capital and resources to remain competitive. In contrast, some of our competitors may claim to be decentralized but have control over their “blockchain” (which we believe cannot be a public blockchain as public blockchains are, by definition, sufficiently decentralized and immutable) through their influence or control of a centralized smart contract or small pool of validators, such that our competitors can halt or re-write activity on their “blockchain,” or force the adoption of particular upgrades. Any of these factors may adversely affect our business, results of operations, financial condition, and prospects.

Perceived or actual cyberattacks and other security risks relating to Chia Network, the Chia blockchain, and the Chia platform, including those impacting users, developers, and customers, as well as security risks that affect similar companies, could adversely impact our reputation and brand, business, results of operations, financial condition, and prospects.

Threats to security can take a variety of forms and are constantly evolving. The sophistication of hackers, which can include individuals, groups of hackers, or sophisticated organizations, including state-sponsored organizations or nation-states, is growing, increasing the difficulty of detecting and successfully defending against such threats. Recently, the United States government has raised concerns about a potential increase in cyberattacks generally as a result of the military conflict between Russia and Ukraine and the related sanctions imposed by the United States and other countries. The company and the Chia blockchain have experienced incidents in the past that we believe may have been attempted nation state cyberattacks. Further, as with other open source companies, threat actors may increasingly take advantage of limitations or vulnerabilities in our software or with our employees or customers (e.g., via phishing attacks). Some threats use techniques that change frequently and are often not known or recognized until launched against a target (“zero day attacks”). In addition to these common security risks that affect all open source companies, our company, our services, the Chia blockchain, and the Chia platform are also subject to risks that are unique to our industry.

The Chia blockchain, which includes the PoST consensus mechanism, relies upon technology and academic peer review to validate the security and corresponding security assumptions built into the blockchain protocol. If future academic research, technology developments, or attack vectors undermine the security of the Chia blockchain or PoST consensus mechanism, it could result in a loss of private data, violation of applicable privacy, cybersecurity, and other laws, rules, regulations, standards, and contractual obligations, significant legal and financial exposure, damage to reputation and brand, and a loss of confidence in security measures, any of which could have a material adverse effect on our business, results of operations, financial condition, and prospects. Any such attack or breach could materially adversely affect our ability to operate our business and the utility, demand for, and reputation of the Chia blockchain and the Chia platform, which could materially adversely affect our business, results of operations, financial condition, and prospects.

Further, our source code and implementation of applications, primitives, and software, as well as applications and software released by users on the Chia blockchain, are subject to cyberattacks, software supply chain attacks, and security breaches at the source code and application layers. For example, an automated market making smart contract released by a third-party developer on the Chia blockchain was compromised using a published attack vector, resulting in digital assets being drained from the smart contract. As a company, we complete internal testing and work with external security auditors, as well as maintain a bug bounty program to prevent attacks, exploits, and other security breaches; however, we cannot guarantee these safeguards will mitigate all risks. Farmers could adopt changes that adversely affect the Chia blockchain, including changes that may have been implemented by a bad actor. If a security breach occurs in our or users' applications, interfaces, software, or smart contracts, such as insertion of code into the React, Python, or Rust supply chains or improper implementation of a digital signature, it could result in reputational harm, a loss of private data and, depending on the extent of such breach, require us to expend capital and resources to mitigate the change, including developing appropriate enterprise software and implementation solutions for our customers on the Chia blockchain. For example, we previously experienced a third-party breach where a bad actor posted a malware link on our GitHub repository wiki page to convince individuals to download a fake version of the Chia blockchain. We believe that the impacted individuals were limited, and the malware was not widespread, and it was not successfully adopted into the Chia blockchain; however, these types of third-party breaches are common in our industry, and we may experience similar breaches in the future.

Additionally, due to the decentralized nature of the Chia blockchain, we and users of the Chia blockchain are prone to specialized vulnerabilities. For example, Chia blockchain users and their digital assets are susceptible to security breaches, including phishing, malware, and software supply chain attacks, which in turn creates more points of vulnerability in the Chia blockchain. These types of attacks could allow bad actors to obtain users' credentials (e.g., the users' private keys), which can result in damages for both the user, and if a majority of nodes are compromised, the Chia blockchain. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store users' digital assets could adversely affect the ability of users to access or use their digital assets. This risk could increase with the use of certain decentralized apps that make use of a "family" hierarchy. For example, a bad actor could use a parent wallet to gain access to and control various children's wallets. While we encourage the use of cold wallets to hold most of a user's or customer's digital currency in order to mitigate the chance of a third-party breach, we do not control the actions of users or our customers on the Chia blockchain. Specifically, individuals or entities who use hot wallets and/or paper wallets for even small percentages of their digital assets are at heightened risk for third-party attacks.

In addition, the decentralized nature of a blockchain in general can lead to unique attacks, such as cyberattacks that focus on the consensus method of validating transactions. For example, a greater than 50% attack is a risk in our industry (an attack where a malicious actor is able to generate enough of a consensus on the blockchain to validate a fraudulent transaction). These types of attacks can be disastrous at an early stage and allow hackers to modify the order of transactions, prevent the confirmation of transactions, or even reverse some previously completed transactions, resulting in double-spending (where an individual is able to enter the same transaction with multiple individuals despite having only one asset). While we maintain encryption and other technical security protocols to protect our digital assets, we cannot guarantee that these types of cyberattacks will not occur now or in the future as technology in this industry continues to develop.

Furthermore, breakthroughs in other domains of computing technology, such as in memory, storage, or compute, may lead to additional security risks, breaches, or other effects on the Chia blockchain, the Chia platform, our services, or the software developed by other users on the Chia blockchain. For example, unexpected developments in quantum computing may interfere with VDFs on the Chia blockchain and the PoST consensus mechanism, or unexpected developments in storage capacity and compression may result in Chia farmers having to replot their unused storage and/or the Chia blockchain having to unexpectedly increase the minimum plot size despite the communicated plans to our farmers that we will gradually increase it.

Any of the mentioned security risks could result in a loss of assets and private data, the exposure of private data, a violation of applicable privacy and cybersecurity laws, rules, regulations, standards, and contractual obligations, significant legal and financial exposure, damage to reputation and brand, and a loss of confidence in Chia Network, any of which could have a material adverse effect on our business. results of operations, financial condition, and

prospects. A breach of security or other form of attack on the Chia blockchain, the Bitcoin blockchain, or any blockchain with which we hold digital assets, including any bridges between such blockchains and digitally-wrapped assets, could result in the complete unrecoverable theft of our assets or significantly decrease any value assigned to such assets by the marketplace, particularly since we hold a significant portion of total assets in digital currency, including XCH. Lastly, a breach of our custody solution that secures our Strategic Reserve could result in an unrecoverable theft of our assets, which could adversely affect our financial condition. Any of the aforementioned attacks and security breaches may affect use and adoption of the Chia blockchain and Chia platform, which could have a further material adverse effect on our business, results of operations, financial condition, and prospects.

The loss, destruction, or breach of private keys required to access our Strategic Reserve or any digital assets we hold may be irreversible and subject us to regulatory scrutiny, reputational and brand harm, and other losses.

Digital assets are generally controllable only by the possessor of the unique private keys relating to the digital wallet in which assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the assets held in such a wallet. To the extent that any private keys relating to our wallets containing assets held for our own account, such as our Strategic Reserve, are lost, destroyed, or otherwise compromised or unavailable, and no backup of the private keys are accessible, we will be unable to access the assets held in the related wallet. Our wallets, like digital assets and blockchain technology, are subject to security breaches, attacks, or other malicious activities. A loss of private keys for, or a breach or other compromise of, our digital wallets could adversely affect our ability to access or sell our digital assets and subject us to significant financial losses. While we do not hold in custody digital assets for the accounts of others, a loss of private keys for, or a breach or other compromise of, digital wallets used by our developers, customers, or users could adversely affect their ability to access or sell their assets. As such, any loss of private keys due to a security breach, employee or service provider misconduct or error, or other compromise by third parties could hurt our reputation and brand, the Chia blockchain, and the Chia platform and could have a material adverse effect on our reputation and brand, which could harm our business, results of operations, financial condition, and prospects.

Our Strategic Reserve has been subject to deficiencies in custodial practices that have been remediated. Any future deficiency in our custodial practices could result in the loss of access to our Strategic Reserve, which would materially affect our business, results of operations, financial condition, and prospects.

In connection with the audit of our financial statements for the year ended March 31, 2022, we and our independent registered public accounting firm identified control deficiencies related to the segregation of duties around the custody of our Strategic Reserve that constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Our Strategic Reserve was created when the Chia blockchain was launched and, at that time, we did not have the technology to provide multi-signature custody of our Strategic Reserve and external custodians did not support the Chia blockchain. As a result, our Strategic Reserve was initially put in the custody of our Chief Executive Officer due to his enhanced security knowledge. Other personnel monitored its balance using external sources and had recovery mechanisms in place to prevent loss of our Strategic Reserve, but there was a single point of failure for our Strategic Reserve. As of March 31, 2023, we had remediated this material weakness. The internal control deficiency could have resulted in a permanent loss of a material portion of our Strategic Reserve, which would have a significant negative impact on our business and operations as well as our reputation. Further, we do not carry insurance for the value of our Strategic Reserve. See the risk factor titled “—Risks Related to Financial, Tax, and Accounting Matters—Material weaknesses in our internal control over financial reporting may cause us to fail to timely and accurately report our financial results or result in a material misstatement of our financial statements.”

Since the remediation and implementation of new custodial practices, which are discussed in the section titled “Business—Chia Strategic Reserve and XCH,” we believe the greatest risk to our Strategic Reserve is the loss of our private keys required to access our Strategic Reserve. Any loss of our private keys due to a security breach, employee or service provider misconduct or error, or other compromise by third parties could result in the loss of

our Strategic Reserve (which is not covered by insurance), which would materially affect our business, results of operations, financial condition, and prospects. See the risk factor titled “—The loss, destruction, or breach of private keys required to access our Strategic Reserve or any digital assets we hold may be irreversible and subject us to regulatory scrutiny, reputational and brand harm, and other losses” and the section titled “Business—Chia Strategic Reserve and XCH.”

Complying with increasingly stringent laws and requirements relating to privacy, data security, and data protection may be expensive and disruptive to our business, and our failure or perceived failure to comply with them could harm our business, results of operations, financial condition, and prospects.

In the ordinary course of business, we collect, use, access, store, transmit, and otherwise process sensitive, proprietary, confidential, and regulated information, including personal information, trade secrets, intellectual property, and other business information that belongs to us or that we handle on behalf of others such as our customers, employees, and third-party vendors. We, our customers, and the third parties who we work with are subject to numerous evolving and increasingly stringent laws, rules, regulations, industry standards, and requirements relating to privacy, data security, and data protection that may increase the cost and complexity of operating our business. In addition, either directly through the processing of information or through our third-party contracts, we may be required to comply with additional regulations and requirements that impose various privacy and security-related obligations on us.

In the United States, federal, state, and local governments have enacted numerous data privacy and data security laws. For example, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, imposes several obligations on covered businesses, including specific disclosures related to a business’s collection, use, and sharing of personal information, and a requirement to honor requests from California residents related to their personal information. Virginia, Connecticut, Colorado, and Utah have enacted similar laws, with additional states proposing comprehensive data privacy and data security laws. Further, laws in all 50 states require businesses to provide notice under certain circumstances to customers whose personal information has been disclosed as a result of a data breach. Additionally, the FTC and many state attorneys general are interpreting federal, state, and international consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. In addition to government activity, privacy advocacy groups in technology and other industries are considering various additional self-regulatory standards that may place additional burdens on us. These laws, rules, and regulations may require us to modify our data processing practices and policies and may cause us to incur substantial costs and expenses in order to comply.

Foreign laws relating to privacy, data security, and data protection are also undergoing a period of rapid change and have become more stringent in recent years. For example, the European Union (“EU”) General Data Protection Regulation (“EU GDPR”) and United Kingdom (“UK”) General Data Protection Regulation (“UK GDPR” and together with the EU GDPR, the “GDPR”) impose stringent requirements for processing personal information. The GDPR imposes comprehensive data privacy compliance obligations including: strong individual rights regimes, the requirement to be and be able to demonstrate accountability, requirements around transparency notices and consents, information security and data breach reporting requirements, and restrictions on the cross-border transfer of personal data. Recent judicial decisions and regulatory guidance have clarified these concepts and, in particular, requirements around cross-border transfers are rapidly evolving. Failure to comply with the GDPR could result in regulatory investigations, reputational damage, fines of up to the greater of 4% of their global annual revenues or €20.0 million (for the EU GDPR)/£17.5 million (for the UK GDPR), potential bans on processing of personal information or orders to change the processing, and private litigation. Laws in EU member states and the UK also impose restrictions on direct marketing and the use of cookies and similar technologies online, and a new regulation proposed in the EU called the e-Privacy Regulation may make such restrictions more stringent.

Privacy, data security, and data protection rules are also becoming more stringent beyond Europe and other countries outside of Europe have enacted or are considering enacting cross-border data transfer restrictions and laws requiring data residency. In recent years Brazil, China, and Japan have enacted new and amended laws that seek to align those countries’ data protection rules more closely with the GDPR, and companies that violate them face substantial penalties. Proposals for new comprehensive privacy, data security, and data protection legislation are

also advancing in India and Canada. If these laws are or become applicable to us, we may face increased costs of compliance, and risk of regulatory actions, penalties, and data processing restrictions or bans.

We have taken steps to implement and maintain safeguards designed to ensure that our processing is done in compliance with applicable laws, rules, regulations, industry standards, and contractual obligations, such as publishing privacy policies and other documentation regarding our collection, use, disclosure, and other processing of personal information. Although we endeavor to adhere to these policies and documentation, we and the third parties on which we rely may at times fail to do so or may be perceived to have failed to do so, and we cannot assure that these measures will be sufficient to protect us from claims, proceedings, liability, or adverse publicity relating to privacy or cybersecurity.

In addition, we cannot fully determine the impact that current or future data privacy and cybersecurity laws and requirements may have on our business or operations. Such laws or requirements may be inconsistent from one jurisdiction to another, subject to differing interpretations, and courts or regulators may deem our efforts to comply as insufficient. If we or the third parties we rely on to operate our business and deliver our services fail to comply, or are perceived as failing to comply, with our legal, administrative, or contractual obligations relating to data privacy and data security, we could face governmental enforcement action; litigation with our customers, individuals, or others; fines and civil or criminal penalties for us or company officials; obligations to cease offering our services or to substantially modify them in ways that make them less effective in certain jurisdictions; negative publicity and harm to our reputation and brand; and reduced overall demand for our services. We may also be contractually required to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any laws, rules, and regulations or other legal obligations relating to privacy or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any of the foregoing could adversely affect our business, results of operations, financial condition, and prospects.

Further, laws and regulations related to privacy, data security, and data protection related to information stored or contained on the Chia blockchain, which we do not control, may still be applied to and imposed on the company by U.S. federal, state, and local and foreign courts and regulators. Such enforcement or regulation, if applied to the company would be difficult or impossible for us to comply with given our lack of control over the Chia blockchain as these frameworks were not created to apply to the novel technology underlying the digital assets industry. Our failure to comply with any such laws or regulations may result in obligations, fines, and penalties, reputational and brand harm to us, the Chia blockchain, and the Chia platform, and could adversely affect our business, results of operations, financial condition, and prospects.

We may need to defend against claims of infringement, misappropriation, or violation of third parties' intellectual property rights, which may be time consuming, expensive, and may adversely affect our business, results of operations, financial condition, and prospects.

Technology and software companies are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. From time to time, the holders of intellectual property rights may assert their rights and urge us to take licenses and/or bring lawsuits alleging that we or our customers or other third parties using our services have infringed, misappropriated, misused, or otherwise violated such intellectual property rights. There can be no assurance that we will be able to mitigate the risk of potential lawsuits or other legal demands by such third parties. Although we may have meritorious defenses, there can be no assurance that we will be successful in defending against these allegations or in reaching business resolutions that are satisfactory to us.

In addition, if we are determined to have infringed, or believe there is a high likelihood that we have infringed upon a third party's intellectual property rights, we may be required to cease making, selling, or incorporating key components or technology that is alleged to infringe on the services we offer, to pay substantial damages and/or royalties, to redesign our services, and/or to establish and maintain alternative branding.

To the extent that our customers become the subject of allegations or claims of infringement or misappropriation of intellectual property rights related to our services or software we develop for them for implementation of their projects on the Chia blockchain, we may be required to indemnify such customers. Although we generally anticipate that we will seek to contractually limit our liability with respect to such obligations, some of

these indemnity provisions may provide for uncapped liability and some indemnity provisions may survive termination or expiration of the applicable agreement. Even if we are not a party to any litigation between a customer and a third party relating to claims of infringement by our services or software, an adverse outcome in any such litigation could make it more difficult for us to defend our services or software against intellectual property rights infringement claims in subsequent litigation in which we are a named party. If we are required to take one or more such actions, our business, results of operations, financial condition, and prospects could be materially and adversely affected. In addition, any litigation or claim, whether or not valid, could be time consuming and result in substantial costs, negative publicity, and diversion of resources and management attention. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of intellectual property proceedings could harm our ability to compete in the marketplace. In addition, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

With respect to any intellectual property rights claim, we may also have to seek a license to continue operations that are found or alleged to violate such rights. Such licenses may not be available, or if available, may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be nonexclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non-infringing technology, which could require significant time during which we would be unable to continue to offer our affected services, effort, and expense and may ultimately not be successful. Any of these events could adversely affect our business, results of operations, financial condition, and prospects.

We may become involved in lawsuits to protect or enforce our intellectual property rights, which could be expensive, time consuming, and unsuccessful.

Third parties, including our competitors, could be infringing, misappropriating, or otherwise violating our intellectual property rights. Monitoring unauthorized use of our intellectual property rights is difficult and costly. From time to time, we seek to analyze our competitors' products and services and may in the future seek to enforce our rights against potential infringement, misappropriation, or violation of our intellectual property rights. However, the steps we have taken to protect our proprietary rights may not be adequate to enforce our rights against such infringement, misappropriation, or violation of our intellectual property rights. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully enforce our intellectual property rights could harm our ability to compete and reduce demand for our services.

We may in the future become involved in lawsuits to protect or enforce our intellectual property rights. From time to time, we have resorted to cease and desist letters to enforce our intellectual property rights. An adverse result in any litigation proceeding could harm our business. In any lawsuit we bring to enforce our intellectual property rights, a court may refuse to stop the other party from using the technology at issue on grounds that our intellectual property rights do not cover the technology in question. Further, in such proceedings, the defendant could counterclaim that our intellectual property rights are invalid or unenforceable, and the court may agree, in which case we could lose valuable intellectual property rights. The outcome in any such lawsuit is unpredictable.

Our intellectual property rights are valuable, and any inability to obtain, maintain, protect, and enforce such rights could adversely impact our business, results of operations, financial condition, and prospects.

Our business depends in large part on our ability to obtain, maintain, protect, and enforce our intellectual property rights, proprietary technology, and brand. We rely on, and expect to continue to rely on, a combination of patent, trademark, copyright, and other intellectual property laws in the United States and internationally, as well as our confidentiality, invention assignment agreements, and other contractual agreements with our employees, contractors, consultants, and third parties with whom we have relationships, to establish and protect our brand and other intellectual property rights. Despite our efforts to obtain, maintain, protect, and enforce our intellectual

property and other proprietary rights, our efforts may not be sufficient or effective in preventing our competitors or other third parties from copying, reverse engineering, accessing, or otherwise obtaining and using our technology, intellectual property rights, or other proprietary rights without our permission. Our rights in our proprietary technology could be lost through misappropriation or breach of our confidentiality and invention assignment agreements, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services, or technologies that are substantially similar to ours and that compete with our business. In each case, our ability to compete could be significantly impaired.

We rely on our trademarks, trade names, and brand names to distinguish our services from those of our competitors and to counter attempts at fraudulently using our marks and names to steal from or confuse users, and we have registered or applied to register many of these trademarks in the United States and certain countries outside the United States. However, occasionally third parties may file first or may have already registered identical or similar marks for products or solutions in the United States and in other countries, thereby impeding our ability to build brand identity and possibly leading to market confusion. If they succeed in registering or developing common law rights in such trademarks, and if we are not successful in challenging such third-party rights, we may not be able to use these trademarks to develop brand recognition of our technologies or services. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. As we rely in part on brand names and trademark protection to enforce our intellectual property rights, efforts by third parties to limit use of our brand names or trademarks and barriers to the registration of brand names and trademarks in various countries may restrict our ability to promote and maintain a cohesive brand throughout our key markets. There can also be no assurance that pending or future U.S. or foreign trademark applications will be approved in a timely manner or at all, or that such registrations will be enforced or will effectively protect our brand names and trademarks. Third parties may also oppose our trademark applications, and the registered or unregistered trademarks or trade names that we own may be challenged, infringed, circumvented, declared generic, lapsed, or determined to be infringing on or dilutive of other marks. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We may, over time, increase our investment in protecting our intellectual property rights through additional trademark, patent, and other intellectual property filings, which could be expensive and time consuming. We may not be able to obtain protection for our technology and even if we are successful in obtaining effective patent, trademark, trade secret, and copyright protection, it is expensive to maintain these rights in terms of application and maintenance costs, and the time and costs required to defend our rights could be substantial. Moreover, our failure to develop and properly manage new intellectual property rights could hurt our market position and business opportunities.

We attempt to protect our intellectual property, technology, and confidential information by requiring our employees and other third parties who develop intellectual property on our behalf to enter into confidentiality and invention assignment agreements and third parties we share information with to enter into non-disclosure and confidentiality agreements or to be bound by professional, fiduciary, or other contractual obligations requiring the applicable third party to protect our trade secrets, proprietary know-how, and other confidential information. However, we cannot guarantee that we have entered into, or will in the future be able to enter into, such agreements with each party who has developed, or may in the future develop, intellectual property on our behalf and each party that has or may have had, or may in the future have, access to our confidential information, know-how, or trade secrets. Further, these agreements do not prevent our competitors from independently developing technologies that compete with our technology. These agreements may not be self-executing, may be insufficient or breached, may not effectively prevent disclosure of our proprietary information, trade secrets technologies, and processes, and may not provide an adequate remedy in the event of unauthorized disclosure of such information or infringement of our intellectual property. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret or know-how is difficult, expensive, and time consuming, and the outcome is unpredictable.

Moreover, some of our employees were previously employed by competitive companies or companies with similar or related technology or platforms. Although we try to ensure that our employees, consultants, advisors, and independent contractors do not use the confidential or proprietary information, trade secrets, or know-how of others in their work for us, we may in the future become subject to claims that we or these employees have inadvertently or otherwise used or disclosed intellectual property rights, confidential or proprietary information, trade secrets, or know-how of any such individual's former employer or other third party. Further, we may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our products. We may also be subject to claims that former employees, consultants, independent contractors, or other third parties have an ownership interest in our intellectual property rights. Litigation may be necessary to defend against these claims. If we are not successful in defending such claims, we may be forced to pay monetary damages or be enjoined from using certain technology, products, services, or knowledge. Even if we are successful in defending against these claims, litigation could result in substantial costs and demand on management resources.

In addition, the laws of some foreign countries where we do business do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant challenges in establishing and enforcing their proprietary rights outside of the United States. These challenges can be caused by the absence or inconsistency of the application of rules and methods for the establishment and enforcement of intellectual property rights outside of the United States. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of intellectual property protection. This could make it difficult for us to stop the infringement, misappropriation, or other violation of our intellectual property rights. Accordingly, we may choose not to seek protection in certain countries, and we will not have the benefit of protection in such countries. Proceedings to enforce our intellectual property rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. Moreover, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Any of the foregoing could have a material adverse effect on our business, results of operations, financial condition, and prospects.

The Chia platform contains third-party open source software components, which may pose particular risks to our proprietary software and subject us to potential litigation if we fail to comply with the terms of the underlying open source software licenses. Additionally, as a result of contributing our proprietary software under an open source license, we may disclose source code and/or innovations that turn out to be material to our business and we may be subject to potential litigation.

The Chia blockchain and the Chia platform contain software modules licensed to us by third-party authors under various open source licenses. We also make our software available to users of the Chia blockchain and the Chia platform for free under an open source license, the Apache License 2.0. As a result of our open source contributions, we may disclose source code and/or innovations that turn out to be material to our business. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise the Chia blockchain and the Chia platform, which could have an adverse effect on us, our services, and our customers.

Some open source licenses contain requirements that we make available part or all of the source code for modifications or derivative works we create based upon the type of open source software we use or grant other licenses to our intellectual property. If we combine our software with certain open source software, we could, in some circumstances, be required to release the source code of our software, including potentially material source code, to the public. This would allow our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Therefore, our ability to protect our intellectual property rights with respect to such source code may be limited or lost entirely.

Disclosing the source code of our software could also make it easier for cyber attackers and other third parties to discover or exploit vulnerabilities in or to defeat the protections of the Chia blockchain and the Chia platform, which

could have an adverse effect on us, our services, and our customers. Although we monitor our use of open source software to avoid unintentionally subjecting our business to conditions, including requiring the disclosure of our proprietary source code, we cannot assure you that our processes for controlling our use of open source software in our offerings are, or will be, effective. Moreover, we have not recently conducted an extensive audit of our use of open source software.

The terms of many open source licenses have not been interpreted by U.S. or foreign courts and there is little or no legal precedent governing the interpretation of many of the terms of certain licenses. As a result, the potential impact of these terms on our business is uncertain and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our services on the Chia blockchain. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face litigation, claims of infringement, or other liability, or be required to seek costly licenses from third parties to continue providing our offerings on terms that are not economically feasible, to re-engineer our offerings, to discontinue, or delay the provision of our offerings if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, results of operations, financial condition, and prospects. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their solutions. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Failure to defend such lawsuits may result in brand and reputational harm to the Chia blockchain and the Chia platform and chill adoption of the Chia blockchain and the Chia platform by developers and users, all of which may further harm our business, results of operations, financial condition, and prospects.

The functionality of our business, the Chia blockchain, and the Chia platform relies on the internet and the availability and integrity of our information technology systems. A significant disruption of internet connectivity or functionality, or a disruption to our information technology systems, could adversely affect our business, results of operations, financial condition, and prospects.

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business. In the ordinary course of business, we collect, store, and transmit confidential information (including but not limited to intellectual property, proprietary business information, and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information.

Despite the implementation of security measures, given the size and complexity of our internal information technology systems, such information technology systems are potentially vulnerable to breakdown or other damage or interruption from natural disasters, accidents, power disruptions, telecommunications or electrical failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, human error, fraud, or other events or disruptions. Our systems also may be subject to break-ins, sabotage, theft, and intentional acts of vandalism, including by our own employees, third-party vendors, contractors, consultants, business partners, or other third parties, or from cyberattacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information). Such information technology security threats are increasing in frequency and sophistication and pose a risk to the security of our systems and networks and the confidentiality, availability, and integrity of the data we process and maintain. We may not be able to anticipate all types of information technology security threats, and we may not be able to implement preventive measures effective against all such security threats.

Distributed protocols, system redundancy, and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities and may not effectively permit us to continue operating in the event of any problems with respect to our information technology systems. We do not currently hold cybersecurity insurance, and the costs related to significant security breaches or disruptions could be material and cause us to incur significant expenses. If the information technology systems of our third-party vendors and other contractors and consultants become subject to disruptions or security breaches, we may have insufficient recourse against such third parties, and we may have to expend significant resources to

mitigate the impact of such an event and to develop and implement protections to prevent future events of this nature from occurring.

Such a significant disruption of internet connectivity or functionality, or of our internal information technology systems or those of our third-party vendors and other contractors and consultants, could impede our ability to operate as well as the continued operation and functionality of the Chia blockchain and the Chia platform. Any such disruptions could result in the loss, misappropriation, or unauthorized access, use, or disclosure of, or the prevention of access to, confidential information, which could result in financial, legal, business, and reputational harm to us. For example, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding our customers or employees, could harm our reputation directly, compel us to comply with federal or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have a material adverse effect on our business, results of operations, financial condition, and prospects.

If our patents expire or are not maintained, our patent applications are not granted, or our patent rights are contested, circumvented, invalidated, or limited in scope, we may not be able to prevent others from selling, developing, or exploiting competing technologies or offerings, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We have been issued patents for certain aspects of our intellectual property in the United States and have additional patent applications pending in the United States. However, we have not applied for patent protection in foreign jurisdictions, and we may be unable to obtain patent protection for the technology covered in our patent applications. We cannot assure you that our pending patent applications will issue as patents and, even if they do, these patents may be contested, circumvented, or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with adequate protection or competitive advantages. The claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. Many of these existing patents and patent applications might have priority over our patent applications and could subject our patents to invalidation or our patent applications to rejection. Finally, in addition to patents and patent applications that were filed before our patents and patent applications, any of our existing or future patents may also be challenged by others on the basis that they are invalid or unenforceable. Any expiration, invalidation, or devaluation of our patents may adversely affect our business and the price of our common stock.

We make our software available to users of the Chia blockchain and the Chia platform under the Apache License 2.0, pursuant to which we grant users a license to certain patents. We are also a member of the Crypto Open Patent Alliance (“COPA”) under which we have granted licenses to our patents and have agreed not to assert our rights under such patents, except for certain mutual defense purposes. If we voluntarily withdraw from COPA, any patents that are subject to our membership obligations will continue to be subject to such obligations. We are considering joining other patent pooling associations. Nevertheless, one or more non-member competitors may obtain patents or other protections covering technology critical to our technology or any future derivatives of our technology. In addition, our technology may be devalued by participation in COPA or similar associations where other members may defensively use our patents as part of a shared patent library. Any of the foregoing could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Risks Related to Financial, Tax, and Accounting Matters

The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.

As of March 31, 2024, we held 20.7 million XCH in our Strategic Reserve, which potentially represents significant value. From March 2021 when we launched and ceased to have control over the Chia blockchain until October 2023, we did not sell, gift, loan, collateralize, or otherwise dispose of any of the XCH in our Strategic Reserve. From October 2023 through March 31, 2024, after the Chia blockchain had been fully operational and decentralized, we made 350,000 XCH from our Strategic Reserve available to a third-party market maker to provide liquidity and sell XCH on our behalf in blind programmatic transactions via non-U.S. third-party exchanges that by their terms are not available to U.S. persons. Such sales have been in limited amounts at a time. If, in the future, we sought to sell large amounts or to sell rapidly, the additional supply of XCH in the market could cause the price of XCH to drop and make it more difficult for us to sell XCH in our Strategic Reserve. While we have begun selling XCH from our Strategic Reserve through a third-party market maker in blind programmatic transactions, we have no immediate plans to sell, loan, collateralize, distribute, or dispose of a substantial amount of the XCH held in our Strategic Reserve. In the future, subject to company policies related to our Strategic Reserve, which are described in the section titled “Business—Chia Strategic Reserve and XCH” we may wish to further sell, distribute, or dispose of our Strategic Reserve through sales, loans, and dividends of XCH.

There can be no guarantee, however, that a regulator will take a position favorable to our sale, distribution, or disposition of our Strategic Reserve. All sales, distributions, or dispositions of any portion of our Strategic Reserve are subject to applicable laws and regulations in any jurisdiction where we undertake such sale, distribution, or disposition and may require regulatory approval. The timing or fact of any applicable approval is uncertain, and we will evaluate and comply with the requirements of any applicable laws and regulations at the time of any sale, distribution, or disposition of any portion of our Strategic Reserve. This uncertainty may limit, delay, or prohibit our ability to distribute the XCH held in our Strategic Reserve, convert it to fiat currency, or otherwise gain liquidity through our Strategic Reserve. Such an outcome would harm the value of our Strategic Reserve and thus the value of the company. Additionally, any future sale, distribution, or disposition of our Strategic Reserve could be viewed by market participants to indicate that we believe XCH is trading at a premium to its true value or could lead to misperceptions in the market, which may cause the value of XCH and demand for the Chia blockchain, the Chia platform, and our services to fall. Further, like many digital assets, the market price of XCH is subject to volatility and may be impacted by the volatility of other digital assets, and, as a result, our Strategic Reserve may not represent significant value if and when we sell, distribute, or dispose of it.

An inability to sell, distribute, or dispose of our Strategic Reserve and any significant decrease in the value of our Strategic Reserve could have an adverse effect on our business, results of operations, financial condition, and prospects.

The distribution or disposition of our Strategic Reserve will result in significant tax liabilities to us.

Any distribution or disposition of our Strategic Reserve will result in significant tax liabilities to us. We will recognize taxable income when we sell any XCH for liquidity purposes, are forced to accept cash in lieu of XCH for the repayment of any XCH-denominated loan to governments, enterprises, or large developers, or distribute XCH to stockholders. Such taxable income would be equal to the fair market value of the XCH at the time of the transaction less our tax basis in the XCH. We expect to have tax basis of zero in the XCH contained in our Strategic Reserve and, accordingly, expect to incur taxable income equal to the full fair market value of any XCH sold or distributed. There is no assurance that any net operating losses (“NOLs”) or other tax attributes will be available to reduce such taxable income or the resulting tax.

Additionally, any distribution of XCH to stockholders who are not “U.S. persons” for U.S. federal income tax purposes may be subject to withholding taxes, which could be material. Withholding taxes must be paid in cash.

In order to obtain cash to pay our tax liabilities (including any withholding taxes we are required to pay), we have and in the future may need to liquidate a portion of our Strategic Reserve by selling XCH. Because such a

liquidation will result in additional taxable income to us, we may need to liquidate enough XCH to cover both the initial tax liability caused by the disposition of XCH as well as the incremental tax liability on any XCH liquidated to pay the initial tax liability.

Further, the market price of XCH is volatile. If we need to sell XCH in order to pay tax liabilities, such liquidation may cause the market price of XCH to drop significantly. Such a drop in the price of XCH would materially affect our financial condition by affecting the market value of our Strategic Reserve. Due to the volatility of the market price of XCH and other factors, we may be unable to obtain sufficient cash to pay our tax liabilities and, as a result, we would not be able to make a distribution or disposition of our Strategic Reserve. Even if we do obtain sufficient cash, such tax liabilities may have an adverse effect on our business, results of operations, financial condition, and prospects. For information about additional risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Additionally, stockholders who receive any dividend in XCH are subject to certain risks. See also the risk factor titled “—Risks Related to the Ownership of Our Common Stock and this Offering—Subject to applicable regulations or approvals, we may in the future pay dividends to stockholders in cash or XCH. Any dividend paid in XCH will subject stockholders receiving XCH to tax liabilities and such stockholders may not be able to obtain sufficient cash to pay such liabilities.”

Taxation by Switzerland of our Strategic Reserve may impair our ability to access the value of half of our Strategic Reserve.

Over half of our Strategic Reserve is held by our Swiss subsidiary. Based on current tax rates, any transfer of XCH from our Swiss subsidiary to Chia Network Inc. may result in both Swiss withholding tax in an amount up to 35% and Swiss corporate income tax in the amount up to 14% of the fair market value of such transferred XCH. This tax liability could be substantial and must be paid in Swiss francs. We may be forced to liquidate a portion of our Strategic Reserve held by our Swiss subsidiary in order to pay such Swiss tax liability, which would result in additional Swiss corporate income taxes in an amount up to 14% of the fair market value of such liquidated XCH. Such Swiss income taxes could be substantial. These potential Swiss withholding tax and income tax liabilities could materially impair our ability to access half of our Strategic Reserve and have an adverse effect on our business, results of operations, financial condition, and prospects.

We expect to require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity and instruments convertible into equity and, to a lesser extent, through recent sales of XCH from our Strategic Reserve. We cannot be certain when or if our operations will generate sufficient cash to fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which we expect to require us to engage in equity or debt financings to secure additional funds or to continue to sell XCH from our Strategic Reserve. Additional financing may not be available on terms favorable to us, if at all. Recent significant disruptions in the blockchain and digital asset markets have caused greater uncertainty in the validity and regulation of blockchain, digital asset, and web3 companies and their digital assets. The overall chilling effect of market volatility, the collapse of digital asset-related companies, and the uncertain regulatory environment may prevent us from obtaining necessary equity or debt financing to fund ongoing operations. If adequate funds are not available on acceptable terms, or if we are unable to access our cash deposits held at financial institutions due to any liquidity concerns at such financial institutions, we may be unable to invest in future growth opportunities, which could harm our business, results of operations, financial condition, and prospects. If we incur debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity

securities. If we continue to sell XCH from our Strategic Reserve, the price of XCH may decrease and the value held in the Strategic Reserve will decrease, which could harm our financial condition, results of operations, and affect the market price of our common stock. As a result, our stockholders bear the risk of future issuances of debt or equity securities and sales of XCH from the Strategic Reserve reducing the value of our common stock and diluting their interests.

In recent fiscal periods, our financial condition has raised substantial doubt as to our ability to continue as a going concern.

We expect to continue to incur net operating losses for at least the next several years as we continue to develop our business, execute on our business strategy, and acquire new customers. In recent fiscal periods, including for the years ended March 31, 2024, 2023, and 2022, these conditions raised substantial doubt about our ability to continue as a going concern. We started selling XCH held in our Strategic Reserve in October 2023 and we currently plan to continue to do so until we secure alternative financing in order to fund operations for the 12-month period following the issuance of our financial statements for the year ended March 31, 2024. We have concluded that, for the year ended March 31, 2024, it is probable that management's plans alleviate the substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm included in its audit opinion for the years ended March 31, 2023 and 2022 an explanatory paragraph that there was substantial doubt as to our ability to continue as a going concern. The reaction of investors to the inclusion of a going concern statement by our auditors in recent fiscal periods may materially adversely affect the price of our common stock, the price of XCH, and our ability to raise new capital. We will seek to fund our operations through additional equity financing arrangements, including this offering, and, at that time, we may possibly discontinue sales of XCH from our Strategic Reserve or may continue sales of XCH from our Strategic Reserve to a lesser extent. However, there is no assurance that funding will be available to us, will be obtained on terms favorable to us, or will provide us with sufficient funds to meet our objectives. If we become unable to continue as a going concern, we may have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements.

Material weaknesses in our internal control over financial reporting may cause us to fail to timely and accurately report our financial results or result in a material misstatement of our financial statements.

In connection with the audit of our financial statements for the year ended March 31, 2022, we and our independent registered public accounting firm identified control deficiencies in the design and operation of our internal control over financial reporting that constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. We had a material weakness related to the segregation of duties around the custody of our Strategic Reserve. Our Strategic Reserve was created when the Chia blockchain was launched and, at that time, we did not have the technology to provide multi-signature custody of our Strategic Reserve and external custodians did not support the Chia blockchain. As a result, our Strategic Reserve was put in the custody of our Chief Executive Officer due to his enhanced security knowledge. Other personnel monitored its balance using external sources and put recovery mechanisms in place to prevent loss of our Strategic Reserve, but there was a single point of failure for our Strategic Reserve. As of March 31, 2023, we had remediated this material weakness by creating a multi-tier custody system that requires multiple signatories and mechanisms to recover, remove, or replace signatories. In addition, to further enhance the security of our Strategic Reserve, we implemented a process that allows the company to void fraudulent transactions and recover funds of our Strategic Reserve during predetermined clawback windows using our Advanced Custody tools. Such process and clawback windows were predetermined by management, implemented with our Advanced Custody tools, which were customized by us to reflect such predetermined parameters, and only apply to our assets secured within our on-chain custody vault. See the section titled "Business—Chia Strategic Reserve and XCH."

The internal control deficiency described above could have resulted in a permanent loss of a material portion of our Strategic Reserve, which would have a significant negative impact on our business and operations. Therefore,

we determined that these internal control deficiencies constituted a material weakness. To address this material weakness, we implemented the custody system described above.

If we fail to identify or remediate any future material weaknesses in our internal controls over financial reporting or fail to meet the demands that have been placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results or report them within the timeframes required by law or stock exchange regulations. Failure to comply with Section 404 of the Sarbanes-Oxley Act could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. If additional material weaknesses exist or are discovered in the future, and we are unable to remediate them, our reputation and brand, as well as our results of operations, financial condition, and prospects would be harmed.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

We are subject to tax laws in the United States and in various foreign jurisdictions. The determination of our worldwide provision for income taxes and other tax liabilities will require significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. We believe that our provision for income taxes to date has been reasonable, but tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could impact our worldwide effective tax rate, increase our taxable income, and change the non-income taxes imposed on our business. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax rates, tax treaties, and regulations or the interpretation of them, including the Tax Cuts and Jobs Act of 2017, the Coronavirus Aid, Relief, and Economic Security Act, and the Inflation Reduction Act of 2022 (“IRA”);
- changes in U.S. or foreign treatment of taxability of digital assets and related blockchain services;
- changes to our assessment on our ability to realize our deferred tax assets that are based upon estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- the effects of acquisitions.

On August 16, 2022, the IRA was signed into law to implement new tax provisions and provide various incentives and tax credits. The IRA created a 15% corporate alternative minimum tax for certain large companies and an excise tax of 1% on stock repurchases from publicly traded U.S. corporations, among other changes. We have determined that neither the IRA nor recent changes to income tax laws or regulations in other jurisdictions have a significant impact on our financial results and operations.

While we have incurred losses to date and thus have had limited tax liabilities, as we become profitable, or seek to liquidate or distribute our Strategic Reserve, we may be subject to significant tax liabilities as described in the risk factor titled “—The distribution or disposition of our Strategic Reserve will result in significant tax liabilities to us.” For information about additional risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the “Code”), if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs and other tax attributes, including research and development tax credits, to offset its post-change income or taxes may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership that exceeds 50 percentage points (by value) over a rolling three-year period. The applicable rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning, directly or indirectly, 5% or more of the stock of a corporation, as well as changes in ownership arising from new issuances of stock by the corporation. Similar rules may apply under state tax laws. We do not believe our existing NOLs are subject to limitation; however, if we had undergone previous ownership changes, or if we undergo an ownership change in the future, including as a result of this offering, our ability to use NOLs and other tax attributes to reduce future taxable income and liabilities may be limited by Section 382 of the Code and/or analogous provisions of applicable state tax law in states where we have incurred NOLs for state income tax purposes. Future changes in our stock ownership, some of which may be outside of our control, may result in an ownership change under these rules.

Under current law, U.S. federal NOLs incurred in taxable years beginning after December 31, 2017, may be carried forward indefinitely. Such U.S. federal NOLs generally may not be carried back to prior taxable years, except that NOLs generated in 2018, 2019, and 2020 may be carried back to each of the five tax years preceding the tax years of such losses. Additionally, for tax years beginning after December 31, 2020, the deductibility of U.S. federal NOLs incurred in taxable years beginning after December 31, 2017 is limited to 80% of taxable income. Our NOLs may also be impaired or restricted under state law. At the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could increase or permanently accelerate state taxes owed. There is a risk that due to legislative or regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

Changes in tax laws or regulations in the various tax jurisdictions we are subject to that are applied adversely to us, farmers on the Chia blockchain, or our customers could increase the costs of our services and harm our business.

New income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time. Those enactments could harm our domestic and foreign business operations and our business, financial condition, and results of operations. Further, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us. These events could require us, farmers on the Chia blockchain, or our customers to pay additional tax amounts on a prospective or retroactive basis, as well as require us, farmers on the Chia blockchain, or our paying customers to pay fines and/or penalties and interest for past amounts deemed to be due. If we raise our fees to offset the costs of these changes, existing and potential future customers may elect not to use our services in the future. Additionally, new, changed, modified, or newly interpreted or applied tax laws could increase our customers’, farmers’, and our compliance, operating, and other costs, as well as the costs of the services we provide for the Chia blockchain. Further, these events could decrease the capital we have available to operate our business. Any or all of these events could harm our business, results of operations, financial condition, and prospects.

Additionally, the application of U.S. federal, state, local, and foreign tax laws to services provided electronically is unclear and continually evolving. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest for past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such taxes, fines, or penalties and thereby have a material adverse effect on our business, results of operations, financial condition, and prospects.

If there are changes in the application or scope of tax laws and regulations as applied to farming rewards or transaction fees for validation on the blockchain then, depending on the scope, such laws and regulations may also impact developers on the Chia blockchain and the Chia platform and farmers on the Chia blockchain. Such

application could adversely affect the adoption and use of the Chia blockchain and the Chia platform and, as a result, have a material adverse effect on our business and cause our common stock price to decline.

Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which are subject to interpretation or changes by the Financial Accounting Standards Board (“FASB”), the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results. Furthermore, any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us. A change in these principles or interpretations could have an effect on our results of operations and could affect the reporting of transactions already completed before the announcement of a change. We also expect potential changes by FASB will affect how we evaluate our Strategic Reserve and other digital assets that we hold.

If we are unable to implement and maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock could be adversely affected.

As a public company, we will be required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose.

As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting. Many of the internal controls we have implemented pursuant to the Sarbanes-Oxley Act are process controls with respect to which a material weakness may be found whether or not any error has been identified in our reported financial statements. Additionally, the proper design and assessment of internal controls over financial reporting are subject to varying interpretations, and, as a result, application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and as common practices evolve. This could result in continuing uncertainty regarding the proper design and assessment of internal controls over financial reporting and higher costs necessitated by ongoing revisions to internal controls.

We must continue to monitor and assess our internal control over financial reporting. We have in the past and may in the future have material weaknesses in our internal controls over financial reporting, which may prevent us from detecting errors on a timely basis and result in material misstatements in our financial statements. Additionally, if in the future we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, are unable to assert that our internal controls over financial reporting are effective, identify or remediate material weaknesses in our internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Key business metrics are subject to inherent challenges in measurement, and our business, results of operations, financial condition, and prospects could be adversely affected by real or perceived inaccuracies in those metrics.

We regularly review key business metrics, including utilization of block space, fees paid per block, Nakamoto Coefficient, node count, total net space of the Chia blockchain, number of monthly active developers, growth of total developers, and other measures to evaluate growth trends, measure our performance, and make strategic decisions. These key metrics are calculated using blockchain data, internal company data, and third-party data and have not

been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement at the time of reporting, there are inherent challenges in such measurements. For example, our calculation of Adjusted Nakamoto Coefficient relies on a count of the unique number of farmer public keys that are winning blocks on the Chia blockchain. Similarly, our average node count is calculated based on the number of nodes on the Chia blockchain based upon their unique IP addresses. In both measures, it is possible for a farmer to have more than one public key and possible for an individual or entity to run more than one node, such that it is possible to over count the number of public keys, and thus overestimate the Nakamoto Coefficient, or over count the number of nodes on the Chia blockchain. While we believe a farmer having more than one public key or creating more than one node is inefficient and rare, overestimates of such key business metrics are possible. If we fail to maintain an effective analytics platform, our key metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies. Additionally, while we believe the third-party data we use is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources and we cannot be assured that such data is free of error. For example, we rely on GitHub accounts when determining the number of total developers and developers could have more than one GitHub account, which would lead to overestimating, or developers could be using GitLab instead of GitHub, which would lead to underestimating. Moreover, certain metrics and information may be continuously available as a result of the public nature of the Chia blockchain and elements of the Chia platform even though we do not compile or otherwise provide or report such metrics, and if any third-parties report or compile such data, we cannot guarantee such data and metrics are accurate or appropriately presented. Any inaccuracy in the third-party data we use could cause us to overstate or understate our key metrics. We regularly review our processes for calculating these metrics, and from time to time we make adjustments to improve their accuracy. Additionally, many of our key business metrics, are measured at a point in time and as our products and internal processes for calculating these metrics evolve over time, a previously reported number could quickly become outdated. We generally will not update previously disclosed key business metrics except for any such inaccuracies or adjustments that are material. Further, if our metrics provide us with incorrect or incomplete information about users, developers, customers, and their behavior, we may make inaccurate conclusions about our business.

We will incur significant expenses as a result of being a public company, which could adversely affect our business, results of operations, financial condition, and prospects.

As a public company, we will incur significant legal, accounting, and other expenses that we have not incurred as a private company. We will be subject to the reporting requirements of the Securities Exchange Act of 1934 (the “Exchange Act”), the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Act, the rules and regulations of the SEC, and the listing rules of . Stockholder activism and the level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional significant compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. The increased costs will increase our net loss or decrease our net income and may require us to reduce costs in other areas of our business. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees, or as executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions, and other regulatory action and potentially civil litigation.

Risks Related to the Ownership of Our Common Stock and this Offering

There has been no prior public market for our common stock. An active market may not develop or be sustained, and you may not be able to resell your common stock at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock was determined through negotiations between us and the underwriters and may vary from the market price of our common stock following the completion of this offering. An active or liquid market in our common stock may not develop upon completion of this offering or, if it does develop, it may not be sustainable. In the absence of an active trading market for our common stock, you may not be able to resell any common stock you

hold at or above the initial public offering price or at all. We cannot predict the prices at which our common stock will trade.

The market price of our common stock may be volatile and may decline regardless of our operating performance, resulting in substantial losses for investors purchasing shares in this offering.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- changes in the blockchain technology market and public perception of blockchain technology and the resulting market value or perception of the value and prospects of blockchain technology and digital assets;
- acceptance and use of blockchain technology and the Chia blockchain in particular;
- actual or anticipated fluctuations in our results of operations and financial condition;
- the projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of the company, changes in financial estimates or ratings by any securities analysts who follow the company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical developments, innovations, acquisitions, strategic partnerships, joint ventures, results of operations, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole or the technology or blockchain technology sectors in particular;
- price and volume fluctuations in the overall digital assets market and XCH, including as a result of trends in the economy as a whole or blockchain technology sector in particular;
- changes in our board of directors or management;
- sales of large blocks of our common stock, including sales by our executive officers and directors;
- lawsuits threatened or filed against us;
- anticipated or actual changes in laws, regulations, or government policies applicable to our business, blockchain technology, and digital assets;
- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging, and other derivative transactions involving our capital stock;
- general economic conditions in the United States and globally, including rising inflation, high interest rates, and liquidity concerns at financial institutions;
- other events or factors, including those resulting from war, pandemics (including COVID-19 and associated variants), incidents of terrorism, or responses to these events; and
- other factors described in the sections titled “Risk Factors” and “Special Note Regarding Forward-Looking Statements.”

Stock markets have recently experienced extreme price and volume fluctuations. The market prices of securities of companies have experienced fluctuations that often have been unrelated or disproportionate to their results of operations. Market fluctuations could result in extreme volatility in the price of shares of our common stock, which could cause a decline in the value of your investment. Price volatility may be greater if the public float and trading volume of shares of our common stock is low. Additionally, the price of digital assets has experienced and will

continue to experience substantial volatility given that the price of such assets may be based on speculation and incomplete information, subject to rapidly changing investor sentiment, and influenced by factors such as technology, competition, regulatory changes, media reporting and public perception. Digital assets, including XCH, derive their value based on various factors, including their acceptance and market demand, which are beyond our control. Such volatility in the price of digital assets, including in the price of XCH, which may depend on a number of factors, could substantially impact the price of our common stock. Furthermore, in the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and harm our business, results of operations, financial condition, and prospects.

Sales, directly or indirectly, of a substantial amount of our common stock in the public markets by our existing security holders may cause the price of our common stock to decline. Further, Bram Cohen, our Chief Technology Officer and Founder, holds a significant amount of our common stock and voting power. This ownership may limit your ability to influence corporate matters, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Sales of a substantial number of shares of our common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, including Mr. Cohen, or the perception that these sales might occur, could cause the market price of our common stock to decline. Many of our existing security holders have substantial unrecognized gains on the value of the equity they hold and may take steps to sell their shares or otherwise secure or limit their risk exposure to the value of their unrecognized gains on those shares. We are unable to predict the timing or effect of such sales on the market price of our common stock.

As of _____, our directors, executive officers, and their respective affiliates held in the aggregate _____ % of the voting power of our common stock, a substantial majority of which is held by Mr. Cohen, our Chief Technology Officer and Founder, who held _____ % of the voting power of our common stock as of _____. This concentrated control may limit your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders. As a director and officer, Mr. Cohen owes a fiduciary duty to our stockholders to act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, Mr. Cohen is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act. Any shares of common stock held by our affiliates, as defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with Rule 144 and any applicable lock-up agreements described below.

In connection with this offering, we, all of our directors and executive officers and holders of substantially all of our outstanding common stock and other securities, including options to acquire shares of our common stock, have entered into lock-up agreements with the underwriters that restrict our and their ability to sell or transfer shares of our capital stock for a period of 180 days from the date of this prospectus without the consent of the representative of the underwriters, subject to certain exceptions. In addition, the representative of the underwriters may release certain stockholders from the lock-up agreements prior to the end of the lock-up period. See the sections titled "Shares Eligible for Future Sale" and "Underwriting." When the applicable lock-up periods expire, we and our security holders subject to a lock-up agreement will be able to sell our shares freely in the public market, except that any shares held by our affiliates, as defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with Rule 144. Sales of a substantial number of such shares upon expiration of the lock-up agreements, or the perception that such sales may occur, or early release of these agreements, could cause the market price for our common stock to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, as of _____, 2024 we had stock options outstanding that, if fully exercised or settled, would result in the issuance of _____ shares of common stock. All of the shares of common stock issuable upon the exercise of stock options, and the shares reserved for future issuance under our equity incentive plans, will be registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to existing lock-up or market standoff agreements and applicable vesting requirements.

Further, based on shares outstanding as of _____, 2024, holders of _____ shares of our common stock will have rights after the completion of this offering, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders. See the section titled “Description of Capital Stock.”

We will have broad discretion in the use of the net proceeds we receive in this offering and may not use them in ways that prove to be effective.

We will have broad discretion in the use of the net proceeds we receive in this offering, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use and it is possible that a substantial portion of the net proceeds will be invested in a way that does not yield a favorable, or any, return for us. If we do not use the net proceeds that we receive in this offering effectively, our business, results of operations, financial condition, and prospects could be harmed, and the market price for our common stock could decline.

Further, if we were to purchase material amounts of XCH with the net proceeds for the purposes of, but not limited to, processing our transactions on the Chia blockchain; loaning XCH to governments, enterprises, and large developers; and granting XCH to developers and ecosystem participants in connection with the development of applications on the Chia blockchain and the Chia platform, there is a risk that such purchased XCH may decline in value or become worthless or that we may not be able to later sell, use, or dispose of the purchased XCH. If we are unable to sell, use, or dispose of such purchased XCH it could harm our business, results of operations, financial condition, and prospects.

Purchasers of common stock in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock of \$ _____ per share is substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock to be outstanding immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur immediate dilution of \$ _____ per share in the pro forma as adjusted net tangible book value from the price you paid assuming a price to the public of \$ _____ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price paid by the public in this offering. In addition, following this offering, purchasers who bought shares from us in the offering will have contributed _____ % of the total consideration paid to us by our stockholders to purchase _____ shares of common stock to be sold by us in this offering, in exchange for acquiring approximately _____ % of our total outstanding shares as of _____, after giving effect to this offering. If the underwriters exercise their option to purchase additional shares, if we issue any additional stock options or warrants or any outstanding stock options or warrants are exercised, or if we issue any other securities or convertible to or exchangeable for our common stock in the future, investors will experience further dilution.

We do not intend to pay dividends for the foreseeable future. Consequently, any gains from an investment in our common stock will depend on whether the price of our common stock increases.

We currently intend to retain any future earnings to finance the operation and expansion of our business and we do not expect to declare or pay any dividends in the foreseeable future. Moreover, the terms of future debt instruments we incur may restrict our ability to pay dividends. In addition, Delaware law may impose requirements

that may restrict our ability to pay dividends to holders of our common stock. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Any dividend paid in XCH will subject us to substantial tax liabilities.

As described above in the risk factor titled “—Risks Related to Financial, Tax, and Accounting Matters—The distribution or disposition of our Strategic Reserve will result in significant tax liabilities to us,” and “—Risks Related to Financial, Tax, and Accounting Matters—Taxation by Switzerland of our Strategic Reserve may impair our ability to access the value of half of our Strategic Reserve,” any distribution of XCH to our stockholders may have substantial adverse tax consequences to us and, accordingly, to the market price of our common stock and the value of your investment. Corporate income and withholding taxes imposed on us due to distributions of our Strategic Reserve to stockholders, as well as Swiss withholding taxes payable by us on the distribution of our Strategic Reserve from our Swiss subsidiary to our U.S. parent, may significantly impair our ability to make distributions in XCH and result in a decrease in the value of XCH as a result of our liquidating XCH to pay our tax obligations, which could in turn have an adverse effect on our business, results of operations, financial condition, and prospects.

Tax obligations must be paid in cash. Due to the volatility of the market price of XCH and other factors, we may also be unable to obtain sufficient cash to pay our tax liabilities and, as a result, we would not be able to pay dividends in XCH. Even if we do obtain sufficient cash, such tax liabilities may have an adverse effect on our business, results of operations, financial condition, and prospects. For information about additional risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Subject to applicable regulations or approvals, we may in the future pay dividends to stockholders in cash or XCH. Any dividend paid in XCH will subject stockholders receiving XCH to tax liabilities and such stockholders may not be able to obtain sufficient cash to pay such liabilities.

Subject to applicable regulations or approvals, we may at some point in the future pay dividends to stockholders (i) in cash only, (ii) in cash, with the ability of stockholders to receive the dividend in XCH, at the option of the stockholder, (iii) in XCH, with the ability of stockholders to receive the dividend in cash at the option of the stockholder, or (iv) in XCH only. See the section titled “Dividend Policy.” If a dividend paid in XCH is deemed to be an offering or distribution of an unregistered security or subject to regulatory development and interpretations, we may be unable to pay a dividend in XCH. Even if we are able to pay dividends in XCH, stockholders may be displeased with the means by which we pay the dividend, which could subject us to the risk of stockholder litigation.

U.S. tax obligations must be paid in cash, and stockholders will be taxed on any dividend in XCH based on the fair market value of XCH on the date of such distribution, without regard to whether the market price of XCH subsequently decreases. Like all digital assets, the market price of XCH is volatile. If a stockholder receives XCH as a dividend, the stockholder may be forced to sell XCH in order to pay the tax liability resulting from the dividend. Among other factors affecting the market price of XCH, because other stockholders may also be receiving XCH simultaneously and may also sell a portion of XCH received (and we may also be forced to liquidate a portion of our Strategic Reserve to pay corporate-level taxes), the market price of XCH could drop significantly. Such a drop could result in the distributed XCH having insufficient market value to enable the stockholder to obtain cash to pay the tax liability resulting from such dividend, which could have an adverse effect on our reputation, cause the price of our common stock to decline, and subject us to the risk of stockholder litigation. For information about additional risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

The tax treatment of XCH that may be distributed to stockholders as a dividend is uncertain.

The U.S. federal income and foreign tax treatment of digital assets like XCH is uncertain and it is unclear what guidance may be issued in the future on the treatment of digital asset transactions for U.S. federal income and foreign tax purposes. In 2014, the U.S. Internal Revenue Service (“IRS”) released a notice (the “IRS Notice”), discussing certain aspects of “convertible virtual currency” (that is, virtual currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency), such as XCH, for U.S. federal income tax purposes and, in particular, stating that such virtual currency (i) is “property” for purposes of the Code, (ii) is not “currency” for purposes of the rules relating to foreign currency gain or loss, and (iii) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of “Frequently Asked Questions” (the “Revenue Ruling & FAQs”), that provide additional guidance regarding “hard forks,” “airdrops,” and similar occurrences as well as other compliance matters. The IRS Notice and the Revenue Ruling & FAQs do not address all aspects of the U.S. federal income tax treatment of digital assets such as XCH.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing position with respect to digital assets in the future or that a court would uphold the treatment set forth in the IRS Notice and the Revenue Ruling & FAQs. It is also unclear what additional guidance may be issued in the future for purposes of U.S. federal income tax or other foreign tax regulations. Any such alteration of existing IRS and foreign tax authority positions or additional guidance regarding digital asset transactions could result in adverse tax consequences for holders of XCH.

The treatment of digital assets for tax purposes by non-U.S. jurisdictions may differ from the treatment of digital assets for U.S. tax purposes. If a non-U.S. jurisdiction with a significant share of the market of digital asset users imposes onerous tax burdens on digital assets users or digital asset transactions, such actions could result in decreased demand for digital assets in such jurisdiction, which could adversely affect the value of digital assets and the value of XCH.

Each potential investor should consult with and must rely upon the advice of its own tax advisor with respect to the United States and non-U.S. tax consequences of an investment in the common stock and the potential for a distribution of XCH. For information about additional risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

You may not have the ability to elect out of receiving XCH in a distribution, which may expose you to significant cash tax liabilities, without the receipt of cash. The timing and amount of such tax liabilities would be outside your control.

We may at some point in the future make a mandatory distribution of XCH to our stockholders without an option to receive cash in lieu of XCH. Such a distribution may not be in the best interests of all stockholders and may subject us to the risk of stockholder litigation. In addition, such a mandatory XCH distribution will expose stockholders to the tax risks discussed above in the risk factor titled “—Subject to applicable regulations or approvals, we may in the future pay dividends to stockholders in cash or XCH. Any dividend paid in XCH will subject stockholders receiving XCH to tax liabilities and such stockholders may not be able to obtain sufficient cash to pay such liabilities.”

If securities or industry analysts do not publish research, or if they publish inaccurate or unfavorable research, about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market, and our competitors. We do not have any control over these analysts. If we fail to meet the expectations of these analysts, our stock price would be adversely affected. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly,

demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest more difficult, limit attempts by our stockholders to replace or remove our current management, and depress the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws that will become effective immediately prior to the completion of this offering may discourage, delay, or prevent a merger, acquisition, or other change in control of us or tender offer that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include that:

- the forum for certain litigation against us is restricted to Delaware or the federal courts, as applicable;
- our board of directors has the exclusive right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- our board of directors is divided into three classes, Class I, Class II, and Class III, with each class serving staggered three-year terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- our stockholders may not act by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- a special meeting of stockholders may be called only by the Chairman, the Chief Executive Officer, the President, or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- our board of directors may alter our bylaws without obtaining stockholder approval;
- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the company; and
- our board of directors is authorized to issue shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), which generally prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters and the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders.

Our amended and restated certificate of incorporation will provide that, unless we otherwise consent in writing, (A)(1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee, or stockholder of ours to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws (as either may be amended or restated) or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery of the State of Delaware, or (4) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware; and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Notwithstanding the foregoing, the exclusive forum provision shall not apply to claims seeking to enforce any liability or duty created by the Exchange Act or any claim for which the federal district courts of the United States have exclusive jurisdiction. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with litigating such action in another jurisdiction, which could harm our business, results of operations, financial condition, and prospects. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation.

General Risk Factors

Unfavorable conditions in our industry or the global economy, including those caused by ongoing geopolitical conflicts, reductions in information technology spending, inflation, rising interest rates, natural disasters, or other catastrophic events could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers or potential customers. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, inflation and efforts to control further inflation, rising interest rates, liquidity concerns at financial institutions, international trade relations, political turmoil, natural catastrophes, warfare, and terrorist attacks on the United States, Europe, the Asia Pacific region, or elsewhere, could cause a decrease in business investments by existing or potential customers, including spending on information technology services, and negatively affect the growth of our business. In particular, we may experience longer sales cycles, reduced contract sizes, or generally increased scrutiny spending from existing and potential customers, due in part to the effects of macroeconomic uncertainty and ongoing geopolitical and military conflicts in Ukraine and the Middle East, and particularly in non-U.S. markets. To the extent there is a sustained general economic downturn, our revenue, business, and results of operations may be affected by delays or reductions in general technology development spending. Competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract customers we could compete for. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our services. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

Additionally, natural disasters or other catastrophic events may also cause damage or disruption to our operations, international commerce, and the global economy and could have an adverse effect on our business, results of operations, financial condition, and prospects. Our business operations are subject to interruption by natural disasters, fire, power shortages, and other events beyond our control. In addition, our global operations expose us to risks associated with public health crises, such as pandemics and epidemics, which could harm our business and cause our results of operations to suffer. Further, acts of terrorism, labor activism or unrest, and other geopolitical unrest could cause disruptions in our business or the economy as a whole. In the event of a natural disaster, including a major earthquake, blizzard, hurricane, or a catastrophic event such as a fire, power loss, or telecommunications failure, we may be unable to continue our operations and may endure system interruptions, reputational and brand harm, delays in development, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our business and results of operations.

We may be subject to litigation, including individual and class action lawsuits, as well as investigations and enforcement actions by regulators and governmental authorities.

We may from time to time become subject to claims, arbitrations, individual and class action lawsuits, government and regulatory investigations, inquiries, actions or requests, including with respect to both consumer and employment matters, and other proceedings alleging violations of laws, rules, and regulations, both foreign and domestic. The scope, determination, and impact of claims, lawsuits, government and regulatory investigations, enforcement actions, disputes, and proceedings to which we are subject cannot be predicted with certainty, and may result in:

- substantial payments to satisfy judgments, fines, or penalties;
- substantial outside counsel legal fees and costs;
- additional compliance and licensure requirements;
- loss or non-renewal of existing licenses or authorizations, or prohibition from or delays in obtaining additional licenses or authorizations, required for our business;
- loss of productivity and high demands on employee time;
- criminal sanctions or consent decrees;
- termination of certain employees, including members of our executive management team;
- barring of certain employees from participating in our business in whole or in part;
- orders that restrict our business or prevent us from offering certain products or services;
- changes to our business model and practices;
- delays to planned transactions, innovations on the Chia platform, or improvements to our services; and
- damage to our reputation and brand.

The number and significance of these potential claims and disputes may increase as our business expands. Any claim against us, regardless of its merit, could be costly, divert management's attention and operational resources, and harm our reputation and brand. As litigation is inherently unpredictable, we cannot assure you that any potential claims or disputes will not have a material adverse effect on our business, results of operations, financial condition, and prospects. Any claims or litigation, even if fully indemnified or insured, could make it more difficult to effectively compete or to obtain adequate insurance in the future.

We are an “emerging growth company” and our compliance with the reduced reporting and disclosure requirements applicable to “emerging growth companies” may make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we have elected to take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These provisions include, but are not limited to: being permitted to have only two years of audited financial statements and only two years of related management’s discussion and analysis of financial condition and results of operations disclosures in the registration statement of which this prospectus forms a part; being exempt from compliance with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act; being exempt from any rules that could be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotations or a supplement to the auditor’s report on financial statements; being subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and not being required to hold nonbinding advisory votes on executive compensation or on any golden parachute payments not previously approved.

In addition, while we are an emerging growth company, we have elected not to be required to comply with any new financial accounting standard until such standard is generally applicable to private companies. As a result, our financial statements may not be comparable to companies that are not emerging growth companies or elect not to avail themselves of this provision.

We will remain an emerging growth company until the earlier to occur of: (1) the last day of the fiscal year in which we have more than \$1.235 billion in annual revenue; (2) the date we qualify as a “large accelerated filer,” with at least \$700.0 million of equity securities held by non-affiliates as of the end of the second quarter of that fiscal year; (3) the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; and (4) the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

The exact implications of the JOBS Act are still subject to interpretations and guidance by the SEC and other regulatory agencies, and we cannot assure you that we will be able to take advantage of all of the benefits of the JOBS Act. In addition, investors may find our common stock less attractive to the extent we rely on the exemptions and relief granted by the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may decline or become more volatile.

Failure to comply with laws relating to employment could subject us to penalties and other adverse consequences.

We are subject to various employment-related laws in the jurisdictions in which our employees are based. We face risks if we fail to comply with applicable U.S. federal or state employment laws, or employment laws applicable to our employees outside of the United States. Any violation of applicable wage laws or other employment-related laws could result in complaints by current or former employees, adverse media coverage, investigations, and damages or penalties which could adversely affect our reputation and brand, business, results of operations, financial condition, and prospects. In addition, responding to any such proceedings may result in a significant diversion of management’s attention and resources, significant defense costs, and other professional fees.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us, the Chia blockchain, the Chia platform, and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” “goal,” “objective,” “seeks,” “soon,” “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, expenses, and other results of operations, and our ability to achieve and maintain future profitability;
- the sufficiency of our cash, cash equivalents, and capital resources to meet our liquidity needs;
- our ability to execute on and the success of our business model, including adoption of the Chia blockchain, the Chia platform, and our services, and acceptance of blockchain technology in general;
- the acceptance and use of blockchain technology;
- our ability to acquire new customers and retain existing customers;
- our ability to compete effectively with existing competitors and new market entrants;
- our ability to maintain and improve the Chia platform and to develop new services and grow our business in response to changing technologies, user and customer demand, and competitive pressures;
- the estimated addressable market opportunities for blockchain technology and software development services;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to effectively manage our growth, including international expansion;
- future acquisitions or investments in complementary companies, products, services, or technologies and our ability to successfully integrate such companies or assets;
- our ability, and the ability of our customers, to open bank accounts and establish banking relationships;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- our ability to sell, loan, collateralize, distribute or dispose of our Strategic Reserve, including our ability to continue to sell XCH from our Strategic Reserve and the market impact of such transactions;
- our ability to protect our intellectual property rights and any costs associated therewith;
- the increased expenses associated with being a public company;
- expectations regarding the impact of macroeconomic challenges, including inflation, rising interest rates, liquidity concerns at financial institutions, and public health emergencies, such as the COVID-19 pandemic, on our business, results of operations, financial condition, and prospects;
- litigation, regulatory proceedings, complaints, and/or adverse publicity;
- our expected use of proceeds from this offering; and

- other risks and uncertainties described in this prospectus, including those in the section titled “Risk Factors.”

We caution you that the foregoing list does not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations, estimates, forecasts, and projections about future events and trends that we believe may affect our business, results of operations, financial condition, and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, “we believe” statements and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus with these cautionary statements.

MARKET AND INDUSTRY DATA

This prospectus contains estimates, projections, and other information concerning our industry and our business, as well as data regarding market research, estimates, and forecasts prepared by our management. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors.” Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry and general publications, government data, and similar sources. Forecasts and other forward-looking information with respect to industry, business, market, and other data are subject to the same qualifications and additional uncertainties regarding the other forward-looking statements in this prospectus. See the section titled “Special Note Regarding Forward-Looking Statements.”

Among others, we refer to estimates compiled by the following industry sources:

- McKinsey & Company, *A blueprint for scaling voluntary carbon markets to meet the climate challenge*, January 29, 2021.
- Shell and BCG, *The voluntary carbon market: 2022 insights and trends*, 2023.
- Zion Market Research, *Global Blockchain Technology in Supply Chain Management Market Analysis, 2023-2030*, 2023.
- SIFMA Research, *Capital Markets Fact Book, 2022*, July 12, 2022.
- McKinsey & Company, *The 2022 McKinsey Global Payments Report*, October 2022.
- IDC, *Worldwide Data Integration and Intelligence Software Forecast, 2022-2026*, #US47920222, May 2022.
- R.K. Hammer, *Credit Card Fee Income*, 2021.
- Bolder Group, *Global Fund Administration Services: Key Trends*, 2022.
- IDC, *Worldwide Identity and Access Management Forecast, 2022-2026: Lead, Follow, or Get Out of the Way*, #US48670522, July 2022.
- IDC, *Worldwide Global StorageSphere Forecast, 2022-2026: An Installed Base of 7.9ZB of Storage Capacity in 2021 Came at a Cost of \$370 Billion – Is It Enough?*, #US49051122, May 2022.
- Allied Market Research, *Bitcoin Mining Hardware Market, Global Opportunity Analysis and Industry Forecast, 2022-2031*, January 2023.
- Vitalik Buterin, *Science of Blockchain Conference 2022, Day 2, Session 6 and 7*, <https://www.youtube.com/watch?v=8DHGOIIMvc&t=3173s>. Information contained in this YouTube link is not a part of this prospectus, and we have included the YouTube address for this presentation in this document as an inactive textual link only. Last accessed June 12, 2023.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$ million (or \$ million if the underwriters exercise their option to purchase additional shares of common stock in full), based upon an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase or decrease in the assumed initial public offering price per share of \$, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1.0 million share increase or decrease in the number of shares of common stock offered in this offering would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ million, assuming that the initial public offering price per share remains at \$, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to create a public market for our common stock, increase our visibility in the marketplace, obtain additional capital, and increase our capitalization and financial flexibility. As of the date of this prospectus, we have no specific plans for the use of the net proceeds we receive from this offering. However, we currently intend to use the net proceeds we receive from this offering primarily for working capital and other general corporate purposes, which may include product development, general and administrative matters, capital expenditures, and purchasing XCH on the open market for the purposes of, but not limited to, processing our transactions on the Chia blockchain; loaning XCH to governments, enterprises, and large developers; and granting XCH to developers and ecosystem participants in connection with the development of applications on the Chia blockchain and the Chia platform. We may also use a portion of the net proceeds for the acquisition of, or investment in, assets, technologies, solutions, or businesses that complement our business, although we have no present commitments or agreements to enter into any acquisitions or investments. The expected use of net proceeds from this offering represents our intentions based upon our present plans and business conditions. We cannot predict with certainty all of the particular uses for the proceeds of this offering or the amounts that we will actually spend on the uses set forth above. Accordingly, our management will have broad discretion in applying the net proceeds of this offering. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations, the anticipated growth of our business, and applicable law.

We intend to invest the net proceeds from this offering, pending their use, in short-term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid dividends in cash or XCH on our capital stock. We currently intend to retain all available funds and future earnings, if any, for the operation and expansion of our business and do not anticipate declaring or paying any dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, contractual requirements, business prospects, tax consequences, and other factors our board of directors deems relevant and subject to the restrictions contained in any future financing instruments and applicable law and regulations.

Subject to applicable law, applicable regulatory approvals, and other factors, including the capabilities of our transfer agent, our board of directors may determine to declare and pay dividends (i) in cash only, (ii) in cash, with the ability of stockholders to receive the dividend in XCH at the option of the stockholder, (iii) in XCH, with the ability of stockholders to receive the dividend in cash at the option of the stockholder, or (iv) in XCH only. If we declare a dividend payable, in whole or in part, in XCH, subject to applicable law, we may also sell XCH concurrently with the declaration of such dividend in order to fund associated taxes payable by the company. See the sections titled “Risk Factors—Risks Related to Ownership of Our Common Stock and this Offering—We do not intend to pay dividends for the foreseeable future. Consequently, any gains from an investment in our common stock will depend on whether the price of our common stock increases,” “Risk Factors—Risks Related to Ownership of Our Common Stock and this Offering—Subject to applicable regulations or approvals, we may in the future pay dividends to stockholders in cash or XCH. Any dividend paid in XCH will subject stockholders receiving XCH to tax liabilities and such stockholders may not be able to obtain sufficient cash to pay such liabilities,” “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The distribution or disposition of our Strategic Reserve will result in significant tax liabilities to us,” and “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of March 31, 2024:

- on an actual basis;
- on a pro forma basis to reflect the following immediately prior to the completion of this offering: (i) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the completion of this offering and (ii) the Preferred Stock Conversion; and
- on a pro forma as adjusted basis to reflect: (i) the pro forma adjustments set forth above and (ii) the issuance and sale of shares of common stock by us in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The information below is illustrative only. Our capitalization after the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and related notes, and the sections titled “Summary Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

	As of March 31, 2024		
	Actual	Pro Forma	Pro Forma As Adjusted ⁽¹⁾
	<i>(in thousands, except share and per share data)</i>		
Cash and cash equivalents	\$ 1,583		\$
Redeemable convertible preferred stock, par value \$0.00001 per share; 4,439,83 shares authorized, 4,439,832 shares issued and outstanding, actual; shares authorized and shares issued and outstanding, pro forma; shares authorized and shares issued and outstanding, pro forma as adjusted	\$ 52,521	\$	\$
Stockholders’ equity (deficit):			
Convertible preferred stock, par value \$0.00001 per share; 6,529,286 shares authorized, 4,964,533 and 4,875,018 shares issued and outstanding, actual; shares authorized and shares issued and outstanding, pro forma; shares authorized and shares issued and outstanding, pro forma as adjusted	\$ 89,320	\$	\$
Common stock, par value \$0.00001 per share; 25,000,000 shares authorized, 9,458,197 shares issued and outstanding, actual; shares authorized and shares issued and outstanding, pro forma; shares authorized and shares issued and outstanding, pro forma as adjusted	—	—	
Additional paid-in capital	29,835		
Accumulated other comprehensive income	—	—	
Accumulated deficit	(167,015)		
Total stockholders’ equity (deficit)	(47,860)		
Total capitalization	\$ 4,661		\$

- (1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ equity, and total capitalization by approximately \$ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million

shares of common stock offered by us would increase or decrease, as applicable, each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization by approximately \$ million, assuming that the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional shares of our common stock in full, pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, total capitalization, and shares of common stock outstanding as of March 31, 2024 would be \$ million, \$ million, \$ million, and \$ million, and shares, respectively.

The number of shares of our common stock to be outstanding after this offering is based on shares of our common stock outstanding as of March 31, 2024, gives effect to the Preferred Stock Conversion, and excludes:

- shares of our common stock issuable upon the exercise of stock options outstanding under the 2017 Plan as of March 31, 2024, with a weighted-average exercise price of \$ per share;
- shares of our common stock issuable upon the exercise of stock options outstanding under the 2017 Plan granted subsequent to March 31, 2024, with a weighted-average exercise price of \$ per share;
- up to aggregate shares of our common stock issuable upon the exercise of warrants with a weighted-average exercise price of \$ per share, which may be exercised prior to the completion of this offering or net exercised prior to the completion of this offering for an aggregate of shares of our common stock, assuming an initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- shares of our common stock reserved for future issuance under the 2017 Plan as of March 31, 2024 (without giving effect to the issuance of stock options granted subsequent to March 31, 2024 to purchase shares of our common stock described above);
- shares of our common stock reserved for future issuance under the 2024 Plan; and
- shares of our common stock reserved for future issuance under the ESPP.

Upon effectiveness of the 2024 Plan, any remaining shares available for issuance under the 2017 Plan will be added to the shares of our common stock reserved for issuance under the 2024 Plan, and we will cease granting awards under the 2017 Plan. The 2024 Plan and ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled "Executive Compensation—Equity Incentive Plans."

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

Our historical net tangible book value (deficit) as of March 31, 2024 was \$, or \$ per share of our common stock. Our historical net tangible book value (deficit) per share represents our total tangible assets less total liabilities and convertible preferred stock, divided by the aggregate number of shares of our common stock outstanding as of March 31, 2024.

Our pro forma net tangible book value (deficit) as of March 31, 2024 was \$ million, or \$ per share of common stock. Pro forma net tangible book value (deficit) per share represents our total tangible assets, less total liabilities, divided by the aggregate number of shares of our common stock outstanding as of March 31, 2024, after giving effect to (i) the filing and effectiveness of our amended and restated certificate of incorporation, which will occur immediately prior to the completion of this offering and (ii) the Preferred Stock Conversion.

After giving further effect to receipt of the net proceeds from our issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value (deficit) as of March 31, 2024 would have been \$ million, or \$ per share. This amount represents an immediate increase in pro forma as adjusted net tangible book value (deficit) of \$ per share to our existing stockholders and an immediate dilution of \$ per share to new investors purchasing our common stock in this offering.

We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors for a share of our common stock. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share of common stock	\$
Historical net tangible book value (deficit) per share as of March 31, 2024	\$
Increase in net tangible book value (deficit) per share as of March 31, 2024 attributable to the pro forma transactions described above	
Pro forma net tangible book value (deficit) per share as of March 31, 2024	
Increase in pro forma net tangible book value per share attributable to new investors purchasing our common stock in this offering	
Pro forma as adjusted net tangible book value (deficit) per share after this offering	
Dilution in pro forma as adjusted net tangible book value (deficit) per share to new investors purchasing our common stock in this offering	\$

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma as adjusted net tangible book value per share after this offering by \$ per share and the dilution in pro forma per share to investors participating in this offering by \$ per share, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1.0 million share increase or decrease in the number of shares offered by us would increase or decrease, as applicable, our pro forma as adjusted net tangible book value per share after this offering by \$ per share and the dilution in pro forma as adjusted net tangible book value per share to investors participating in this offering by \$ per share, assuming the that the assumed initial public offering price of \$ per share remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional shares of our common stock in full, the pro forma as adjusted net tangible book value per share of our common stock after this offering would be \$ _____ per share, and the dilution in pro forma net tangible book value per share to investors participating in this offering would be \$ _____ per share of our common stock.

The following table summarizes, on the pro forma as adjusted basis described above, as of March 31, 2024, the differences between the number of shares of common stock purchased from us, the total consideration paid, or to be paid, and the weighted-average price per share paid, or to be paid, by existing stockholders and by the new investors, at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Weighted-Average Price Per Share
	Number	Percent	Amount	Percent	
(in thousands, except share, per share and percent data)					
Existing stockholders		%	\$		% \$
New investors					
Total		100 %	\$		100 %

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by new investors, total consideration paid by all stockholders, and the weighted-average price per share paid by all stockholders by approximately \$ _____, \$ _____, and \$ _____, respectively, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each 1.0 million share increase or decrease in the number of shares offered by us would increase or decrease, as applicable, the total consideration paid by new investors, total consideration paid by all stockholders, and the weighted-average price per share paid by all stockholders by approximately \$ _____, \$ _____, and \$ _____, respectively, assuming the assumed initial public offering price of \$ _____ per share remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The foregoing tables assume no exercise of the underwriters' option to purchase additional shares. If the underwriters' exercise their option to purchase additional shares of common stock in full, our existing stockholders would hold approximately _____ % and our new investors would hold approximately _____ % of the total number of shares of our common stock outstanding upon the completion of this offering.

To the extent we issue any additional stock options or warrants or any outstanding stock options or warrants are exercised, or if we issue any other securities or convertible debt in the future, investors will experience further dilution.

The number of shares of our common stock to be outstanding after this offering is based on _____ shares of our common stock outstanding as of March 31, 2024, gives effect to the Preferred Stock Conversion, and excludes:

- _____ shares of our common stock issuable upon the exercise of stock options outstanding under the 2017 Plan as of March 31, 2024, with a weighted-average exercise price of \$ _____ per share;
- _____ shares of our common stock issuable upon the exercise of stock options outstanding under the 2017 Plan granted subsequent to March 31, 2024, with a weighted-average exercise price of \$ _____ per share;
- up to _____ aggregate shares of our common stock issuable upon the exercise of warrants with a weighted-average exercise price of \$ _____ per share, which may be exercised prior to the completion of this offering or net exercised prior to the completion of this offering for an aggregate of _____ shares of our common stock, assuming an initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;

- shares of our common stock reserved for future issuance under the 2017 Plan as of March 31, 2024 (without giving effect to the issuance of stock options granted subsequent to March 31, 2024 to purchase shares of our common stock described above);
- shares of our common stock reserved for future issuance under the 2024 Plan; and
- shares of our common stock reserved for future issuance under the ESPP.

Upon effectiveness of our 2024 Plan, any remaining shares available for issuance under the 2017 Plan will be added to the shares of our common stock reserved for issuance under the 2024 Plan, and we will cease granting awards under the 2017 Plan. The 2024 Plan and ESPP also provide for automatic annual increases in the number of shares reserved thereunder. See the section titled “Executive Compensation—Equity Incentive Plans.”

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Summary Consolidated Financial Data” and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled “Risk Factors” or elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Our fiscal year ends March 31. Our fiscal years ended March 31, 2024 and 2023 are referred to herein as fiscal 2024 and fiscal 2023, respectively.

Overview

Chia Network Inc. is a software company focused on creating modular pieces of code that act as accelerants to integrate blockchain technology into real-world applications. The Chia platform represents the intersection of protocols and smart contracts created by Chia Network and others in our ecosystem to more easily enable users to transact, custody assets, integrate the Chia blockchain into applications, and store data in permissioned databases that remain accessible to the Chia blockchain itself. Through the creation of modular software, the Chia platform enables the creation of “One Market” with the Chia blockchain as its infrastructure layer.

We have consistently innovated, seeking to improve blockchain technology and enable adoption of blockchain technology in real-world use cases:

- January 2018 – Bram Cohen, a Chia Network academic advisor, and other academics presented the academic paper “Beyond Hellman’s Time-Memory Trade-Offs with Applications to Proofs of Space,” which was published in September 2017, at BPASE ’18.
- May 2018 – We published “Simple Proofs of Sequential Work,” which won best paper at Eurocrypt 2018.
- January 2019 – We released an open source VDF, the key component enabling Proof of Time.
- July 2019 – We released our Proof of Space software, published our “Green Paper,” and announced a competition to optimize the Proof of Space algorithm.
- November 2019 – We released an alpha implementation of the Chia blockchain.
- December 2019 – We released an alpha wallet simulator and initial documentation for Chialisp.
- April 2020 – We released the beta version of the Chia blockchain that included full wallet functionality, the ability to perform transactions, and smart coins on the testnet blockchain.
- July 2020 – We completed our industry-wide collaboration to create the Internet Engineering Task Force Boneh–Lynn–Shacham Signature standard (the “IETF BLS Signature standard”), which finalized our initial Proof of Space implementation.
- November 2020 – We released our new consensus algorithm based on ideas published in the paper “Proof-of-Stake Longest Chain Protocols Revisited,” which was presented at Stanford Blockchain 2020.
- March 2021 – We launched the Chia blockchain and, at that point, ceased to have control over the Chia blockchain. We pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), the Chia Strategic Reserve, a pre-farmed genesis block of 21 million XCH owned by the company.
- May 2021 – Chialisp, the CLVM, and transactions were enabled on the Chia blockchain, making the blockchain fully functional.
- August 2021 – We launched an improved set of development teaching tools and documentation for Chialisp on Chialisp.com.

- November 2021– We released the CAT standard allowing for the creation of digital assets on the Chia blockchain paired with a beta release of our self-custodial software wallet.
- November 2021 – We joined Seagate, Western Digital, and Bill McDonough and started the Circular Drive Initiative, a 501(c)(6) membership association, whose purpose is to reduce hard drive destruction and increase reuse of hard drives. Our steward membership in the Circular Drive Initiative is part of our ESG initiatives.
- November 2021 – We announced that the World Bank Group had chosen Chia Network to design an application on the Chia blockchain as the foundation of the Climate Warehouse project.
- January 2022 – We released a production version of our self-custodial software wallet that supports creating and accepting Offers. Additionally, pursuant to our partnership with Stably, Stably launched the USDS stablecoin on the Chia blockchain and we added support for USDS in our self-custodial software wallet.
- June 2022 – We released the Non-Fungible Token 1 (“NFT1”) standard.
- August 2022 – We announced our partnership with the IFC to create the COF and tokenize, sell, and retire carbon offsets on the Chia blockchain.
- September 2022 – We released DataLayer, which is on-chain federated database technology.
- November 2022 – We recognized customer revenue for the first time.
- January 2023 – We released software enabling WalletConnect to run on the Chia blockchain. WalletConnect is a cross-blockchain tool bringing ecosystems together by enabling wallets and applications to securely connect and interact. It was developed by WalletConnect, Inc., a third-party infrastructure company that makes its suite of application programming interfaces (“APIs”) available to developers.
- June 2023 – We announced that the first transactions and retirement of tokenized carbon offsets via the CAD Trust by the COF on the Chia blockchain occurred in April and June of 2023. Initial purchasers were Melonn S.A.S. and Sumitomo Corporation of Americas.
- November 2023 – We implemented new Timelords, specialized hardware devices designed to efficiently generate sequential proofs of time using a Verifiable Delay Function that greatly enhance the network security of the Chia blockchain. The Kingdom of Bhutan integrates as the first national registry into the CAD Trust.
- December 2023 – We launched Chia Academy to provide developers with a foundation to build on the Chia blockchain and the Chia platform. The CAD Trust launched the Public Data Dashboard, which serves as a public interface of the carbon metadata registry, with datasets from four carbon market accreditation organizations (Verra, Global Carbon Council, EcoRegistry, and BioCarbon Registry) as well as the Clean Development Mechanism data from the United Nations Framework Convention on Climate Change.

Our business model is, for the most part, similar to those of most other open source software companies. We do not make money directly from allowing access to or development on the Chia blockchain and we do not directly or indirectly control access to or development on the Chia blockchain. Our business model is to add value to our customers by developing, implementing, maintaining, and supporting applications for customers that are built using this open source software infrastructure on the Chia blockchain. As this open source software for the Chia blockchain was designed by our engineering team, we believe we are well positioned to provide expert development, implementation, maintenance, and support services for our customers. We believe our primary customers will be enterprises and governments, which generally require extensive professional support from domain experts for complex projects using novel technology. We recognized customer revenue for the first time in the third quarter of fiscal 2023.

We may also indirectly benefit from value creation on the Chia blockchain by our customers and other developers and users of the Chia blockchain through the Strategic Reserve of 20.7 million XCH held by the company as of March 31, 2024. We believe that there is fundamental value in the native currency of a well-designed blockchain, such as XCH. Blockchains provide secure transaction, custody, identity, and other infrastructure, which generates value; however, the “blockchain trilemma,” an industry-accepted concept, dictates that, to date, a Layer 1 blockchain can be only two of fast, decentralized, or secure. The Chia blockchain optimizes security and decentralization, limiting block space, which limits speed. We expect that this limited block space will cause transaction fees, denominated solely in XCH, to increase as adoption rises and blocks fill. These transaction fees on the Chia blockchain go directly to farmers, not to us. As more users, developers, and potential customers adopt the Chia blockchain, it is likely more market participants will want to buy XCH, which is required for access to block space, and thus transaction access, which we believe will cause the value of XCH relative to fiat currency to increase.

As a result, we believe that our Strategic Reserve represents a potential significant source of company and stockholder value if and when we sell, loan, collateralize, distribute or dispose of it. For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

We are currently early in our development, have generated only minimal revenue since inception, and have had three total customers as of March 31, 2024. As of June 30, 2024, we have had four total customers and have two current customers, the CAD Trust and the Gulf Organisation for Research & Development - Climate Action Center for Excellence. As of March 31, 2024, we had an accumulated deficit of \$167 million, and we expect to incur losses, before accounting for the effects of token sales, and increased costs for the foreseeable future. We expect to be flexible in our negotiations with customers; however, we expect that our contracts will typically include both a payment for the initial implementation and/or customization of an application as well as ongoing subscription and support fees to monitor, access, update, and modify existing implementations to ensure normal and secure operation of the application. We expect that these fees may vary based on the nature of the application and may be fixed or scale with the user base, transaction volume, revenue derived from the use case, or other relevant metrics. We may be faced with a choice between projects that develop our ecosystem, the Chia blockchain, and the Chia platform, and that are intended to maximize long-term revenue and potentially increase the value of our Strategic Reserve versus projects that maximize near-term revenue. It is also possible that the interests of our customers, farmers on the Chia blockchain, and holders of XCH may not be aligned with our interests and those of our stockholders.

In the long term, we believe our performance will be driven by: (i) our ability to continue to drive adoption of the Chia blockchain at the enterprise, government, developer, and individual levels; (ii) our ability to add value to customers using the technology we developed, above and beyond what their internal development resources could efficiently achieve; (iii) our ability to illustrate the secure, sustainable, and compliant nature of the Chia blockchain, particularly to potential enterprise and government customers; (iv) our ability to continue to develop and advance the technology of the Chia blockchain and Chia platform, both internally and via a robust external contributor community; (v) our corporate culture, which is focused on innovation and collaboration; and (vi) widespread and increased adoption and acceptance of blockchain technology globally.

In the near term, we believe our performance will be affected by, and we expect to focus on, among other things: driving the widespread adoption of the Chia blockchain and the Chia platform for a variety of uses; developing applications for customers using the Chia blockchain and the Chia platform; and enhancing the technological capabilities of the Chia blockchain and the Chia platform. Additionally, we believe our performance will be affected by the views of the general public and the regulatory stance taken in the United States and other jurisdictions on blockchain technology and digital assets.

In evaluating the performance of our business, we intend to consider a number of key financial and business metrics. As we increase our customer base, we expect to focus on financial metrics including total bookings, total revenue, proportion of revenue that is recurring, gross margin, operating margin, operating income, and cash flows provided by operations. In evaluating the success of our business, the Chia blockchain, and the Chia platform, we

evaluate the following business metrics: average utilization of block space, average fees paid per block, average Nakamoto Coefficient, average node count, average total netspace of the Chia blockchain, number of monthly active developers, and number of total developers.

Key Factors Affecting Our Performance

We believe that the growth of our business, adoption of the Chia blockchain and Chia platform, and our future success and performance are dependent upon many factors, including those outlined below. While these factors present significant opportunities for us, these factors also represent the challenges that we must successfully address in order to grow our business, increase the adoption and use of the Chia blockchain and the Chia platform, and improve our results of operations.

Our ability to drive the widespread adoption of the Chia blockchain and the Chia platform for a variety of uses. We believe that in its current form, the Chia blockchain provides a secure, sustainable, and compliant infrastructure to establish “One Market” for many types of services and markets. In the future, we will seek to continue to increase our brand recognition and market our technological capabilities to spur adoption of the Chia blockchain and Chia platform at the enterprise, government, and developer levels. We plan to further drive adoption by simplifying both the end-user and developer experience. We will continue to produce features and tools that make it easier for developers to create sophisticated products that address the needs of users while also creating a simple and secure environment where users can interact. We believe such efforts and enhancements will assist us with acquiring new customers, including enterprise and government customers, or expand within our existing customer base through new use cases and expanded implementation.

Our ability to develop applications for customers using the Chia blockchain and the Chia platform. We are focused on being able to deliver cutting-edge implementations for enterprises and governments that utilize the full power of blockchain technology to solve problems with current implementations. We believe that working with enterprises and governments to create bespoke features, such as DataLayer for the CAD Trust, and adding such bespoke features to the Chia platform for use by other users and potential customers will reduce the time to market for complex implementations for future customers and may attract additional customers.

Our ability to enhance the technological capabilities of the Chia blockchain and the Chia platform. Due to the open source nature of the Chia blockchain, we believe that fostering the best ecosystem for development among users and developers will generate significant developmental advances. We plan to augment and combine the features created by the community with other aspects of the Chia platform as we continue to innovate in order to take advantage of significant untapped potential in the use of blockchain technology. We also plan to focus on continuing to improve the Chia platform, in particular the ease and security of self-custody, while providing tools our customers and developers can use to easily comply with regulations applicable to their assets and dApps.

The views of the general public and the regulatory stance on blockchain technology and digital assets. There have been many negative recent developments in the blockchain technology and digital asset industry, ranging from overly optimistic vaporware sales to fraud, straining the credibility of the industry and drawing increased regulatory scrutiny. Despite this current environment, we believe the fundamental technological and business promise of the Chia blockchain remains intact because of the sufficiently decentralized nature of the Chia blockchain, all XCH in circulation as of the date of this prospectus being created by the Chia blockchain, and our stance of adhering to applicable regulation. We believe that proving our capabilities with enterprise and government customers will improve public perception and increase confidence in the Chia blockchain and Chia platform and that our stance on regulatory compliance will allow us to engage in constructive discussions with regulatory bodies.

Key Business Metrics

We review the following key business metrics related to the Chia blockchain and our developer community to measure the health and adoption of the Chia blockchain and Chia platform, assess the performance of our business, identify trends, formulate financial projections, and make strategic decisions.

Chia Blockchain Metrics:

Average Utilization of Block Space. The utilization of block space represents the average data usage within a given block during a specified time period. It is similar to number of transactions, but it takes into account the complexity of transaction types. Therefore, the utilization of block space is representative of user engagement with applications on and demand for the Chia blockchain. We believe there is a direct correlation between the utilization of block space and the demand for blockchain resources. In the short to medium term, we expect the average utilization of block space to increase as demand for the Chia blockchain increases. We expect the growth rate of the average utilization of block space to slow as users become more efficient in their usage and begin to implement scaling solutions, which are technological solutions that help blockchains process more transactions per second. In the long term, we expect that the average utilization of block space will remain high, reflecting the strong demand. In a given period, the average utilization of block space can be volatile due to a project being launched or other factors, such as holidays when the Chia blockchain community tends to be more active. For example, the seven-day period ending December 31 tends to show higher-than-normal average utilization of block space.

We calculate the average utilization of block space on the Chia blockchain by averaging the utilization of block space for every day in the seven-day period ending on the date of measurement. By using the average over this period, we smooth the data and the usage volatility that occurs in the course of a week. The average utilization of block space on the Chia blockchain was 4.3% and 5.5% as of March 31, 2024 and March 31, 2023, respectively, a decrease of 20%.

We believe this decrease was due to unusually high activity on the Chia blockchain related to users inserting inscriptions, which are a novel way of including data in the form of code, image, audio, and text files in a blockchain, following the sudden popularity of Ordinals on the Bitcoin blockchain. Bitcoin Ordinals inspired similar temporary increased activity across a number of Layer 1 blockchains, including the Chia blockchain. The significant volume driven by inscription activity appears to have ended shortly before the measurement window on March 22, 2024 after reaching a sustained approximately 45% average utilization over a three week period from December 23, 2023 through January 14, 2024. Utilization remained in the range of 11.3% to 35.2% between January 17, 2024 and March 19, 2024. We believe that the utilization of block space has stabilized to be in line with pre-inscriptions activity since then.

Average Fees Paid per Block. While average utilization of block space is a metric of demand, average fees paid per block in XCH takes into account the value of transacting on the Chia blockchain. Fees paid per block comprise all transaction fees paid by requesters of transactions that are included in a given block. We believe that as the average utilization of block space approaches 100%, the average fees paid per block to farmers by the ecosystem will rise and lower relative value transactions will move to scaling solutions in order to increase efficiency and reduce cost. We expect the average fees paid per block to generally increase over time.

We calculate the average fees paid per block on the Chia blockchain by averaging the total fees paid per block for every day in the seven-day period ending on the date of measurement. By using the average over this period, we smooth the data and the usage volatility that occurs in the course of a week. The average fees paid per block on the Chia blockchain were 0.00145 XCH and 0.00037 XCH as of March 31, 2024 and March 31, 2023, respectively, an increase of 291%.

Average Adjusted Nakamoto Coefficient. The Nakamoto Consensus is a set of rules that verifies the authenticity of a blockchain network using a rule that selects the blockchain that has had the most work completed. This is the approach to verification used by Bitcoin and the Chia blockchain. On the Chia blockchain, the Nakamoto Coefficient is a measure of the smallest number of nodes that could collude and reach the greater than 50% threshold needed to launch a successful attack on the Chia blockchain. We calculate the Adjusted Nakamoto Coefficient by counting the unique number of farmer public keys required to control more than 50% of the net space currently online and dedicated by farmers to the Chia blockchain over a period of time and adding back the number of unique farmer public keys that utilize GigaHorse plot farming services. While it is possible that a farmer on the Chia blockchain may have more than one public key, resulting in overcounting the number of farmers and thus overestimating the Adjusted Nakamoto Coefficient of the Chia blockchain, for one farmer to have more than one public key is difficult and inefficient as they would have to re-plot any space that they had previously plotted to an

existing public key, and managing multiple public keys on a farm takes additional effort. Therefore, we do not believe it is likely that many farmers have more than one public key and, if they do, it is likely that such number is de minimis. For additional detail about the Nakamoto Coefficient for Bitcoin and for Ethereum as well as a discussion of the limitations and potential manipulability of the Nakamoto Coefficient based on consensus mechanism, see the section titled “Blockchain 101—Evaluation of Consensus Mechanisms.” As the Nakamoto Coefficient rises, it represents increased decentralization of validation and increased security of the blockchain. We generally expect the average Adjusted Nakamoto Coefficient for the Chia blockchain will be consistently high and slowly increase, and we do not expect it to oscillate significantly period over period, absent an unexpected technological innovation. We generally expect that the increases in the average Adjusted Nakamoto Coefficient for the Chia blockchain will be due to new farmers joining the Chia blockchain and very early farmers re-plotting their space to optimize their farming rewards potential and migrating to the current decentralized pooling protocol.

We calculate average Adjusted Nakamoto Coefficient for the Chia blockchain by averaging the Adjusted Nakamoto Coefficient for every day in the seven-day period ending on the date of measurement. By using the average over this period, we smooth the data and the statistical noise that occurs within the course of a week. The average Adjusted Nakamoto Coefficient on the Chia blockchain was 6 and 92 as of March 31, 2024 and March 31, 2023, respectively, a decrease of 93%.

We believe this decrease was due to the rapid adoption of plot compression software that did not implement the standard pooling protocol on the Chia blockchain, which means that actions undertaken by farmers in the pool appear to be done by the pool itself rather than all of the individual farmers participating in the pool. We expect the average Adjusted Nakamoto Coefficient to slowly increase due to additional third-party plot compression technologies that are similar or superior and do utilize the standard pooling protocol.

Average Node Count. Average node count is an indicator of the security and ease of use of the Chia blockchain. The higher the node count, the more relatively secure a blockchain is against attacks. While it is possible for an individual or entity to create more than one node, such a process would be an inefficient use of resources since running another node duplicates power usage and capital expenditures for farmers. Therefore, we do not believe it is likely that any individual or entity accounts for more than one node and, if they do, it is likely that such number is de minimis. We believe this because the vast majority of nodes on the Chia blockchain are run by farmers and there are only a handful of services that run more than one node for redundancy and fault tolerance. We expect average node count to be generally consistent and to increase slightly over time as the number of farmers and implementations increase. In a given period, average node count may temporarily decrease due to external effects, such as Microsoft Windows software updates, regional increases in electricity costs, and the volatility in the market price of XCH.

We calculate average node count on the Chia blockchain by averaging the node count for every day in the five-day period ending on the date of measurement. We use the industry standard five-day period because not every node is visible to every farmer every day and because IP addresses update every 24 hours in certain regions. The average node count on the Chia blockchain was 89,384 and 120,208 as of March 31, 2024 and March 31, 2023, respectively, a decrease of 25%.

We believe this decrease was due to consolidation and the rapid adoption of plot compression software that did not implement the standard pooling protocol on the Chia blockchain, which means that farmer nodes in the pool appear to be a single pool itself rather than all of the farmer nodes participating in the pool.

We ran 31 nodes and 45 nodes as of March 31, 2024 and March 31, 2023, respectively, but those nodes are not required for the Chia blockchain to function, and we may stop running nodes at any time. Our nodes are deployed for various ease of use reasons. As of March 31, 2024, our nodes were deployed as follows:

- We ran six nodes, two nodes in each of the Amazon Web Services locations found in London, Oregon, and Tokyo as an alternative way for a new node to connect to the network.
- An additional 11 nodes supported ten Timelords distributed around the world as the Chia blockchain needs at least one Timelord running to proceed. In May 2024, we completed a distribution of Timelord ASICs to

approximately 40 community members to add significant additional redundancy and shorter network distances for generating Proofs of Time.

- We ran six nodes to support our internal testing and monitoring of the Chia blockchain as we have internal monitoring of the Chia blockchain for any anomalies. For example, this is how we would know about an unexpected spend from the Strategic Reserve. We provide publicly available dashboards with substantially all of these metrics collected and published in real time.
- The final eight nodes are used to continuously test syncing new versions of the Chia blockchain node software from genesis. These nodes are destroyed once they sync to the current block height and a new one is started from genesis with a newer version of the development versions of the software.

These nodes do not enable us to exercise any influence or control over the Chia blockchain because they do not farm or validate transactions on the Chia blockchain.

Based on IP addresses, there is no geographic concentration of nodes as of March 31, 2024 and March 31, 2023.

Average Total Netspace of the Chia Blockchain. The total netspace of the Chia blockchain represents the total amount of storage being utilized by nodes to participate in PoST on the Chia blockchain. As this figure rises, the chance that a greater than 50% attack could be launched from the outside diminishes due to supply constraints and demand competition for unused storage; therefore, average total netspace is also a measure of the overall security of the Chia blockchain. We monitor the total netspace of the Chia blockchain in connection with the amount of storage that is for sale on a monthly basis as of the date of measurement because total netspace multiplied by the cost per unit of storage indicates how costly an outside attack on the Chia blockchain would be. We expect the average total netspace of the Chia blockchain to increase if the value of XCH increases because farming XCH would become more profitable.

We calculate the average total netspace of the Chia blockchain by averaging the total netspace of the Chia blockchain for every day in the seven-day period ending on the date of measurement. By using averages over this period, we smooth the data and the usage volatility that occurs in the course of a week. The average total netspace of the Chia blockchain was 32.6 exbibytes (37.6 exabytes) and 21.7 exbibytes (25.0 exabytes) as of March 31, 2024 and March 31, 2023, respectively, an increase of 50%.

Developer Community Metrics:

Number of Monthly Active Developers. The number of monthly active developers is indicative of the open source community building applications on the Chia blockchain and using the Chia platform. We believe the number of monthly active developers will generally increase as we continue to provide tools aimed at making it easier to build and maintain applications on the Chia blockchain and Chia platform. Additionally, we believe that as the number of monthly active developers increases, the number of projects in the ecosystem will increase, creating a greater need for our subscription and support services, which we expect will increase our customer base.

We define a monthly active developer as a developer who made at least one contribution to a GitHub repository related to the Chia platform during the 30-day period ending on the date of measurement. The number of monthly active developers on the Chia blockchain was 48 and 78 as of March 31, 2024 and March 31, 2023, respectively, a decrease of 38%.

We believe this decrease was related to macro industry trends that included decreased fundraising by projects and overall price declines of many cryptocurrencies during this period, which resulted in a number of blockchain developers moving away from blockchain- and crypto-related projects to other technologies such as artificial intelligence and machine learning.

Number of Total Developers. We believe the number of total developers is indicative of ecosystem health as well as the popularity of the Chia blockchain and Chia platform with developers.

A developer is anyone with a GitHub account who has made at least one contribution to a GitHub repository related to the Chia platform since the company's incorporation in August 2017. The number of total developers on

the Chia blockchain was 988 and 949 at March 31, 2024 and March 31, 2023, respectively, an increase of 39 developers.

The Chia Strategic Reserve

In March 2021, we launched the Chia blockchain. We pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), the Chia Strategic Reserve, a pre-farmed “genesis” block of 21 million XCH owned by the company. We have not directly or indirectly farmed any XCH, nor have we added XCH to our Strategic Reserve since its creation. From March 2021 until October 2023, we did not sell, gift, loan, collateralize, or otherwise dispose of any of the XCH in our Strategic Reserve.

In October 2023, we began making sales of XCH from our Strategic Reserve. As of March 31, 2024, we have made 350,000 XCH, or less than 1.7% of coins from our initial Strategic Reserve, available to a third-party market maker to provide liquidity and to sell XCH on our behalf in blind programmatic transactions. From October 2023 through March 31, 2024, we made available between 50,000 and 150,000 XCH, or less than 1% of coins from our initial Strategic Reserve, to a third-party market maker to provide liquidity on non-U.S. third-party exchanges that are not available to persons in the United States: Gate.io, KuCoin, MEXC, and OKX Exchange. During that period, we also sold a total of 270,174.35 XCH, or less than 1.3% of coins from our initial Strategic Reserve, in blind programmatic transactions through the same third-party market maker on the same non-US third-party exchanges. Pursuant to a services agreement, the third-party market maker provides liquidity services for a set monthly retainer and earns a set service fee for any XCH sales on our behalf. All transactions completed by the third-party market maker are completed at the market price at the time of execution of the transaction on each third-party exchange and such transactions are completed pursuant to each exchange’s terms and conditions. We do not have contractual privity with any such exchange for these transactions.

We expect that we will continue to sell XCH from our Strategic Reserve to fund operations until we secure alternative financing, and, at that time, possibly discontinue sales of XCH or continue sales of XCH from our Strategic Reserve to a lesser extent. While we make available XCH to a third-party market maker to provide liquidity services and make sales of XCH from our Strategic Reserve, we have no immediate plans to sell, distribute, or dispose of, a substantial amount of our Strategic Reserve. In the future, we may sell, loan, collateralize, distribute, dispose of, or otherwise receive value in exchange for these pre-farmed coins, which may include selling more XCH from our Strategic Reserve and repurchasing our common stock with the proceeds. We intend to transfer the XCH value to our stockholders over time or continue to use the XCH in the general course of our business based on business needs and subject to applicable regulations. These future activities are subject to applicable regulations, applicable approvals, and tax considerations at the time of such sale, distribution, disposition, dividend, realization, or use. The timing or fact of any applicable approval is uncertain, and we will evaluate and comply with the requirements of any applicable laws and regulations at the time of any sale, distribution, or disposition of any portion of our Strategic Reserve. None of the XCH held in the Chia Strategic Reserve, nor any other digital asset that we currently hold, serves as collateral for any margin, rehypothecation, or other similar activities to which we or any of our affiliates are a party.

We currently seek board approval for use of XCH from our Strategic Reserve. As with any other corporate asset, we have broad rights and abilities to borrow, pledge, repledge, hypothecate, rehypothecate, loan, or invest XCH in the Strategic Reserve subject to the controls and constraints discussed below. Decisions about how to use XCH are made on a case-by-case basis evaluating needs, risks, and applicable regulations. For example, we evaluate loan opportunities first by their relevance to the Chia platform or a customer’s needs. Second, if the lending request makes sense to be completed in XCH versus fiat money, then we perform an ordinary credit worthiness review and seek board approval. We do not currently intend to pursue loans unless a specific proposal is compelling and meets the criteria described above. In April 2024, we entered into an advisory agreement related to the promotion and marketing of the Chia blockchain, the Chia platform and associated projects. In connection with the advisory agreement, we transferred a total of 47,872 XCH tokens as consideration for the services.

As of March 31, 2024, there were 10,550,741.7 XCH traded and circulated in the global market. Over 96.6% of the XCH traded and circulated in the global market consists of the coins that were farming rewards created by the Chia blockchain protocol and awarded to block validators for maintaining the security and integrity of the Chia

blockchain, and never a part of the Strategic Reserve and the remaining 3.4% of XCH traded and circulated in the global market consists of coins from our Strategic Reserve.

In accordance with U.S. GAAP for internally developed intangible assets, we carry the value of our Strategic Reserve at a zero dollar value. However, we believe our Strategic Reserve represents a potential significant source of company and stockholder value, if we can continue to sell or distribute, or dispose of it.

According to Messari Market Intelligence data, in the year ended March 31, 2023, XCH traded between a high of \$39.36 and a low of \$37.91, with a closing price of \$38.49 on March 31, 2023, giving our Strategic Reserve an aggregate gross value of approximately \$808.3 million, based on 21.0 million XCH in our initial Strategic Reserve as of that date. In the year ended March 31, 2024, XCH traded between a high of \$51.26 and a low of \$21.33, with a closing price of \$42.53 on March 31, 2024, giving our Strategic Reserve an aggregate gross value of approximately \$878.2 million, based on 20.7 million XCH in our Strategic Reserve as of that date. For the twelve month period ended June 30, 2024, XCH traded between a high of \$51.26 and a low of \$21.33, with a closing price of \$23.23 on June 30, 2024, giving our Strategic Reserve an aggregate gross value of approximately \$475.2 million, based on 20.5 million XCH in our Strategic Reserve as of that date. For the twelve month period ending June 30, 2024, average daily “real volume” per Messari data, which penalizes reported volume data on exchanges known to undertake wash trading activities in order to attempt to get closer to “real” trading volumes, was \$11.8 million. As of that date, our daily targeted token liquidation volume was \$60,000, or significantly less than 1% of daily volume. As with any security, commodity or asset, significant, sustained sales without a concomitant increase in demand may have a negative impact on price over time. However, we believe at these levels, our selling activity has a de minimis impact on price. Given the 24-hour trading nature of digital assets, Messari data refers to Midnight UTC-7 (or Pacific Daylight Time).

For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Components of Results of Operations

Revenue

Revenue from Professional Services

At present, we expect to derive a large portion of our revenue from implementation services. To date, we have derived revenue from professional services primarily for development, testing, and deployment of various applications on the Chia Blockchain. These implementations utilize existing primitives and tools available to all users of the Chia blockchain, including our on-chain smart contracting language, to build and provide a particular application or service for our customers. Going forward, we expect that we will generally charge implementation fees as a fixed cost, in fiat currency, based on the size and expected complexity of an implementation. We expect these services to include large, medium, and small implementations. Larger implementations will tie together multiple organizations and/or individuals in trading, contract exchange, or process integrity (or a combination of these). Medium implementations will be tailored toward a single enterprise or government level and allow the organization to leverage the Chia blockchain for new applications. Small implementations will be geared toward facilitating connection of enterprise and government customers in various existing applications, as well as any major upgrades of existing customer applications, particularly to functionality of primitives. Depending on contract structure, we generally expect to recognize implementation revenue over the life of the implementation or major upgrade process.

Revenue from Subscription and Support

Revenue from subscription and support is recurring in nature and earned over time as we provide additional ongoing services to our customers. To date, we have derived revenue from subscription and support primarily for node and application hosting and support. Going forward, we expect these contracts will generally include a fixed fee linked to the level of complexity of the support services required as well as a variable component that will

depend on the user base, transaction volume, revenue derived from the use case, or other relevant metrics. We expect our subscription services to include monitoring application and blockchain health, supporting testnets and sandboxes, ensuring data accessibility, supporting self-custody, and updating and modifying existing implementations to ensure normal, secure, and seamless operation of applications. We expect our support services to include on-call technical support, application integrity and repair work, compatibility testing, modifications for blockchain updates, supporting customer self-custody, and customer training and certification. Over time, we expect our revenue from subscription and support to become a larger component of our overall revenue mix as it grows along with the number and scale of our customers' projects. We expect to recognize revenue from subscription and support as the services are provided, which would typically occur on a monthly basis for active contracts.

Costs of Revenue

Cost of Revenue from Professional Services

Cost of revenue from professional services consists of time-spent based allocations of wages, including employee benefits paid by us and stock-based compensation of our personnel and permanent contractors involved in implementation services, as well as any other direct costs of implementations such as non-permanent contractors, hardware used in implementation, and other items. The cost of revenue from professional services also includes pro-rata allocation of depreciation and amortization expenses, which was minimal in the year ended March 31, 2024. Going forward, we expect the cost of revenue from professional services to decrease on a per implementation basis due to the ability to reuse parts of existing applications developed for other customers in future engagements.

Cost of Revenue from Subscription and Support

The cost of revenue from subscription and support includes time-spent based allocation of wages, including employee benefits paid by us and stock-based compensation of our personnel involved in provision of these services, as well as any other direct costs related to subscription and support services. The cost of revenue from subscription and support also includes pro-rata allocation of depreciation and amortization expenses. Going forward, we expect to realize economies of scale in the cost of revenue from subscription and support.

Operating Expenses and (Gains)/Losses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses as well as digital asset impairment losses, and net realized (gains)/losses on sale of digital assets. Personnel-related expenses are the most significant component of our operating expenses and consist of employee wages and cash bonuses, employee benefits, full-time contractor compensation, and stock-based compensation expenses of departmental employees and contractors. Personnel-related expenses also include similar expenses for cross-functional employees and contractors, particularly our infrastructure, platforms, and security team, which support all functional areas, allocated across departments. Other operating expenses include expenses common across all departments including travel and conference expenses, allocated depreciation, amortization and lease expenses.

Research and Development. Research and development expenses primarily consist of personnel-related expenses incurred in maintaining and enhancing the Chia blockchain, the Chia platform, and related functionality; expenses for certain software; expenses related to third-parties in research and development projects; cloud hosting and fiber expenses; security expenses such as security audits, distributed denial-of-service protection, and bug bounties; and legal expenses related to applying for patents for our intellectual property. We generally expense research and development costs as incurred. Following the launch of the Chia blockchain in March 2021, as we scale our operations, these expenses have generally increased, however, these expenses decreased in fiscal 2024 due to a reduction in workforce that took place in October 2023. We expect research and development expenses to generally continue to increase going forward to continue to support the development of the Chia blockchain and the Chia platform.

Sales and Marketing. Sales and marketing expenses primarily consist of personnel-related expenses incurred in sales and marketing, ecosystem, and business development teams; professional and consulting fees related to sales and marketing; grants to third-party developers to promote and develop Chia's ecosystem; expenses for certain

software and data services related to sales and marketing; allocations of overhead; sales and marketing related travel and conference expenses; reimbursements to third-party exchanges for technical integration costs related to XCH listings; advertising and marketing expenses; sponsorships; and expenses related to the development of trademarks and other non-technical intellectual property. We generally expense sales and marketing costs as incurred. Following the launch of the Chia blockchain in March 2021, as we scaled our operations, these expenses have generally increased, however, these expenses decreased in fiscal 2024 due to a reduction in workforce that took place in October 2023. We expect sales and marketing expenses to generally increase going forward to continue supporting the development of our business and customer base.

General and Administrative. General and administrative expenses primarily consist of personnel-related expenses incurred to support our business; expenses for certain support software, professional service and consulting expenses related to our support functions; and other administrative expenses. We generally expense general and administrative costs as incurred. Following the launch of the Chia blockchain in March 2021, as we scaled our operations, these expenses have generally increased, however, these expenses decreased in fiscal 2024 due to a reduction in workforce that took place in October 2023. We expect general and administration expenses to generally increase going forward to continue supporting the development of our business. We also expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a U.S. securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, as a public company, we expect to incur increased expenses in the areas of insurance, investor relations, and professional services. As a result, we expect the dollar amount of our general and administrative expenses to increase for the foreseeable future.

Net Realized (Gains)/Losses on Sale of Digital Assets. Net realized (gains)/losses on sale of digital assets are recorded upon the disposal of digital assets held by us, including sale and transfers of XCH tokens held in our Strategic Reserve and BTC received as equity contributions, if the amount realized through sale or transfer is different from the carrying value of the asset.

Digital Asset Impairment Losses. Digital asset impairment losses consist of impairment losses on digital assets held by us, primarily Bitcoin. Current U.S. GAAP provides that digital assets must be tested for impairment (using their fair market price), and if a carrying value of a digital asset exceeds its fair market value, the carrying value is adjusted to the fair market value, and an impairment loss is recorded. If subsequently the fair value of a digital asset goes up, no adjustment to the carrying value of an asset is made. As of the date of this prospectus, there have been no impairment losses recorded on XCH as it is carried at zero.

Non-Operating Income (Expense), Net. Non-operating income (expense), net, includes non-operating expenses and income, such as sublease income, interest income, and interest expense.

Results of Operations

The following table sets forth our results of operations for the periods presented in dollars.

	Year Ended March 31,	
	2024	2023
	(in thousands)	
Revenue:		
Revenue from professional services	\$ 71	\$ 125
Revenue from subscription and support	119	—
Total revenue	190	125
Cost of revenue⁽¹⁾:		
Cost of professional services revenue	169	37
Cost of subscription and support revenue	97	—
Total cost of revenue	266	37
Gross (loss) profit	(76)	88
Operating expenses and (gains)/losses:		
Research and development ⁽¹⁾	11,547	15,653
Sales and marketing ⁽¹⁾	10,007	12,672
General and administrative ⁽¹⁾	8,780	9,912
Net realized (gains)/losses on sale of digital assets	(9,668)	—
Digital asset impairment losses	19	602
Total net operating expenses	20,685	38,839
Loss from operations	(20,761)	(38,751)
Non-operating income (expense), net		
Interest expense	—	(380)
Other income, net	249	482
Non-operating income (expense), net	249	102
Net loss	\$ (20,512)	\$ (38,649)

(1) Includes stock-based compensation expense as follows:

	Year Ended March 31,	
	2024	2023
	(in thousands)	
Cost of revenue	\$ 41	\$ 23
Research and development	2,686	2,808
Sales and marketing	4,150	4,534
General and administrative	3,443	3,273
Total stock-based compensation expense	\$ 10,320	\$ 10,638

Comparison of the Years Ended March 31, 2024 and 2023

Revenue, Cost of Revenue, and Gross (Loss) Profit

	Year Ended March 31,			
	2024	2023	\$ Change	% Change
	(in thousands)			
Revenue:				
Revenue from professional services	\$ 71	\$ 125	\$ (54)	(43)%
Revenue from subscription and support	119	—	119	n/a
Total revenue	190	125	65	52 %
Cost of revenue:				
Cost of professional services revenue	169	37	\$ 132	357 %
Cost of subscription and support revenue	97	—	97	n/a
Total cost of revenue	266	37	229	619 %
Gross (loss) profit	\$ (76)	\$ 88	\$ (164)	(186)%

Revenue from Professional Services

Revenue from professional services was \$0.1 million for the year ended March 31, 2024 and the year ended March 31, 2023, but reflected a decrease of \$0.05 million, or 43%. The decrease is primarily due to a smaller customer contract for implementation services in fiscal 2024.

Revenue from Subscription and Support

Revenue from subscription and support was \$0.1 million for the year ended March 31, 2024, which consisted of node and application hosting and support for one customer. No revenue from subscription and support was recognized for the year ended March 31, 2023.

Cost of Professional Services Revenue

Cost of revenue from professional services was \$0.2 million for the year ended March 31, 2024, compared to less than \$0.04 million for the year ended March 31, 2023, an increase of \$0.1 million, or 357%. The increase was primarily due to greater technical demands of the implementation we undertook for a client in fiscal 2024 as compared to fiscal 2023, which resulted in an increase in time-spent based allocation of wages and stock-based compensation expenses of employees and third-party contractors.

Cost of Subscription and Support Revenue

Cost of subscription and support revenue was \$0.1 million for the year ended March 31, 2024, which included time-spent based allocation of wages and stock-based compensation expenses of employees who were directly involved in support services and third-party contractors who aided in subscription and support activities. No cost of subscription and support revenue was recorded for the year ended March 31, 2023 because we did not recognize any revenue from subscription and support for that period.

Operating Expenses

	Year Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Research and development	\$ 11,547	\$ 15,653	\$ (4,106)	(26)%
Sales and marketing	10,007	12,672	(2,665)	(21)%
General and administrative	8,780	9,912	(1,132)	(11)%
Net realized (gains)/losses on sale of digital assets	(9,668)	—	(9,668)	n/a
Digital asset impairment losses	\$ 19	\$ 602	(583)	(97)%
Total net operating expenses	\$ 20,685	\$ 38,839	\$ (18,154)	(47)%

Research and Development Expenses

Research and development expenses were \$11.5 million for the year ended March 31, 2024 as compared to \$15.7 million for the year ended March 31, 2023. The decrease of \$4.1 million, or 26%, was mainly due to a \$2.9 million decrease in third-party research and development costs and a \$1.5 million decrease in personnel-related expenses following the reduction in workforce implemented in October 2023, partially offset by a \$0.4 million increase in the third-party technology expenses.

Sales and Marketing Expenses

Sales and marketing expenses were \$10.0 million for the year ended March 31, 2024 as compared to \$12.7 million for the year ended March 31, 2023. The decrease of \$2.7 million, or 21%, was mainly due to a \$0.8 million reduction in grants provided to third-party developers, a \$0.8 million reduction in general marketing expenses, and a \$0.7 million reduction in sales and marketing personnel expenses following the reduction in force implemented in October 2023 as well as an additional decrease in team members in February 2024.

General and Administrative Expenses

General and administrative expenses were \$8.7 million for the year ended March 31, 2024 as compared to \$9.9 million for the year ended March 31, 2023. The decrease of \$1.1 million, or 11%, was mainly due to a \$0.6 million decrease in personnel-related expenses following the reduction in workforce implemented in October 2023, a \$0.5 million decrease in expenses related to external professional services, and a \$0.2 million decrease related to travel expenses, which were partially offset by a \$0.2 million increase in expenses primarily related to our initial public offering.

Net Realized (Gains)/Losses on Sale of Digital Assets

Net realized (gains)/losses on sale of digital assets comprised a total realized gain of \$9.7 million on sale of digital assets, comprised of \$8.7 million from the sale of XCH tokens and \$1.0 million from the sale of BTC, for the year ended March 31, 2024. We did not have any net realized (gains)/losses on sales of digital assets for the year ended March 31, 2023. The difference was due to initiation of sales of both a significant portion of our BTC assets as well as XCH token sales from our Strategic Reserve for the year ended March 31, 2024.

Digital Asset Impairment Losses

Digital asset impairment losses were \$0.02 million for the year ended March 31, 2024 as compared to \$0.6 million for the year ended March 31, 2023. The decrease of \$0.58 million, or 97%, was primarily due to lower write downs to our digital asset holdings of \$0.02 million for the year ended March 31, 2024 as compared to \$0.6 million.

Non-Operating Income (Expense), Net

	Year Ended March 31,		\$ Change	% Change
	2024	2023		
	(in thousands)			
Non-operating income, net.....	\$ 249	\$ 102	\$ 147	144 %

Non-operating income, net was \$0.2 million for the year ended March 31, 2024 as compared to \$0.1 million for the year ended March 31, 2023. The increase of \$0.1 million was primarily due to a reduction of \$0.4 million of interest expense due to the repayment of a convertible note, partially offset by a \$0.1 million decrease in lease income due to a sublease cancellation and a \$0.1 million decrease in interest income due to lower cash balances.

Liquidity and Capital Resources

Since our inception, we have primarily financed our business through the sale of equity or convertible notes, including private sales of SAFEs, convertible preferred stock, and convertible notes, and, to a lesser extent, through sales of XCH from our Strategic Reserve. As of March 31, 2024, we had cash, cash equivalents, and restricted cash of \$2.5 million, which included \$0.9 million of restricted cash related to a lease guarantee. Our principal use of cash is to fund our operations, grow our business, and increase adoption of the Chia blockchain and the Chia platform. As of March 31, 2024, we also held approximately 0.5 Bitcoins and other digital assets with an immaterial combined carrying value below \$10,000, not including our Strategic Reserve.

We have generated significant losses from operations and negative cash flows from operating activities in the past as reflected in our accumulated deficit of \$167.0 million as of March 31, 2024 and cash used in operating activities of \$20.2 million for the year ended March 31, 2024. We expect to continue to incur operating losses, before accounting for the effect of token sales, for the foreseeable future due to the investments that we intend to make in our business and our need to acquire additional customers and, as a result, we will require additional capital resources to grow our business. We also expect to incur substantial additional capital expenditures in the near term to support our growth. Further, we expect to incur additional costs as a result of operating as a public company.

In recent fiscal periods, including for the years ended March 31, 2024, 2023, and 2022, these conditions raised substantial doubt about our ability to continue as a going concern. We started selling XCH held in our Strategic Reserve in October 2023 and we currently plan to continue to do so until we secure alternative financing in order to fund operations for the 12-month period following the issuance of our financial statements for the year ended March 31, 2024. We have concluded that, for the year ended March 31, 2024, it is probable that management's plans alleviate the substantial doubt about our ability to continue as a going concern.

There can be no assurances that we will be able to generate cash from operations at a level equal to or greater than the current rate or that such cash flows will be adequate to fund our operations or to fund other investments or acquisitions that we may choose to make. We expect that we will continue to sell XCH from our Strategic Reserve to fund operations until we secure alternative financing and, at that time, possibly discontinue sales of XCH or continue sales of XCH from our Strategic Reserve to a lesser extent. Additionally, we may choose to accelerate the expansion of our business from our current plans, which may require us to raise additional funds through the sale of equity or debt securities, XCH from our Strategic Reserve, or through other financing means more quickly than anticipated following this offering. However, there can be no assurances that any such financing would be available, occur in amounts or on terms favorable to us, or at all.

Our future capital requirements will be determined by many factors, including:

- our need to continue to develop and enhance the Chia blockchain and the Chia platform;
- our need to develop new technologies rather than leveraging existing tools and primitives to serve our customers;
- our need to acquire new customers, including the cost of acquiring new customers;

- our ability to continue to sell XCH from our Strategic Reserve and the market impact of such transactions;
- whether we pursue strategic acquisitions, and the need to issue grants to help develop our ecosystem and other initiatives; and
- the scope of investments in infrastructure required to run a business of increasing complexity.

A change in the outcome of any of these or other variables could significantly impact our operating plans, and we may need additional funds to meet operational needs and capital requirements associated with such plans. In the event that additional financing is required from outside sources, we may seek to raise additional funds at any time through equity, equity-linked arrangements, debt securities, XCH sales from our Strategic Reserve, or through other financing means. If we are unable to raise additional capital when desired and at reasonable rates, particularly in light of negative public perception and regulatory scrutiny of blockchain technology due to recent industry events, regulatory changes, economic uncertainty, liquidity concerns at financial institutions, and potential for local and/or global economic recession, our business, results of operations, and financial condition would be adversely affected. Further, if banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents, and investments may be threatened. See the section titled “[Risk Factors](#).” In addition, any future borrowings may result in additional restrictions on our business and any issuance of additional equity would result in dilution to investors.

Cash Flows

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

	Year Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net cash used in operating activities	\$ (20,237)	\$ (28,296)
Net cash provided by (used in) investing activities	10,113	(480)
Net cash provided by (used in) financing activities	1,886	(9,933)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (8,238)	\$ (38,709)

Cash Flows Used in Operating Activities

During the year ended March 31, 2024, net cash used in operating activities was \$20.2 million, which primarily consisted of a net loss of \$20.5 million, adjusted to exclude non-cash expenses of \$1.5 million. The non-cash charges primarily consisted of \$10.3 million in stock-based compensation partially offset by \$9.7 million of gains on sale of digital asset sales.

During the year ended March 31, 2023, net cash used in operating activities was \$28.3 million, which primarily consisted of a net loss of \$38.6 million, adjusted to exclude non-cash expenses of \$12.2 million. The non-cash charges primarily consisted of \$10.6 million in stock-based compensation and \$0.6 million in digital asset impairment losses.

Cash Flows (Used in) Provided by Investing Activities

During the year ended March 31, 2024, net cash provided by investing activities was \$10.1 million, which was primarily driven by the disposal of digital assets of \$10.4 million, which was partially offset by purchases of fixed assets of \$0.2 million and purchases of intangible assets of \$0.1 million.

During the year ended March 31, 2023, net cash used in investing activities was \$0.5 million, which was primarily driven by purchases of fixed assets of \$0.2 million and purchases of intangible assets of \$0.2 million.

Cash Flows (Used in) Provided by Financing Activities

During the year ended March 31, 2024, net cash provided by financing activities was \$1.9 million, which primarily consisted of funds raised from the issuance of Series D convertible preferred stock.

During the year ended March 31, 2023, net cash used in financing activities was \$9.9 million, which primarily consisted of the repayment of the Western Digital Capital Global, Ltd. convertible note in the amount of \$10.0 million, partially offset by \$0.1 million in cash proceeds from the exercise of stock options.

Contractual Obligations

Our principal contractual commitments primarily consisted of our remaining capital commitment of \$0.9 million to the COF, research and development expenses related to the Proof of Time component of our consensus mechanism, and obligations under leases for office space.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include:

Digital Asset Price Risk

As of March 31, 2024, excluding our Strategic Reserve, which is carried at \$0 on the balance sheet, we held digital assets that primarily consisted of 0.5 Bitcoins and other digital assets with an immaterial combined carrying value below \$10,000 in the aggregate. Digital assets are held primarily for investment purposes. Digital assets carry significant digital asset price risk due to their historically high volatility, and any significant sustained downturn would have a negative impact on the carrying value of our digital asset holdings and our business in general. A hypothetical 10% decrease in the fair market price of Bitcoin and the other digital assets we hold during the periods presented would not have a material impact on our consolidated financial statements.

Interest Rate Risk

We had cash and cash equivalents of \$2.5 million as of March 31, 2024, which consisted of bank and money market accounts. The cash and cash equivalents are held primarily for operational and working capital purposes. Interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest rates have not had a significant impact on the value of any interest-bearing instruments held. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates based on our cash and cash equivalents. A hypothetical 100 basis points change in interest rates during the periods presented would not have a material impact on our consolidated financial statements.

Foreign Currency Risk

As of March 31, 2024, we held immaterial balances in Euros and Swiss Francs in our Swiss subsidiary, and we have no customer contracts or ongoing significant obligations denominated in Euros or Swiss Francs. We hold balances for our Singapore subsidiary in U.S. dollars and have no customer contracts or ongoing significant obligations denominated in Singapore dollars. We do not currently engage in any hedging activity to reduce our potential exposure to foreign currency fluctuations, although we may choose to do so in the future. To date, fluctuations due to changes foreign exchange rates have been insignificant, but we may experience material foreign exchange gains and losses in our state of operations in the future. A hypothetical 10% change in foreign currency exchange rates during the periods presented would not have had a material impact on our consolidated financial statements.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies are disclosed in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this prospectus. These estimates include, but are not limited to, certain assumptions, valuation of stock-based compensation, and our common stock. Actual results could differ from those estimates and such differences could be material to our business, results of operations, and financial condition.

Valuation of Stock-Based Compensation

We recognize stock-based compensation expense using a fair-value based method for costs related to all stock-based awards. We estimate the fair value of stock-based payments on the date of grant using the Black-Scholes-Merton option-pricing model. We expense the fair value of the stock award over the requisite service period, which is typically the vesting period, reduced for actual forfeitures.

The model requires management to make a number of assumptions, which include expected volatility of our common stock, expected life of the award, a risk-free interest rate, and expected dividends. Our assumptions were:

- **Volatility:** The volatility is based on a blend of volatility of guideline companies and cryptocurrencies.
- **Expected Term:** This represents the period that the stock-based compensation awards are expected to be outstanding. We elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.
- **Risk-Free Interest Rate:** The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date closest to the grant date for U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- **Dividend Yield:** The dividend yield is assumed to be zero as we have not paid and do not expect to pay cash dividends in the near term.

The fair value of our common stock underlying options has historically been determined by our board of directors, with input from management, and considering third-party valuations of our common stock. Because there has been no public market for our common stock, the board of directors has determined its fair value at the time of grant of the option by considering a number of objective and subjective factors, including financing investment rounds, operating and financial performance, the lack of liquidity of share capital, and general and industry specific economic outlook, among other factors, as discussed below in the section titled “—Common Stock Valuation.” The fair value of the underlying common stock will be determined by the board of directors until such time as our common stock is listed on an established stock exchange.

Common Stock Valuation

Given the absence of a public trading market for our common stock prior to completion of this offering and in accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of fair value of our common stock. These factors included:

- independent third-party valuations of our common stock;

- the prices, rights, preferences, and privileges of our convertible preferred stock relative to those of our common stock;
- the prices of our common and preferred stock sold between investors in arm's-length transactions;
- our actual operating and financial performance and estimated trends and prospects for our future performance;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering, direct listing, or sale of the company given prevailing market conditions;
- the lack of marketability involving securities in a private company;
- the market performance of comparable publicly traded companies as well as digital assets; and
- U.S. and global market conditions.

For valuations prior to June 1, 2021, the equity valuation was developed using a backsolve model based on a guideline venture financing approach. Under the venture financings approach, the backsolve model consists of a series of concurrent option-pricing models to consider several breakpoints or exit value thresholds where the value-allocation across securities will change and allocates value until the incremental value attributable to the preferred securities sold in the most recent round equals the price paid by the investors. The option pricing method ("OPM") was then used to allocate equity value to our equity securities and a discount for lack of marketability due to a lack of access to active public markets was also applied.

For valuations subsequent to June 1, 2021, the equity valuation was based on a combination of the income and market approach valuation methods; the OPM; and the probability-weighted expected return method ("PWERM"). Using the PWERM, the value of our common stock was estimated based upon a probability-weighted analysis of varying values for our common stock assuming possible future events for us, including a scenario of an initial public offering or a direct listing of our common stock on a stock exchange and a scenario assuming continued operation as a private entity. A discount for lack of marketability to account for a lack of access to active public markets was also applied.

Application of these approaches involved the use of estimates, judgments, and assumptions that were highly complex and subjective, such as those regarding our expected future revenue, expenses, future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions would have impacted our valuations as of each valuation date and may have had a material impact on the valuation of our common stock.

Following the completion of our initial public offering, there will be an active market for our common stock, so our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

Recent Accounting Pronouncements

For a discussion of accounting pronouncements recently adopted and accounting pronouncements being evaluated, and the impact of such pronouncements on our consolidated financial statements, see Note 2 "Summary of Significant Accounting Policies" to our consolidated financial statements included elsewhere in this prospectus.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards

until those standards would otherwise apply to private companies. We have elected to take advantage of this extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period. As a result, our results of operations and financial statements may not be comparable to the results of operations and financial statements of public companies who have adopted the new or revised accounting standards.

BUSINESS

We are Chia Network Inc., a software company focused on creating modular pieces of code that act as accelerants to integrate the Chia blockchain into real-world applications. Through the creation of modular software, the Chia platform enables the creation of “One Market,” a forum where developers can build global trading markets that leverage the tools and attributes of blockchain technology to increase market efficiency. The Chia blockchain serves as the infrastructure layer of this One Market. We built the Chia platform to drive real-world adoption of blockchain technology. The internet enabled large-scale efficiency gains by allowing for nearly instantaneous communication and information sharing around the globe, but users were required to trust the authenticity of information shared, and there was no digitally native financial transaction infrastructure. Blockchain technology can expand on the revolution of the internet by further increasing efficiencies while also strengthening trust in the systems that provide information and enable transactions. Existing blockchain solutions have been widely studied, but not broadly adopted, for enterprise and government use cases due to a myriad of security, ownership, and information protection concerns. We believe blockchain technology enables collaboration and transactions without expensive intermediaries in currently opaque markets. Blockchain technology is being used in various markets including carbon, payments, automobile finance and titles, agriculture, securities, supply chain, and royalty-based creator economies. We believe the Chia blockchain is the first public, highly secure, sustainable, compliant, auditable, and currency-agnostic solution for enterprises, governments, and developers seeking to use blockchain technology in real-world applications.

The Chia blockchain is an open source blockchain, similar to Bitcoin or Ethereum, but it is purposefully designed to be secure, sustainable, and compliant. Although Chia Network built and continues to build on top of the Chia blockchain, we do not own, operate, or control the Chia blockchain. Chia Network releases open source modules aimed at making it easier and more secure for individuals to interface with the Chia blockchain. We believe that by increasing the accessibility and capabilities of the Chia blockchain and, by extension, increasing the user base, more expansive and complex projects will be drawn to the Chia blockchain and will require the services of Chia Network to develop, implement, maintain, and support those projects. The Chia blockchain’s secure environment allows for agreements to be converted to code and their execution to be automated based upon the status of the blockchain (commonly referred to as smart contracting), resulting in the completion of transactions in a reliable and auditable fashion. Additionally, transactions completed on the Chia blockchain are currency agnostic, which means digital currencies besides the Chia blockchain native currency, XCH, can be used for transactions on the Chia blockchain. The Chia blockchain also utilizes a fraction of the energy of Bitcoin and is more decentralized than Bitcoin and Ethereum based on number of nodes and Nakamoto Coefficient. We believe that the Chia blockchain is compliant with U.S. federal securities laws because we believe XCH is not a security and is instead subject to the anti-manipulation and anti-fraud regulations applicable to commodities that are enforceable by the CFTC. We expect that enterprises, governments, and developers will use XCH to issue new CATs, issue asset titles as NFTs in accordance with existing regulation, or purchase goods or services. Further, the Chia blockchain offers a compliance framework for users who can use Chia platform primitives like DIDs and verifiable credentials to comply with their applicable regulations.

The Chia platform represents the intersection of protocols and smart contracts created by Chia Network and others in our ecosystem to more easily enable users to transact, custody assets, integrate the Chia blockchain into applications, and store data in permissioned databases that remain accessible to the Chia blockchain itself. We believe the combination of the Chia blockchain and the Chia platform is ideal for large-scale enterprise, government, and developer projects.

Enterprise blockchain technology is developing rapidly and offers new and differentiated solutions that are driving market expansion and a large total addressable market. We believe there are six primary areas where blockchain technology offers a superior toolkit to current technologies: markets; process integrity; identity; custody; payments; and randomness and gaming. Chia Network’s core innovations include:

- **Chialisp:** Secure, purpose-built programming language powering all innovation on the Chia blockchain
- **Offers:** Secure peer-to-peer transactions enabling trustless settlement with no need for escrow

- **DataLayer:** Technology providing the ability to coordinate and secure databases
- **Advanced Custody:** Capability that simplifies the user experience while enhancing the security of digital asset management through key management, access control, back up keys, rate limits (account security), and timed clawbacks (transaction security)

Historically, markets have depended on a consolidated order book operated by a single entity (e.g., NYSE) relying on aggregated data from numerous parties (e.g., brokerage firms). Central verification and clearance have been necessary to address market complexity and ensure market participants are treated fairly and equitably. Blockchain technology changes this paradigm by providing an efficient system that enables markets where participants can interact with one another directly and data is freely available and auditable, creating a system where no centralized entity needs to intermediate or be trusted.

We implemented the foundation for the voluntary carbon market from Article 6.2 of the Paris Agreement on the Chia blockchain. This implementation includes the CAD Trust and the COF. The CAD Trust is an independent entity domiciled in Singapore and led by a council and a board. It was formed through a partnership between the World Bank, the IETA, and the Republic of Singapore. The CAD Trust also refers to the open source decentralized metadata platform that links, aggregates, and harmonizes major carbon credit registry data to enhance transparent accounting of carbon credits, and provides public access to such information in a user-friendly format to enhance the overall integrity of the voluntary carbon market. National governments and voluntary registries can configure their own carbon credit registries to store their data on the Chia blockchain through the CAD Trust. With the CAD Trust, private sector, non-governmental organizations, and national governments can see exactly what carbon credits are available around the globe. The CAD Trust also tracks the creation and retirement of carbon credits. We were selected to develop the foundation of the CAD Trust because of our ability to solve key problems inherent in prior solutions, including the lack of visibility and auditability and the requirement for global coordination and cooperation. We expect this implementation to scale into a complex voluntary carbon market, which would make it the first complex market on the Chia blockchain.

In order to develop the foundation of the CAD Trust, we entered into agreements with each of the CAD Trust and the World Bank on July 26, 2023 and February 3, 2023, respectively. Pursuant to the CAD Trust agreement, we provide node hosting and support. Our master service agreement with the CAD Trust will terminate one year following the expiration of any outstanding statement of work under the agreement. The CAD Trust agreement provides for termination by either party for breach or as a result of certain insolvency events. Pursuant to the World Bank agreement, we provided development, node hosting, and support. The World Bank agreement terminated by its terms in June of 2024. While we are not reliant on nor have relied on these agreements or the revenue they generate, we believe that having the World Bank as a customer provides us with opportunities to sell our services to enterprises, financial institutions, and governments as it demonstrates our ability to comply with World Bank standards and requirements.

The COF is a partnership among the IFC, Aspiration, Cultivo, and Chia Network investing in the development of the voluntary carbon market. It is a global investment platform that acquires high-quality, nature-based carbon offsets that are reflected in the CAD Trust, tokenized on the Chia blockchain, and made available to be traded and/or retired to offset carbon footprints. We are a limited partner and have committed to invest \$1.0 million and, as of March 31, 2024, have invested \$0.1 million in the COF. The COF is administered by Cultivo as general partner. The COF has raised up to \$10.0 million to tokenize and trade carbon offsets. The COF uses an environmental and social management system to ensure that all acquisitions of carbon offset projects meet the fund's environmental and social objectives, comply with applicable laws, and pass a documented due diligence process. The COF relies on the trust created from the operation of the CAD Trust on the Chia blockchain. We implemented the foundation for a cross-border and cross-market One Market for the voluntary carbon market by creating a single location for price discovery. Participating countries and registries have begun to establish their implementation in the CAD Trust on the Chia blockchain.

For the voluntary carbon market implementation, we delivered a set of interconnected databases to broadly disseminate previously opaque market data. We believe this single, transparent source of information ensures assets in the carbon market are auditable and available to all participants, globally, while optimizing market efficiency.

These databases provide clarity in the market, minimizing the risk of double creation and counting of carbon credits. In the future, we believe that the voluntary carbon markets enabled by the CAD Trust will be a foundational piece of climate or ESG reporting. This same concept may be applied to other global markets, and we believe the CAD Trust and the COF will act as a strong proof of concept for future markets.

In April and June 2023, the first voluntary carbon market transactions were completed on the Chia blockchain. The COF acquired 10,000 tons of high-quality nature-based carbon offsets and registered them with EcoRegistry in Colombia. EcoRegistry registered these carbon offsets and published the registration information in the CAD Trust. The COF negotiated terms for separate sales of these offsets to each of Melonn S.A.S. and Sumitomo Corporation of Americas. EcoRegistry created CATs for these purchases and transferred the tokenized carbon offsets to a wallet owned by the COF. The COF then transferred portions of these CATs to wallets provided by each of Melonn S.A.S. and Sumitomo Corporation of Americas. Melonn S.A.S. subsequently retired their offsets on the Chia blockchain using their wallet. Upon that retirement, EcoRegistry retired those offsets in their registry and marked those offsets as retired in the CAD Trust. The CAD Trust platform allows third parties to verify that those offsets were created only once for that location and time period. Third parties can also track the sales and retirements of those carbon offsets on the Chia blockchain through the CAD Trust. Shortly after retirement on the blockchain, third parties can see the actual carbon offset retired by both tonnage and the retiring public key in the CAD Trust. This process creates a clear chain of title and lowers the risks of double creation or double retirement. Buyers who retire carbon offsets via the CAD Trust and tokenization on the Chia blockchain have much stronger guarantees that they have actually offset carbon. Further, those buyers can prove those retirements to stockholders, regulators, and the general public.

As of December 2023, the world's largest voluntary carbon registries were publishing carbon offset data to the CAD Trust regarding the offsets they register and retire. These registries include Verra, Global Carbon Council, EcoRegistry and the BioCarbon Registry. The CAD Trust also incorporates data from the Clean Development Mechanism (CDM), part of the United Nations Framework Convention on Climate Change (UNFCCC). According to the Berkeley Carbon Trading Project's Voluntary Registry Offsets Database, Verra has registered 63% of all voluntary carbon offsets to date. The Kingdom of Bhutan became one of the first national voluntary carbon registries publishing to CAD Trust in November 2023.

Our business model is, for the most part, similar to those of most other open source software companies. We do not make money directly from allowing access to or development on the Chia blockchain and we do not directly or indirectly control access to or development on the Chia blockchain. Our business model is to add value to our customers by developing, implementing, maintaining, and supporting applications for customers that are built using this open source software infrastructure on the Chia blockchain. As this open source software for the Chia blockchain was designed by our engineering team, we believe we are well positioned to provide expert development, implementation, maintenance, and support services for our customers. We believe our primary customers will be enterprises and governments, which generally require extensive professional support from domain experts for complex projects using novel technology. We recognized customer revenue for the first time in the third quarter of fiscal 2023.

We may also indirectly benefit from value creation on the Chia blockchain by our customers and other developers and users of the Chia blockchain through the Strategic Reserve of 20.7 million XCH held by the company as of March 31, 2024. We believe that there is fundamental value in the native currency of a well-designed blockchain, such as XCH. Blockchains provide secure transaction, custody, identity, and other infrastructure, which generates value; however, the "blockchain trilemma," an industry-accepted concept, dictates that, to date, a Layer 1 blockchain can be only two of fast, decentralized, or secure. The Chia blockchain optimizes security and decentralization, limiting block space, which limits speed. We expect that this limited block space will cause transaction fees, denominated solely in XCH, to increase as adoption rises and blocks fill. These transaction fees on the Chia blockchain go directly to farmers, not to us. As more users, developers, and potential customers adopt the Chia blockchain, it is likely more market participants will want to buy XCH, which is required for access to block space, and thus transaction access, which we believe will cause the value of XCH relative to fiat currency to increase.

As a result, we believe that our Strategic Reserve represents a potential significant source of company and stockholder value if and when we sell, loan, collateralize, distribute or dispose of it. For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Select Use Cases of Blockchain Technology

Blockchain technology offers numerous benefits to enterprises, governments, developers, and individuals, including improved efficiency, transparency, and security, as well as self-ownership of data and assets. We believe there are many real-world applications that require or are materially improved by blockchain technology.

Markets: Trustworthy, Inclusive, and Global Trading

A secure and sustainable blockchain featuring a trust-enhancing smart contract environment empowers enterprises, governments, and developers to create markets and rapidly tap into global trading liquidity. Blockchain technology enables the trading of assets among two or more entities anywhere in the world at any time and in a way that reduces the ability of one party to defraud another. It makes completing a trade more trustworthy and fast.

Process Integrity: Transparent, Trustless Tracking

Blockchains are excellent transparency engines. For practical reasons, tension arises when considering whether to run a private blockchain versus a public blockchain. A project benefits from the core elements of a public blockchain, like transparency and an immutable, append-only nature; however, many projects need partial or total confidentiality. We built our DataLayer technology with these needs in mind. Leveraging the DataLayer technology, participants can be pseudonymous to the outside world and transparent (or not) internally. Users can also prove inclusion of select elements in a joint database selectively or publicly.

Identity: Digital Identification and Credentialing

Blockchain technology provides the opportunity for scalable and trusted DID infrastructure. Users can obtain credentials through their DID, which could allow access to or certification of information such as a passport, trade license, investor accreditation, or NFT authorship. This infrastructure enables DID login, a replacement for web2 logins, enterprise email access, etc. By removing the need for trusted third parties, DID helps secure identity and enable single sign-on.

Custody: Security and Control

Blockchain technology allows for ownership of digital assets, which comes with the responsibility of security and control. Even today’s best practices are not user friendly and are prone to user error or theft. Advancement in blockchain technology has made it possible to mitigate the risk of unauthorized transfers or loss of money by building safety nets directly into the software.

Payments: Democratizing Infrastructure

According to McKinsey, the cost of moving money in 2020 was approximately \$915 billion. Existing payment systems are dated, require counterparty trust, and are increasingly complex for cross-border transactions. For example, “simple” domestic debit card transactions require end users to trust sellers, card networks, merchant and cardholder banks, and Fedwire or ACH to achieve final settlement. Advances in blockchain technology and smart contract capabilities have enabled trustless payments. With blockchain technology, payments can be available to anyone, anywhere, 24×7, and settle transparently with finality in just a few minutes.

Randomness and Gaming: Predictable Unpredictability

Blockchains are a source of publicly verifiable random numbers. Sports drafts, lotteries, and on-chain games of skill can be provably secure using blockchain technology. When the source of randomness can be trusted, corruption becomes difficult.

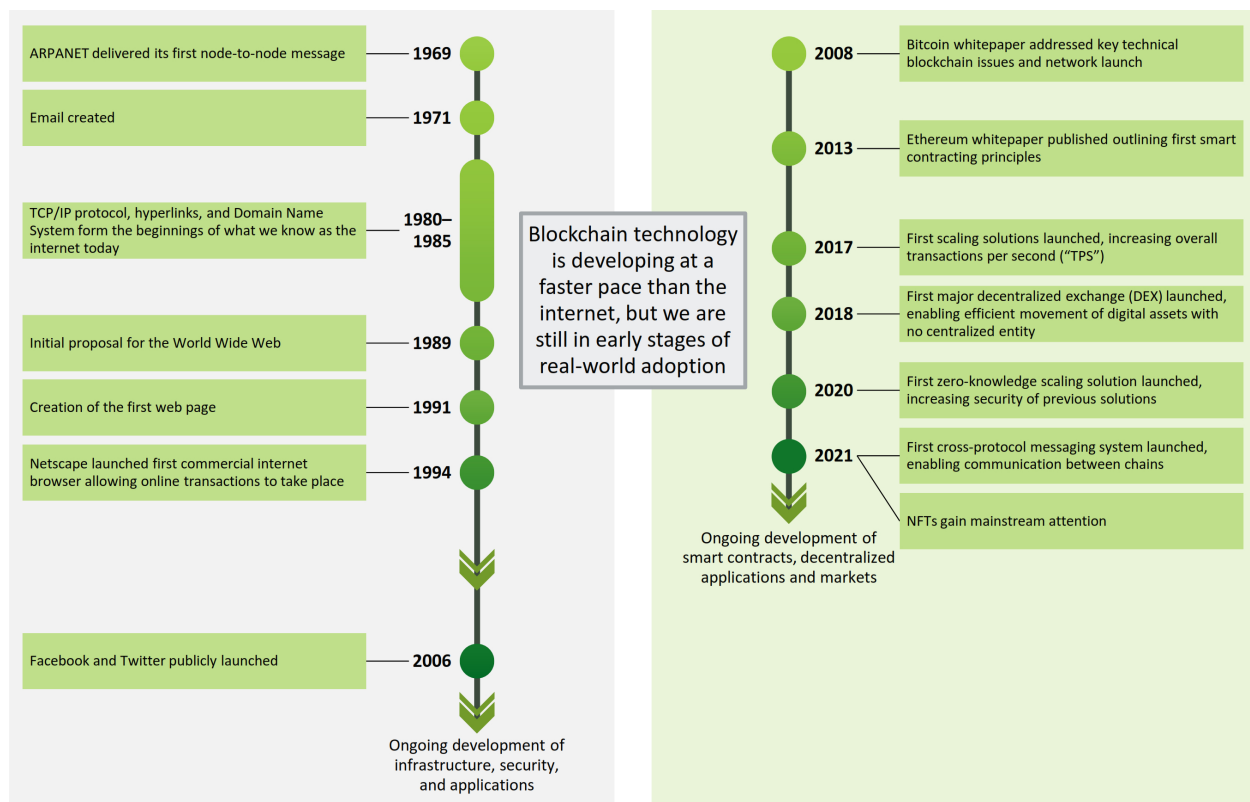
Industry Background

We believe the advent of blockchain technology is similar to that of the internet. Innovation of a new technology infrastructure takes time, and broad adoption requires technology maturation and cultural acceptance. ARPANET, the first version of the internet, delivered its first node-to-node contact in 1969, but it was not until 1994 that the first commercial transaction took place online: the sale of a Sting CD. In 1994, few imagined they would ever purchase a car or a home online, and now there are many companies built around both of those markets. The success of the internet required advancement in technology allowing for transactions to take place securely and efficiently as well as cultural comfort around transacting online, especially for large purchases.

Technology innovations ensuring the secure transfer of information (e.g., personal information and credit card numbers) and reliable processing of payments were some of the key milestones in the advancement of the internet. Additional barriers to early adoption included scalability to support large transaction volume, standardization of internet protocols, interoperability between systems and devices, and easy-to-use interfaces. Cultural acceptance was built over time as technology evolved to address consumer needs, slowly building confidence in the system. One of the reasons why confidence in the internet took so much time to become an ingrained part of society is because it requires trust in multiple entities, intermediaries, and counterparties, even for simple transactions.

Blockchain technology, dApp development, and adoption are developing at a much faster pace thanks to the technological and cultural groundwork laid by the internet. Consumers are already comfortable transacting online, and blockchain technology offers a more secure transaction environment that requires less trust in intermediaries and counterparties. The timeline below illustrates both the history of the internet and blockchain technology development, as well as the rapid adoption and acceleration of blockchain technology as a framework for transactions and a source of market creation. As the timeline shows, while it took 10 years for the first transaction to

take place on the internet, blockchain technology has enabled, in a little over 10 years, trillions of dollars of transactions.



Similar to the development of the internet, blockchain technology currently faces barriers to broader adoption. To break down these barriers and achieve broader adoption, we believe that blockchain technology must:

- use a programming language fit for purpose;
- enable users to self-custody assets in a secure and simplified way;
- employ a secure and sustainable consensus mechanism; and
- allow for regulatory compliance.

We believe the Chia blockchain and Chia platform can break down these barriers and drive global adoption.

Benefits of Blockchain Technology

Blockchain technology has many properties that could increase trust and improve efficiency in everyday use cases, including:

- **Automatic execution of agreements.** The ability to define specific parameters for a transaction, which cannot be altered unless a new agreement is produced, has numerous applications. By defining the collectible data upfront, one party is able to agree to information sharing while the party making the offer is able to automatically send the data collected into numerous systems. This facilitates compliance with internal and external policies as well as precise execution of transactions.

Chia Network has implemented the foundation for the voluntary carbon trading market from Article 6.2 of the Paris Agreement on the Chia blockchain, which could serve as a simple example of efficient transaction execution on blockchain. For example, once the voluntary carbon market is more active on the Chia

blockchain, when a member of the CAD Trust governing council wants to purchase carbon credits for \$1.0 million, it can indicate this desire directly on the Chia blockchain or via any method of communication (such as an email or a QR code) to all countries that will be participating in the CAD Trust on the Chia blockchain at that time. If another participating country finds the offer attractive, it can accept the offer, which is as simple as clicking the link in the email or scanning the QR code. Acceptance would trigger the immediate transfer of \$1.0 million worth of stablecoin from the offering country to the country accepting the offer and the simultaneous increase and decrease of available carbon credits on each country's registry. This method facilitates an outcome that is exactly what the offering country desired and what the country accepting the offer expected and involves no trusted third party for execution, payment, or record keeping.

- **Faster finality of settlement.** Current markets require a delay between the time of the transaction agreement and its finalization so that centralized entities can confirm and record both sides of a trade and transfer assets and ownership. In equity securities this delay (generally one business day) can be costly due to margin requirements at clearinghouses and potential lost business. While legal and regulatory changes would be necessary, blockchain technology could decrease this delay from days to minutes, reducing the need for clearinghouses and decreasing margin requirements for brokerages. With blockchain technology, transactions could hypothetically be settled using secure smart contracts, directly between the buyer and seller, nearly instantaneously. An Offer would have defined parameters and once that Offer was accepted, the transaction would settle and there would be no need for a trusted third party for execution, settlement, or record keeping and, given the speed of settlement, parties would not need collateral. Eliminating a trusted third party and collateral requirements in light of fast and more direct settlement could be beneficial, but also removes third-party protections and would shift responsibilities to the parties transacting; and any significant shift in a legal and regulatory regime can introduce new and different risks.

For example, on January 28, 2021, Robinhood Markets, Inc. was required to post cash collateral of approximately \$700.0 million for trades made on its platform to cover the then market standard two-day period between purchase and settlement. Robinhood Markets, Inc. was also required to post an additional \$2.2 billion of collateral to the National Securities Clearing Corporation ("NSCC") due to legal and regulatory requirements designed to address perceived default risk, among other factors. Further, it is estimated that due to this liquidity crunch, Robinhood Markets, Inc. delayed the acceptance of approximately 730,000 accounts, 430,000 of which were requested to be opened overnight from January 27 to the 28. Decreasing the settlement delay could eliminate the need for margin requirements currently required by legal and regulatory regimes because blockchain technology could reduce settlement time, thus reducing risk and freeing up collateral that would otherwise need to be posted. For instance, if the trades made on the Robinhood platform settled and were recorded in minutes, then, subject to legal and regulatory changes, collateral requirements might not be deemed as necessary to protect buyers. As of December 31, 2022, brokerage firms held approximately \$12.0 billion at the NSCC.

- **Ability to self-own data and assets.** As sensitive and personally identifiable information (e.g., healthcare data, government identification, accredited investor status) is digitized, there is a growing desire for individuals to own access to their information. Broad data collection of personal information (email, phone number, address, credit card, etc.) by centralized entities tracking digital activities is now being questioned by the public. Blockchains can provide certainty of control and ownership of information or assets.

For example, placing an automobile title on the blockchain could allow for digital proof of ownership, potentially enabling easy and nearly immediately verifiable title transfers without the need for third-party involvement in the process, while leaving an immutable history that makes it difficult to retitle a "lemon" in another state. In January 2023, the California Department of Motor Vehicles (the "California DMV") created a private blockchain to verify car titles and registration in a proof-of-concept. While the California DMV blockchain currently operates internally, there are plans to develop consumer-facing applications.

Similarly, tokenizing securities could allow the owner to hold securities in their own name (as opposed to a brokerage), potentially reducing the burden on corporate issuers (such as making it less expensive to process dividend payments or collect information for proxy statements) and making the securities easier to transfer. Such a shift to the blockchain could allow for 24x7 trading and enable a more accessible securities

lending marketplace while eliminating the need to trust exchanges or brokerages to maintain assets. For example, Securitize, Inc. focuses on the digitization of private market securities on the blockchain and is a compliance platform for issuing and managing digital securities on the blockchain.

- **Enablement of coordination between multiple parties with sensitive information.** It is difficult for groups of enterprises, government organizations, or researchers to collaborate when there are fears of counterfeiting or impropriety. While such fears may be mitigated through mutually trusted third parties, escrow, or letters of credit, those solutions place trust and information with another entity, increasing transaction costs and risks. Blockchain technology enables conditional sharing of verifiable partial information such that the owner of the data alone may read the full data set. This capability allows for increased collaboration and could enable new types of markets and transactions that have not been possible to date.

One area where collaboration using sensitive information on blockchain is possible is the conduct of clinical trials. Blockchain technology could allow clinical sites to add data to a database without having the ability to view the data of other clinical sites. Specifically, as data is collected for a trial from a clinical site, the clinical site's individual trial database would automatically sync with the database of the trial sponsor. The trial sponsor would then compile a time-audited history of interactions from all of the clinical site databases, never giving whole database access to any individual clinical site. This synchronized database would allow applicable governing bodies to have a reliable, time-audited history of interactions, improving trust and efficiency in clinical trials without compromising the privacy of trial participants. We are having conversations with relevant parties to implement the use of blockchain technology in clinical trials.

- **Ability to limit access to specific, relevant data.** The ability to permission specific data to be shared could allow two parties to transact without compromising the integrity of either party's data, potentially removing the need for a centralized entity.

In the clinical trial context, using blockchain technology entities conducting trials could give doctors, the Food and Drug Administration ("FDA"), and clinical sites access to specific portions of the clinical trial data that are necessary for supervisory bodies, participants, and administrators to make informed decisions. In practice, the FDA would require the whole database, doctors would want to see adverse effects and be reasonably certain that all data is represented by the data set, and hospital administrators at the clinical sites would want to ensure they have access to records of patients, when pertinent, and would want to lose access as the information loses relevance for treatment. This ability to share only relevant data while also being able to prove that the wider data set is intact could allow for seamless patient data transfer while minimizing trial and sensitive information compliance issues and maintaining a continuous time-series dataset.

- **Ability to audit records.** Without blockchain technology, market participants have to trust counterparties with the quality and source of data, materials, and information. This creates risk and may stifle innovation and competition as it is difficult to trust certain counterparties. The blockchain could enable full auditability of records, reducing counterparty risk and increasing efficiency.

Returning to the clinical trial example, using blockchain technology all parties, regardless of the information access they have, could confirm the inclusion and exclusion of specific trial-related documents and data, without knowledge of the contents of the files, to ensure the trial was conducted properly. While the FDA would have access to all time-series data for drug safety decisions, blockchain technology could provide comfort that data has not been omitted without giving parties other than the FDA access to the data itself. Specifically, outside individuals would be able to audit the data set to see if a specific patient's data was never updated past a certain timeframe, without ever knowing what the contents of the patient's file was, which allows stakeholders to raise the proper questions regarding data.

Auditability is imperative to the voluntary carbon markets. Prior to our innovations, one of the biggest problems in the voluntary carbon market was the inability to confirm whether a specific carbon credit had already been utilized or sold to another party. With our implementation of the CAD Trust, the COF's sale

of carbon offsets to Melonn S.A.S. and Sumitomo Corporation of Americas, and the subsequent retirement of carbon offsets by Melonn S.A.S., were recorded in the CAD Trust and EcoRegistry's registry data, enabling any third party to look up and verify the registration, ownership, and retirement status of those offsets. The ability to confirm the existence, origin, and history of a specific carbon credit enables a more functional, reliable, and efficient market.

Record auditability also has numerous use cases within the supply chain industry. Record auditability can give grocery stores and restaurants comfort that food is being delivered within the contractually agreed upon time frame and originates from the correct farms and produce centers. For instance, Walmart Canada uses blockchain technology to manage invoices and payments for its third-party freight carriers operating across time zones and borders. With blockchain technology, Walmart Canada and its freight carriers can rely on an automated, single source for all of the data related to invoicing. The data is automatically included in the blockchain and is visible to the parties involved in the transaction, thereby increasing trust and efficiency. Blockchain technology could also be used to confirm the authenticity of products years after they were created, enabling more structured and trusted secondary markets. PharmaLedger Association, a not-for-profit based in Switzerland, is currently developing a blockchain-based platform that, among other objectives, aims to address supply chain challenges such as counterfeiting and a lack of interoperability. The platform is intended to allow users, including manufacturers, distributors, hospitals, and care providers, to trace the supply chain history of medical goods.

Challenges to Enterprise and Government Adoption of a Public Blockchain

We believe that the core elements a secure public blockchain must possess to drive enterprise and government adoption are smart contracting, decentralized validators, regulatory compliance tools and environmental sustainability. We believe the lack of these core elements has limited adoption of public blockchains by enterprises and governments.

- **Secure Smart Contracting Environment.** The smart contracting environment sits at the center of the blockchain development ecosystem. We believe that when enterprises and governments decide which environment to use, they consider security, auditability, and developer awareness. Even though the smart contracting environment is mission critical to the blockchain, blockchain projects to date have focused more on developer adoption. For example, Ethereum was the first to offer smart contracting environments through its programming language, Solidity. Solidity, which was derived from JavaScript, however, optimizes for widescale developer adoption at the cost of decreased security and auditability.
- **Decentralization of Validators.** If validation methodologies are centralized, enterprise and government adoption may be limited as customers and developers would have to trust a small number of validators. In addition, without sufficient decentralization, by number and concentration, that is not overly burdensome on the environment, scaled use cases become economically or environmentally irresponsible. To date, the two most popular mechanisms by which blockchains agree or disagree on the inclusion of transactions in blocks (the consensus mechanism) are Proof of Stake and Proof of Work. Proof of Work is largely considered an environmentally unsustainable solution due to the energy usage required and e-waste generated from single-use semiconductors. Proof of Stake generally fails due to a "rich get richer" issue where the more of the staked cryptocurrency a validator holds, the more of it a validator generates. Additionally, staking is often accomplished using pools of capital, which require users to delegate voting power to the large staking entities providing the pool. This centralization of power results in decreased trust in the system.
- **Compliance Tools and Coin Compliance.** Compliance is a necessity for enterprise and government adoption. Due to the novel nature of blockchain technology, we believe many existing compliance tools do not currently have the ability to interact with the transaction data provided by underlying blockchains, leaving enterprises, governments, and developers to create their own tools or postpone their deployment until new compliance tools are released. Without an ability to facilitate compliance with relevant legal and operational frameworks, enterprise and government adoption may stall. Additionally, the native coin must comply with applicable regulations, including U.S. securities laws and regulations.

- **Sustainable Consensus Mechanism.** Due to the emerging importance of ESG, enterprises and governments want the consensus mechanism to be both economically and environmentally sustainable. For example, Proof of Work, the consensus mechanism used by Bitcoin, requires a large amount of energy making it an unsustainable solution for the environment. If we trade one problem, trust, for another, pollution, many believe we have only substituted problems.

The Chia blockchain and the Chia platform possess these core elements. Through the creation of modular software, the Chia platform enables the creation of One Market with the Chia blockchain as its infrastructure layer.

Our Innovations

Our innovations enable secure, decentralized, compliant, and sustainable adoption of blockchain technology. These innovations are designed to address the challenges to enterprise and government adoption of blockchain technology and include:

- **Coin model and Chialisp.** There are two primary ways that blockchain databases present the data that they store: the Account model and the Coin model. The Chia blockchain uses the Coin model. Most blockchains use the Account model, which places a central and monolithic smart contract on the blockchain where various capabilities and authorizations are stored in one long list. When one entity transfers an asset to another, the smart contract itself updates its list of who owns what.

In the Coin model, which Bitcoin pioneered and the Chia blockchain and Chia platform simplified and adopted, each item represented in the blockchain database is its own object called a “coin” that can optionally be as intelligent as a computer because it retains knowledge of its owners and spending rules. When a seller with a \$1 coin wants to transfer \$0.50 of that coin to a buyer, the buyer destroys the \$1 coin and creates two \$0.50 coins. At the end of the transaction, one coin is still managed by the seller’s key and the other by the buyer’s key. During the course of this transaction, the seller and the buyer can agree to add restrictions and capabilities by creating small computer programs. As an example, the seller could implement a four-hour window during which the seller can recall the \$0.50 coin back to itself to protect from a mistake in the buyer’s wallet address. This way the seller and the buyer know that the funds have been sent, but the funds are not totally under the buyer’s control until the end of that four-hour period. Once that predetermined period is over, the transaction is immediately final.

The Coin model is more efficient than the Account model. Instead of all participants trying to update a popular centralized smart contract in Ethereum in each block, only the parties wishing to transact at a given moment are making changes to the global blockchain database, and only to the specific coins used in those parties’ transaction.

The Coin model is also more secure than the Account model. Each coin is its own copy of the smart contract and is under the sole control of the owner. Owners can create vaults, which are themselves coins that can hold and manage other coins that represent assets or identities. This allows the blockchain itself to enforce a wallet’s rules that limit how much of an asset can be spent per day or how long a delay is required when using a backup key to recover assets and identities. Centralized smart contracts in the Account model leave control of the smart contracts in the hands of as few as one or two entities to allow for upgrades and security fixes. The Chia platform Coin model uses Offers, which are discussed below, and multiple key recovery to address the same issues without centralized control.

Every coin on the Chia blockchain is a Chialisp program. Lisp is a programming language that treats both data and code as lists and excels at managing those lists. We chose to extend the programming language Lisp because blockchains can be simplified to lists. The chain of blocks is a list where each block contains a list of the transactions or coins that changed in that block. Blocks and transactions rely on a cryptographic method called Merkle trees that are verifiable and auditable lists. A Chialisp coin is analogous to a Microsoft Excel spreadsheet. Each sheet can contain both data and code that can transform that data. When an owner interacts with a spreadsheet as coin, the owner proves that they are authorized to update the data in that Excel spreadsheet and then the coin allows the owner to change some data or code – which is a

transaction. This change is then evaluated by the spreadsheet and updated into a new output spreadsheet that then waits for the next attempt to update it.

Lisp is also extensible to application-specific uses. Chialisp brings Lisp to blockchains, adding features like a direct way to generate a cryptographic hash or digitally sign an object. Lisp-related languages are limited in scope, making auditing and formal verification much easier. Though coding in Lisp, and by extension Chialisp, is initially a steep learning curve, once a developer has a handle on the basics, they can be more productive and more capable in determining the outcomes of their smart contracts.

They are also interpreted languages, as compared to most other languages like C++ that are compiled. This is important because we believe it limits the ability of a Chialisp coin to impact machines outside of the validating software running it and do malicious things, such as take control of computer cameras, install malware, or steal keys and passwords from the approximately 89,000 computers around the world that are validating and farming as of March 31, 2024.

Due to the integration of the Coin model and Chialisp, many developers will be able to use the Chia platform without needing to write Chialisp at all. The core primitive Chialisp coins are network-wide standards to which a developer merely has to add their specific additions. These Chialisp objects are composable and easily managed with applications and libraries in other languages such as Go or Typescript. Issuing an asset and managing that asset over its lifetime can be done from a desktop or web2 application. This also means that fundamental blockchain objects that have potentially high security risks like CATs can benefit from focused community, academic, and expert review, review by our developers, and can be audited for increased security.

- **Offers.** With Offers technology, parties can trade assets or transact peer-to-peer on the Chia blockchain in a frictionless and trustless way. An Offer includes specific parameters of a proposed transaction and a counterparty may choose to accept the Offer, or not. If a counterparty does not accept the Offer, the transaction does not happen. If an Offer is accepted, the specified parameters are automatically executed with no need for trust or escrow. An Offer can be easily cancelled unless and until it is accepted into the blockchain. Offers is not an exchange platform. Instead, users of the Chia blockchain can download wallet software that includes Offers technology in order to engage in peer-to-peer trading of assets and execution of transactions. Offers can be used to buy and sell XCH for a stablecoin, acquire tokenized carbon offsets for XCH or a stablecoin, trade NFTs for other NFTs, or propose a change in a DataLayer federated database in return for such change and a stablecoin payment.

We do not receive fees, commissions, or other payments, in the form of digital assets or other consideration, for trades or transactions executed with Offers. As Offers is a technology implemented in software for peer-to-peer transactions, we do not operate Offers, administer Offers, or participate in trades or transactions conducted using Offers. We also do not and cannot limit what assets can be exchanged via Offers.

- **Parallel Block Execution.** On the Chia blockchain, all transactions are completed in a block in parallel. Transaction order matters on Ethereum and other similar blockchains. If transaction order matters, validators can “front run” transactions for illicit profit, which is known as Maximal Extractable Value (“MEV”). Participants on the Chia blockchain only interact with the specific coins needed for a single transaction, thereby making the system more secure, efficient, and scalable because transactions are faster and occur concurrently.
- **DataLayer.** Using DataLayer, our federated database technology, groups of enterprises, governments, developers, and individuals can create databases that are a part of a system of databases that can reference one another and are built on a public blockchain. This federated database system can have a range of access controls, set by the participants of the federation, allowing for full transparency or access to only select information. Coordination events, the pseudonymous identity of the parties, and hashes of the underlying database contents are publicly available on the blockchain while the underlying data can be limited to each party’s local copy of the federated database. All updates are append-only, immutable, and coordinated on

the blockchain. DataLayer thus enables multiparty collaboration where all parties have the full ability to audit information and do not need to rely on a trusted third party.

- **Advanced Custody.** Advanced Custody through the Chia platform is a set of software tools that allows users to dictate certain parameters to secure their assets and prevent or create transactions. It provides self-custody and control through on-chain vaults that enable key management, access control, backup keys, rate limits (account security), and timed clawbacks (transaction security based on the potential to void fraudulent or other user-defined transactions). These software features are enforced by the Chia blockchain using Chialisp and the Coin model. We expect that the emerging best-practice method of using two hardware keys to secure an email account is the pattern that people will use to control their private keys for self-custody to smoothly recover from loss or theft. With a recent soft fork, we made available support for using iPhones and modern Android phones as hardware keys that can be used to secure vaults. This functionality activated in October 2023. This method of vaults controlled by a set of hardware and paper keys is straightforward to implement on the Chia blockchain. We believe that very few other blockchains will be able to provide the ease of use for secure self-custody that the Chia platform can provide. We have no rights or obligations related to users and developers securing assets using our Advanced Custody primitives and self-custodial software wallets, both of which are open source software, and we have no plans to custody assets for customers or third parties.¹ Our Advanced Custody tools allow each user to specify their preferred number of keys required to take an action, time periods during which the user can clawback a transaction, and other parameters to suit the user or the use. While Advanced Custody tools are not set by default for digital assets issued or stored on the Chia blockchain, we believe that users, farmers, and developers will opt to use Advanced Custody tools to set their own parameters for their own vaults to further secure their digital assets on the Chia blockchain.
- **Decentralized Identifiers and Verifiable Credentials.** DIDs and verifiable credentials allow for easy verification of key customer information. Assets and applications can require those who interact with them to provide identity verification or specific assurances before completing a transaction. For example, a financial institution must verify accredited investor status and know-your-customer information in order to complete certain financial transactions. Such verification could take place using DIDs and verifiable credentials on the Chia blockchain. DIDs and verifiable credentials can also be used for privacy and protecting secure identity verification information such as single sign-ons, web2 logins, medical records, and account information.
- **Proof of Space and Time.** The Chia blockchain relies on a consensus method called Proof of Space and Time. We believe it is the first new Nakamoto Consensus since Bitcoin launched in January 2009. PoST primarily uses unused storage space on users' devices as the asset for validators to participate in Chia blockchain consensus. The Chia blockchain has quickly become the largest decentralized public blockchain by validator count ever and had approximately 89,000 validators around the world using approximately 400 times less energy than Bitcoin annually as of March 31, 2024. Due to the use of a globally important resource, storage, which gains no advantages from single-use chips, as well as the established global demand market for new storage, it is incredibly hard for entities to acquire enough storage to gain meaningful consolidation of validators. This point is supported by the Chia blockchain's average Nakamoto Coefficient, which was 6 as of March 31, 2024. Due to PoST, the Chia blockchain and our services are attractive to potential enterprise and government customers as such entities have the expertise with and access to excess storage, which typically reduces the friction to adopt the Chia blockchain and Chia platform for building and testing their implementation. See the section titled "Blockchain 101" for more information about PoST.

Our Opportunity

We believe the scope of blockchain adoption is in its infancy. In the long run, we believe that blockchain technology will be pervasive, from data and communications encryption to financial transactions and securities

¹ As we do not provide custody services, either directly or indirectly, and have no control over customers', affiliates', users', and developers' digital assets, it is not possible to commingle such assets with our assets, and therefore we do not have policies or procedures in place to prevent self-dealing and other potential conflicts of interest.

investing. Based on our identified pipeline of potential opportunities, we believe that our addressable markets include voluntary carbon trading, data integrity, supply chain, payments, securities, and fund administration.

Voluntary carbon trading. Voluntary carbon trading is our first market implementation and although it is in the early stages of market formation, it is growing quickly and was estimated by Shell and BCG to be valued at approximately \$2.0 billion in 2021. According to McKinsey, the global market value for carbon credit trading could reach up to \$50.0 billion by 2030. With an estimated Compound Annual Growth Rate (“CAGR”) of approximately 43.0% from 2021 to 2030, the market is rapidly expanding and likely to accelerate further as confidence in the legitimacy of carbon credits increases and the markets on which they are traded evolve over time. While we do not believe that this market value will be directly attributable to blockchains, we believe that blockchain technology can drive future global market value for carbon credit trading and can be instrumental in the growth of global voluntary carbon trading.

Data integration and intelligence. Data integration and intelligence is a logical use case for our DataLayer technology. Although all uses of data integration and intelligence software will not be immediately addressable by blockchain related products, the global market size of data integration and intelligence software is expected to reach approximately \$11.6 billion by 2026, according to IDC, representing an estimated CAGR of approximately 8.0% from 2021 to 2026. Such growth highlights a large and rapidly growing greenfield opportunity for blockchain technology.

Supply chain. Monitoring and validation of manufacturing inputs from numerous parties could be streamlined by our DataLayer technology. The ability to pinpoint responsible parties for disruption without revealing the offending party ensures different stakeholders remain honest participants. Per Zion Market Research, it is expected that global demand for blockchain technology within the supply chain management market will be valued at approximately \$16.1 billion in 2030, growing at a CAGR of approximately 52.4% between 2023 and 2030.

Payments. Blockchain technology is currently being used to simplify the payments ecosystem and reduce costs of transactions, and we believe that the uses of blockchain technology will expand over time. McKinsey estimates that payments globally generated approximately \$2.1 trillion in revenue in 2021, which includes credit card payments. R.K. Hammer provides that interchange fees represented approximately 29% of credit card industry income in the United States (excluding interest, cash advance fees, etc.). When such percentage is applied globally to the figures provided by McKinsey, the analysis indicates that non-interest-related payments generated approximately \$1 trillion in revenue globally in 2021. The CAGR of payments from 2021 to 2026 is estimated to be approximately 9% by McKinsey. While we do not believe that this revenue will be directly attributable to blockchains, we believe that the blockchain ecosystem will take a large portion of payments revenue going forward while reducing the global fee pool to be received from payments.

Securities. We believe that broker-dealers can and will ultimately utilize blockchain technology to perform a myriad of functions more efficiently, and our capabilities are well-suited to address their needs. In 2021, U.S. broker-dealer revenue was approximately \$399 billion, according to the Securities Industry and Financial Markets Association. While we do not believe that this U.S. broker-dealer revenue will be directly attributable to blockchains, we believe we will one day derive revenue from relationships with broker-dealers that successfully implement and scale on the Chia blockchain using our services.

Fund administration. We believe that the administration of funds and the registration of funds and securities can be done more efficiently, with less error, and in a more trusted fashion through the Chia blockchain and the Chia platform. Fund administrators could streamline operations by utilizing the Chia platform to better manage their responsibilities and automate quarterly, yearly, and event driven actions. As estimated by Bolder Group, the global fund administration services industry was valued between \$8.0 to \$12.0 billion in 2021.

Beyond this identified pipeline of potential opportunities, we believe that Central Bank Digital Currencies (“CBDCs”) will serve as a catalyst for broad ecosystem growth and a revenue opportunity for us to partner with central banks in the creation and implementation of CBDCs. Additionally, Identity and Access Management (“IDAM”) has emerged as a preeminent problem resulting from the rapid digital shift of enterprises and individuals. We believe the core innovations of the Chia platform can be employed across the IDAM stack (provisioning,

directory, single sign-on, password management, advance authentication, audit, compliance, and governance) in a more seamless fashion than current technologies offer. According to IDC, the IDAM market is expected to grow from approximately \$13.6 billion in 2020 to approximately \$26.1 billion in 2026, representing a CAGR of 14.0% over the period.

Our Growth Strategy

We view our market as barbell shaped. On one side of the barbell are enterprises and governments. We expect to work closely with them to implement solutions on the Chia blockchain on a global scale. On the other side are start-ups, developers, creators, and end users. We ensure that they have the tools to develop novel and potentially disruptive projects. We believe that success with established enterprises and governments will drive success in smaller visionary companies and individuals, and vice-versa.

Acquire new customers and expand within our existing customer base through new use cases and expanded implementations

We plan to leverage our early success in the voluntary carbon markets to expand into additional categories of real-world applications. These applications could include creating transparent and efficient markets for global trading of assets and enabling higher trust in multiparty coordination markets, like the use of DataLayer in the CAD Trust. Over the medium and long term, we believe that we will be able to leverage our successful customer implementations to go even further and enter into additional markets such as identity and single sign-on.

Increase usage of the Chia blockchain by making the Chia platform one of the easiest to use and most robust ecosystems for development

We leverage our network of blockchain validators, the largest in the industry, and our NFT standard to attract additional developers, creators, and individuals to the Chia blockchain. Many of our developers building on the Chia blockchain had previously left the blockchain industry before joining Chia Network, and others come from projects whose capabilities, such as on-chain royalties and intellectual property rights compliance, are not as robust.

We focus on creating primitives and SDKs that our ecosystem can use to build new applications for real-world use. For example, when we launched Offers, we worked with commercial DEXs, DEX software offerings, and a stablecoin provider to enable peer-to-peer trading of CATs and the first U.S. dollar-denominated stablecoin, Stably's USDS, on the Chia blockchain.

We attempt to release major primitives to our community for feedback and ideas for improvements. We then make these peer-reviewed primitives and capabilities available as core functionalities for enterprises and governments, which we expect to be our primary customers. We anticipate a similar pattern as we roll out planned projects, such as on-chain securities issuance and management tools. Our securities tools will seek to make compliance with U.S. securities laws more straightforward and allow projects in our ecosystem to raise funding on blockchain. We expect this set of features to evolve, through usage by start-ups in our ecosystem, into something the largest enterprises can use as well.

The ease of use of the Chia blockchain and the Chia platform is critical to ongoing adoption. Offers, DataLayer, and Advanced Custody provide the rails that everyday people can use to implement and manage their applications and assets on public blockchains. We believe that innovations like Offers, DataLayer, and Advanced Custody significantly increase the overall security of the Chia blockchain and the Chia platform, while accelerating the efficiency gains of using a public blockchain. We believe digital assets should be easier to use and harder to steal than paper cash.

Enable the creation of markets to attract market sellers and buyer service providers as customers

We believe that both sides of the barbell drive additional use of the Chia blockchain. We believe adoption of our services by enterprises and governments will drive direct revenue opportunities to the company. As trusted financial institutions like the World Bank adopt the Chia blockchain, we believe other, similar institutions will follow because there is already a model for compliant adoption. Network effects within projects also exist, such as

the CAD Trust and the COF. Within the CAD Trust and COF, we expect that various governments and enterprises will need support integrating and using the Chia blockchain to participate in the global carbon market enabled by the CAD Trust. We expect carbon offset issuers will also need help integrating with the CAD Trust and tokenizing carbon, and the company, as the architect of the Chia blockchain, is best positioned to support those integrations. We believe there is a benefit for real-world assets to trade on the same blockchain as other real-world assets, and the voluntary carbon market could be the beginning of those assets coming on the blockchain. As markets develop on the Chia blockchain, we expect they will prove that secure, transparent, and global markets can be built on the Chia blockchain. We believe this is key to unlocking lender financing, debt, securities, and ultimately public securities markets on the Chia blockchain.

Develop strategic partnerships

We are pursuing partnerships to facilitate adoption of the Chia blockchain and the Chia platform. Over the short term, we intend to enhance the ability of Chia blockchain users to fund their wallets using their local currency or digital assets from other blockchains. We are especially focused on making it easier for U.S. users to purchase assets like carbon credits or creative projects on the Chia blockchain. The currency-agnostic nature of the Chia blockchain is appealing to governments and enterprises that may, for regulatory or other policy reasons, prefer not to hold digital assets or transact in XCH, but rather in their own currency.

We are also working to extend the ability to securely hold assets on blockchain. We are working with Ledger, among other hardware wallet providers, to add support for XCH to the Ledger Nano X. In addition, we are actively seeking to expand the number of custodians that are available for institutional custody of assets on the Chia blockchain for enterprises and governments.

Our Regulatory Approach

We consider our regulatory approach, which puts compliance front and center, to be critical to long-term adoption of the Chia blockchain and its use in real-world applications. Many enterprises, especially financial institutions, and governments may be unable to use competing blockchain projects for a variety of legal and policy reasons, including that some blockchain projects have been deemed to have performed unregistered securities offerings or issued native coins that are deemed as unregistered securities in the United States. As we believe XCH is not a security in the United States and is instead regulated as a commodity by the CFTC, we expect that enterprises, governments, and developers will use XCH to issue new CATs, issue asset titles as NFTs in accordance with existing regulation, or purchase goods or services. They can then use Chia platform primitives like DIDs and verifiable credentials to comply with regulations while trading peer-to-peer on the Chia blockchain with all of the associated benefits.

The Chia Blockchain

We initially developed the Chia blockchain over a period of four years and during that time we had control over the Chia blockchain. Following the launch of the Chia blockchain in March 2021, we ceased to have control over the Chia blockchain as it began running independently on farmer nodes operating the Chia blockchain protocol and the consensus mechanism contained in the Chia blockchain software. As the Chia blockchain is a decentralized public blockchain, we do not own, operate, or control, directly or indirectly, the Chia blockchain and we cannot control, directly or indirectly, its usage, including the publication of CATs, NFTs, or dApps. The node software, as agreed upon by over 50% of the nodes on the Chia blockchain, is what ultimately determines the rules for the creation and reward of the next block. The Chia blockchain's rules are determined by each node operator and that limits what farmers can propose in blocks. A block seen as valid by a majority of the nodes will generally get included as long as it is otherwise on the chain with the most space also agreeing with those rules. We or any community member can propose to materially enhance or change components of the Chia blockchain and/or the Chia platform. We propose enhancements and improvements to the Chia blockchain through updates to our software and have influence on the Chia blockchain, but any upgrades have to be downloaded and installed by a majority of farmers in order to be implemented. We do not operate any farmer nodes and, pursuant to our internal policies, our personnel are not permitted to run farmer nodes on hardware owned or provided by us to ensure that we do not have direct or indirect

control over the Chia blockchain. The acceptance of changes proposed by us or the community requires the majority of farmers to adopt the changes. We are not able to control or implement changes unilaterally.

Upgrade Process and Security Overview

We only control the changes included in the next release of our software (i.e., a wallet, node, consensus mechanism and supporting libraries, and Chialisp). Many others in the Chia blockchain ecosystem provide competing and compatible software and users are not required to adopt or use our software in order to participate in the Chia blockchain.

In delivering software to the ecosystem, we publish a GitHub repository, chia-blockchain. Chia-blockchain contains an integrated self-custodial software wallet, Chialisp libraries, and node software, which is the code that supports and defines how to reach consensus. Members of the ecosystem are able to request changes to be made to this software or can copy all of the code to a new repository to create their own implementation of the Chia blockchain. We control this GitHub repository and our engineering management team reviews, approves, and commits all software code changes in the repository. While we are not required to implement community approved changes or requests, it is not in our best interest to ignore community feedback as there are competing forks of the Chia blockchain, as well as competing repositories relating to all aspects of the Chia blockchain software. As of March 31, 2024, there are over 2,000 forks of the Chia blockchain repository.

As an extreme example, if we were to ship a change that halved the farming rewards as laid out in the Chia blockchain trailing emissions schedule, farmers on the Chia blockchain would likely not download or install the change. Instead, most likely, a developer in our ecosystem would copy all of our software, remove the change, and publish it as an alternative version. Once the majority of farmers install the new software as proposed by our ecosystem developer, we would no longer be the primary software provider and the Chia blockchain would continue to run uninterrupted and ignore all of our future updates that contained the controversial change. Already, the Sweetchia pool of approximately 450 farmers maintains a full fork of all Chia blockchain software at most releases so that they can support a type of pooling that the community generally does not use because it does not use newer Advanced Custody protocols. They and other developers and farmers can easily maintain a full version of the Chia blockchain software that does not contain any controversial change that does not have broad consensus, including any such change from us. As such, we believe that building rough consensus among the most technically sophisticated developers in an open manner is the best way to continue to enhance and improve the core capabilities of the Chia blockchain.

There are many instances of an open source community choosing a different roadmap than the initial project team. Notably, when MySQL was sold to Sun Microsystems in February 2008, the community created a carbon copy of the MySQL code base and shipped a solution in October 2009, called MariaDB, that has been maintained to this day and is compatible with the MySQL code base. The MariaDB example highlights the ability of a community to create and maintain a viable alternative of an open source project separate and apart from the original creators.

In the normal course, there are two types of material changes that we or the ecosystem can request: hard forks and soft forks. Hard forks are changes to the software that require adoption to remain compatible within the other nodes while soft forks do not require adoption, although not adopting may minorly impact node function (e.g., there may be transaction types that are not fully understood). Hard forks are usually foundational changes, which we attempt to avoid, while soft forks are generally lighter upgrades to functionality, such as new types of transactions or features. Hard and soft forks can be requested by community members or internal developers through CHIPs as discussed below. To date, the Chia blockchain has not had a hard fork although software that contains a hard fork was released in August 2023 and activation of the hard fork is expected in calendar year 2024 as discussed below.

Non-material changes can be requested through Pull Requests.

To ensure community consensus while not unduly slowing innovation, we utilize the following three primary methods to decide upon and deliver changes to the chia-blockchain repository: the CHIPs process, Pull Requests, and the high-risk security vulnerabilities process.

CHIPs Process

CHIPs are modeled after the Bitcoin Improvement Proposals process. We or any community member can propose to materially enhance or change components of the Chia blockchain and/or Chia platform. Any changes or updates to primitives like the CAT or NFT standards are published as proposed CHIPs, and company and third-party developers comment, debate, and come to a rough consensus on whether the changes contemplated should be made. Important or controversial issues other than high-risk security vulnerabilities are proposed via the CHIP process. While we have a voice in the CHIPs process, we do not ultimately control the direction and consensus of the community.

For example, advancements in GPUs and computer bus speeds could make it economically viable to attempt to use GPUs as an alternative to storing plots, making PoST more like Proof of Work. Though this is not a security risk to the network, it would stray from the core efficiency design of the Chia blockchain. The Chia blockchain protocol has always envisioned that as computers continue to increase in power, the minimum size of a plot would have to increase. This risk became evident as third-party developers shipped enhancements, independent of us, of the standard plotting and farming capabilities of the Chia blockchain, so we proposed the first hard fork of the Chia blockchain in response to concerns raised by the community in order to push that risk out for many years while not requiring existing farmers on the Chia blockchain to replot to the next larger plot size now. This CHIP was accepted by a supermajority of nodes, and we believe feedback from our community was positive.

An example soft fork proposal that activated in July 2023 is a CHIP to add the capability to make a coin not spendable after a specified time, which is a highly requested new capability from the company and ecosystem developers.

Community-proposed CHIPs, like company-proposed CHIPs, are subject to rigorous review by the community. For example, CHIP-0032 was proposed by a community member in March 2024 to block the NoSSD pooling protocol from the Chia blockchain. We did not substantially weigh in on the CHIP in order to allow community members to debate its merits. The community feedback was overwhelmingly negative, and the community came to the consensus that the Chia blockchain should remain permissionless without censoring transactions from NoSSD. CHIP-0032 was withdrawn by the proposer.

Company-proposed CHIPs do not always survive community consensus building either. CHIP-0003 was a proposal from Bram Cohen and one of our developers to implement an additional minimum transaction fee to attempt to mitigate some spam transactions the Chia blockchain was experiencing. Our community came to the consensus that the existing minimum fees that take effect once blocks start to fill were enough and that the benefits of low fees in the short term offset the lesser annoyance caused by the spam. CHIP-0003 was ultimately withdrawn and abandoned.

Pull Requests

Some changes are routine and are completed by company and community developers committing changes to the repositories through Pull Requests. On the chia-blockchain GitHub homepage there are nine main menu items, one of which is a tab called “Pull Requests.” On this tab, anyone can see proposed changes that do not require a CHIP and can propose a change themselves. Once a Pull Request is created, a public comment thread is generated where the community can comment on potential changes. Pull Requests, whether internal or external, will go through a public comment and testing period prior to being included in the resulting code base. These changes are documented in our release notes for each version. Examples include user interface improvements, new features enabled by new primitives, bug fixes, medium- to low-risk security fixes, extensions to the APIs that our node and wallet provide, or extensions of existing primitives like Offers. These are generally non-controversial and are not considered important enough for individual CHIPs, unless they alter a standard like CAT2.

High-Risk Security Vulnerabilities Process

We handle high-risk security vulnerabilities that can lead to more than a minimal loss of funds by users of the Chia blockchain in an alternative way. These have historically been found by our developers or our third-party software auditors or have been submitted through our bug bounty and other responsible disclosure methods. We

engage third-party software auditors to audit different components of the Chia blockchain software and the Chia platform two to three times per year, or more frequently depending on blockchain and platform developments that were previously unaudited or have had significant changes since the last audit and our assessment of risk in such new or changed implementations. For example, in 2022, we identified a vulnerability through a third-party software audit on the Chia blockchain that had minimal impact on users and was mitigated by an update to the Chia blockchain. Additionally, we engaged a third-party software auditor to review the CAT1 standard as we made material enhancements to the original fungible token standard that was also previously audited by a third-party software auditor in 2021. The CAT1 standard enables users to issue fungible tokens and if a material vulnerability existed, it would potentially impact many tokens issued on the Chia blockchain and have negative financial or reputational impacts on Chia blockchain users and us. Based on that risk assessment, we determined that a third-party software audit was warranted. Further, for newly released software, we make a determination of whether a material risk might be present that poses a financial or reputational risk to Chia blockchain users or the company. If warranted, we perform the necessary software audits, including through the engagement of a third-party software auditor. We assess such third-party audit results and determine materiality and remediation efforts based on user, developer, or customer demand or risk.

Our developers also review the severity of any potentially high-risk security issue. If we determine that the issue is sufficiently severe, we privately develop a fix and add it into our next release or declare a soft fork if needed. We withhold certain details until enough farmers have updated to a version that contains the security fix. At that point in time, we release a postmortem and explanation of the vulnerability for everyone to review. This process is meant to protect any at-risk funds until the network has been secured by the voluntary adoption of the new version by the farmers.

Even with high-risk security vulnerabilities, it is the farmers and users who control updates and fixes. For any updates or fixes to the Chia blockchain to be implemented, they must be adopted by a majority of farmers and a majority of users must download and use the updated version. For example, a majority of our farmers had upgraded to the latest version by approximately 55 days after its release. We do not control the acceptance of any updates or fixes, and we have not controlled the Chia blockchain since March 2021.

The Chia Platform and Developer Ecosystem

Our internal development team is led by our Chief Technology Officer and Founder, Bram Cohen, who invented BitTorrent. BitTorrent accounted for approximately 10% of upstream traffic in 2022 and represented a significant portion of the peer-to-peer interest traffic, which in early 2006 reached approximately 70% of all internet traffic. Mr. Cohen has a significant following in the developer community that has helped drive adoption of the Chia blockchain and attract high-quality developer talent to the Chia blockchain, including company and community developers.

Our internal research and development efforts are centered on developmental building blocks of software that simplify development on the blockchain and enable increasingly complex markets to form. Examples of these efforts include the development of Chialisp, our federated database technology, DataLayer, Advanced Custody, a self-custodial software wallet, tokenized digital identity, and standards for NFTs and CATs. In connection with this testing and research, we have purchased and held minimal amounts of digital assets, including the purchase of a small amount of XCH for testing purposes that is held separately from our Strategic Reserve and has never been sold or distributed.

We have developed and released one novelty CAT and two novelty NFTs, but such CAT and NFTs were issued for no value, and we did not derive any revenue or monetary value upon their distribution. As we issued the novelty CAT and NFTs for free, there was no investment of money, and we have not made any commitments to perform any ongoing development or maintenance of such novelty tokens. Therefore, we do not believe our CAT and NFTs are securities and therefore secondary trading of such CAT and NFTs are in compliance with federal securities laws and regulations.

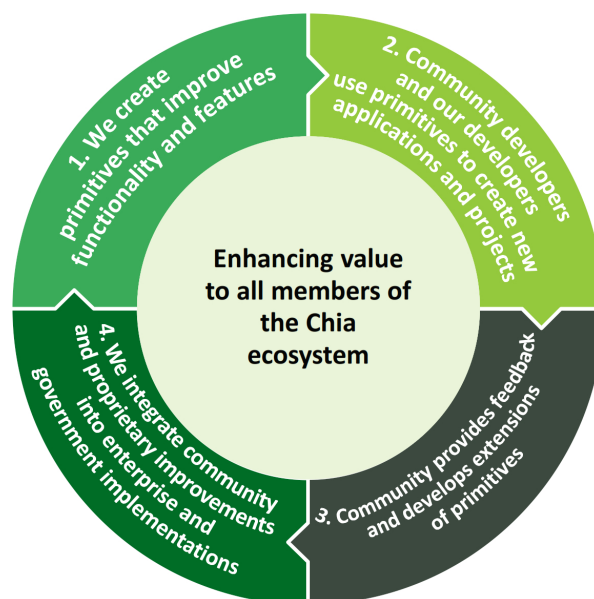
In July 2022, we also issued and released 10,000 NFTs as part of the Chia Friends project. We started the Chia Friends project as a fun way to demonstrate the capabilities of our NFT1 standard. Chia Friends are a limited set of

profile picture NFTs that we gave away to our community that included built-in royalties for subsequent on-chain trades that are automatically donated to a wallet owned by the Marmot Recovery Foundation. After release, we turned the project over to the Chia blockchain ecosystem community. We did not derive any revenue or monetary value from Chia Friends, and we do not retain control over it. Like the novelty CAT and NFTs, we issued NFTs under Chia Friends for free, so there was no investment of money and we do not control the Chia Friends project. Therefore, we do not believe the Chia Friends NFTs are securities and therefore secondary trading of such Chia Friends NFTs are in compliance with federal securities laws and regulations.

Our NFT1 standard has an improved set of primitives compared to NFT offerings on other blockchains. These allow for provenance, royalties enforced on the blockchain when peer-to-peer trading via Offers, and actual ownership allowing owners to update the source of a digital object while maintaining cryptographic proof of ownership. We do not have any immediate plans to release any additional CATs or NFTs, though we may issue such tokens in the future to further demonstrate the capabilities of the Chia blockchain and the Chia platform. In addition to being product demonstrations, issuing CATs and NFTs may also serve as marketing to bring greater awareness to the Chia blockchain and ecosystem as it highlights certain strengths and differentiators of the Chia blockchain and the Chia platform. We do not facilitate the trading of NFTs issued by us or any third party. Further, we do not currently and do not intend in the future to offer a custodial wallet. Research and development expenses were \$11.6 million for the year ended March 31, 2024.

Our innovations have fostered a deep open source developer ecosystem comprised of developers who utilize our composable building blocks, enabling others to extend their capabilities. Employing the best of these capabilities from across the ecosystem, we continue to push the boundaries of blockchain technology with the mission to create a secure, purpose-made platform on which enterprises and developers can launch impactful projects. Additionally, the strength of our developer community generates a wide pool of active developers from which to hire. We have hired five of our 20 developers and two developers on our three-member product team from the GitHub community. We offer modest financial support (an average of \$105,000 per grant) in the form of cash to other developers in our ecosystem under our Chia Cultivation Grant Program. We provide this financial support to developers who present compelling proposals to add material value to the ecosystem, and the amount of financial support will vary based on management's assessment about the complexity and value of the proposal. Since inception of the program in 2021 through March 31, 2024, we have provided an aggregate of \$1.4 million in grants to 12 grant recipients working on projects such as blockchain explorers, wallets, and NFT minting tools. Developers can submit their proposals directly to us with information about their team, their proposed product or idea, a deliverables timeline, a fiscal breakdown of the grant request, and how the developer will sustain the project beyond grant funding. This is the only funding we provide to community developers. We do not compensate developers in our ecosystem unless we hire them as employees or contractors. The distinction between the company and community developers is fluid. One of our former leading developers left to create new iPhone applications utilizing Chialisp in our ecosystem. Many of our developers also support ecosystem projects they started outside of Chia Network like TailsDB (a

decentralized database using DataLayer to allow issuers to publish metadata for CATs they issue). This reduces talent acquisition, onboarding, and training costs.



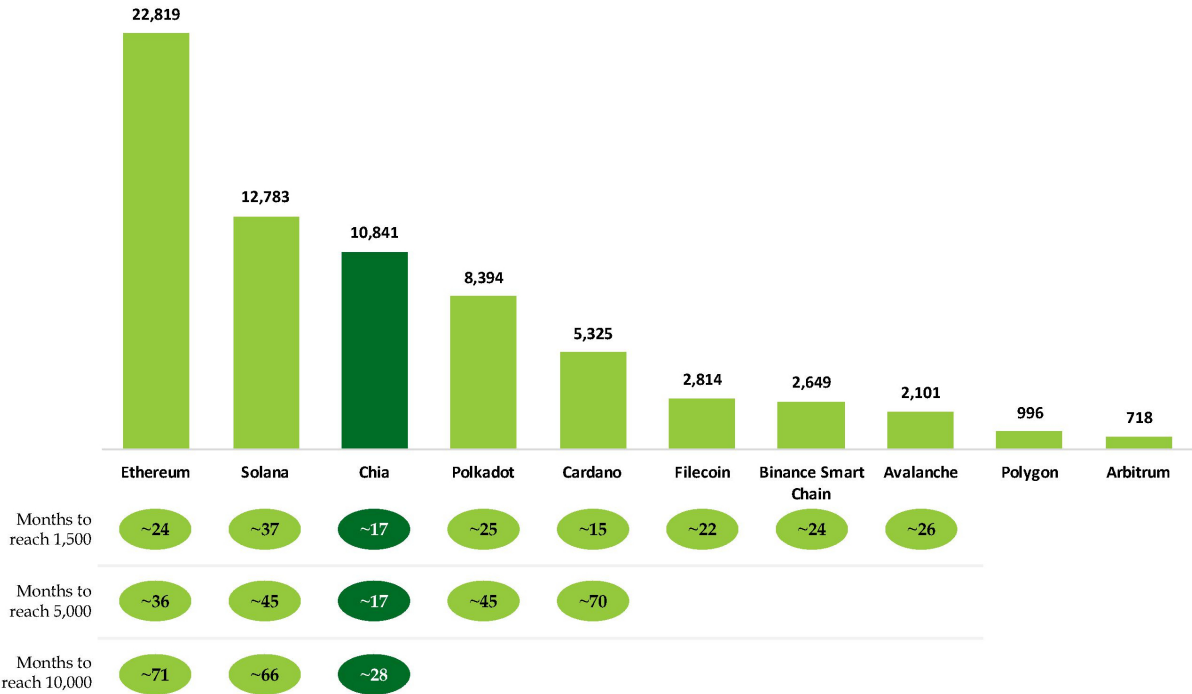
The Chia blockchain is one of the most popular blockchains among developers, as measured by GitHub stars of each project’s primary repository. Developers are able to “star” a topic in GitHub, allowing the developer to more easily revisit a certain GitHub repository, similar to a “save” or “like” on social media. The number of stars is also an indicator of overall developer interest in the Chia blockchain and Chia platform. As shown below, excluding Bitcoin as its launch circumstances were unique and it does not have smart contracts, the Chia blockchain is the second most popular blockchain by gross star count, but it has risen in developer popularity faster than all other blockchains. The Chia blockchain repository reached 10,000 stars – a feat only matched by Bitcoin, Ethereum, and Solana – and in approximately 28 months. This is particularly telling given that the Chia blockchain utilizes a programming language that is currently lesser known globally than those used by peers. Additionally, we believe that GitHub stars is an indicator of organic growth.

Additionally, we believe star count is meaningful when evaluating the popularity of the Chia blockchain among developers because the Chia blockchain developer base is somewhat different than other blockchain projects due in part to the ease of access to farming. This lower barrier to entry means that more developers of varying skill levels choose to farm and build plotting and farming tools. We believe many of the most active community developers on the Chia blockchain are senior developers with full time third-party employment that were attracted to the platform first via farming because demand for block space on the Chia blockchain tends to peak on nights, weekends, and holidays, which is after typical business hours for community developers. We believe that this trend is different from many of our competitors, The Chia blockchain has additionally attracted developers who we believe were dissatisfied with both Ethereum and Bitcoin, for differing reasons, based on the public statements, posts, and email communications of such developers. Based on such statements, we believe that some of these developers have returned to development on the Chia blockchain based on their technical judgment of Mr. Cohen’s track record of innovation in distributed systems. These factors suggest that developers on the Chia blockchain are more likely to have existing GitHub accounts and be more likely to use stars, which we believe indicates developer interest by current and future developers on the Chia blockchain. GitHub stars are associated with unique GitHub accounts. It is possible that a developer could have more than one GitHub account through which the developer stars a Chia blockchain topic, which would lead to overestimating, but we believe such instances are limited and do not materially impact the stars associated with the Chia blockchain repository.

In the twelve months prior to March 26, 2024, the Chia blockchain was ranked number 11 in total commits by DigitalCoinPrice.com and number 12 over the same time frame by CryptoMiso.com. We focus less on the number of commits to a given repository because different projects have different methods for developing in repositories that

their main repository depends upon. For example, we are gradually migrating functionality from our Python implementation of node and consensus in the chia-blockchain repository to our Rust implementation in our chia_rs repository and much of that activity is not captured by simply counting commits to chia-blockchain. We expect similar situations occur with other blockchains as well, making this metric less reliable as a direct comparison.

GitHub Stars for Smart Contract Layer 1 and Layer 2 Blockchains as of July 31, 2024



As of March 31, 2024 there are 838 GitHub repositories that are tagged Chia blockchain or related to the Chia blockchain. There are 996 total developers across these repositories. There were 48 monthly active developers as of March 31, 2024.

Other blockchain-related projects may use metrics such as total contributors, number of ecosystem projects, and total value locked (“TVL”). We believe, however, that such metrics do not adequately reflect our user base, organic (non-funded) growth, and the design of the Chia blockchain. For example, we rely on GitHub stars and organic developer growth through word of mouth rather than through grants because we have not raised funding through initial coin offerings, token sales (other than the limited sales we commenced in October 2023), or similar financing arrangements, thus restricting our ability to provide more substantial fiat and token grants to community and ecosystem projects the way that other competitors have. As a result, our competitors may have high numbers of total contributors or ecosystem projects based on their token grants and funding of projects. Further, Offers enables users and developers to make and accept offers for assets on the Chia blockchain outside of centralized smart contracts and without locking or freezing assets, and as a result such transactions would not be captured under TVL.

Since transactions were first enabled on the Chia blockchain on May 3, 2021, hundreds of projects have been launched. As of March 31, 2024, there are nine wallets provided by nine different development teams, in addition to the self-custodial software wallet that we provide. All of these wallets support a mix of Android, iPhone, and web browser integration. Two of those development teams have additional projects such as DEXs, automated market makers (“AMMs”), and Chia name services (which is similar to a domain name that can be used to reference a wallet instead of the random string given upon wallet creation).

Developers utilizing the Chia blockchain have innovated across the DEX, NFT, and farming ecosystems. Specific examples of third-party entities developing and creating on the Chia blockchain across these ecosystems include:

- **DEX ecosystem:** Due to the capabilities of Offers, a mix of for-profit bulletin board websites and community software projects have launched that create a nearly unified view of all current Offers in the world. The lead project is Dexie.space, which has bulletin boards of the CAT market and the NFT market, providing currently valid offers on both sides of many markets. These offers are generally the same as offers on Offerpool.io (an open source, decentralized bulletin board of offers) and OfferBin. The leading automated market maker (AMM) on the Chia blockchain is TibetSwap, which uses funds from liquidity providers to allow anyone to trade XCH and digital assets at what he or she considers to be a fair price. Additionally, a community developed and maintained bridge from Coinbase Global, Inc.'s Base and the Ethereum blockchain provides various stable coins from both networks as well as bridging wrapped XCH into the Ethereum ecosystem.
- **NFT ecosystem:** MintGarden offers NFT authors minting capabilities and tracks transfers of NFTs and displays collections on the Chia blockchain. One of the Chia blockchain explorers, SpaceScan.io, also makes available a set of tools to monitor and trade peer-to-peer in NFTs. The Chia blockchain is also attracting creators from other blockchain ecosystems. For example, artists like /Futuradora and Douglas Crets mint new projects partially on the Chia blockchain, as well as on Ethereum, where they have historically minted NFTs.
- **Farming ecosystem:** One of the development teams building on the Chia blockchain provides one-click farming with their Evergreen Miner product. People new to farming XCH can acquire a custom computer based on the Raspberry Pi and a pre-plotted recycled drive. With the end of GPU mining on Ethereum, there is a large community of home and hobbyist validators who are looking for new projects. Evergreen, in partnership with YouTube celebrities in the space, built a referral-based acquisition channel for potential farmers to learn about the Chia blockchain and XCH, and acquire an Evergreen Miner to start farming XCH, increasing awareness of the Chia blockchain and Chia platform. These farms can join one of the Chia blockchain's approximately 40 decentralized pools so that they can earn a little bit of XCH every day. In these decentralized pools, farmers do not delegate building and signing blocks they win unlike most other blockchains.

Developers and entities utilizing our primitives on the Chia blockchain develop applications with our technology to take advantage of new and existing opportunities. For example, developers created a decentralized AI image generation tool called Chiaswarm.ai that uses the Chia blockchain, NFTs, Offer files, and idle GPUs to take requests and compensate the group of people making their GPUs available. Another developer recently launched an operational AMM called TibetSwap that implements functionality equivalent to Uniswap on Ethereum but is implemented in Chialisp and is fully decentralized and open source.

The company and its directors, officers, employees, and full-time equivalent contractors are not affiliated with any of the above mentioned examples of developers utilizing the Chia blockchain. As these developers and entities are voluntarily choosing to develop on the Chia blockchain, our involvement in such projects is limited to the unpaid provision of technical support, primarily through developers reaching out to our support and developer relations teams through various public and private channels to ask questions and get advice about developing on the Chia blockchain.

Chia Strategic Reserve and XCH

In March 2021, we launched the Chia blockchain. We pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), the Chia Strategic Reserve, a pre-farmed "genesis block" of 21 million XCH owned by the company. We have not directly or indirectly farmed any XCH, nor have we added XCH to our Strategic Reserve since its creation.

In October 2023, we began making sales of XCH from our Strategic Reserve. As of March 31, 2024, we have made 350,000 XCH, or less than 1.7% of coins from our initial Strategic Reserve, available to a third-party market

maker to provide liquidity and to sell XCH on our behalf in blind programmatic transactions. From October 2023 through March 31, 2024, we made available between 50,000 and 150,000 XCH, or less than 1% of coins from our initial Strategic Reserve, to a third-party market maker to provide liquidity on non-U.S. third-party exchanges that are not available to persons in the United States: Gate.io, KuCoin, MEXC, and OKX Exchange. During that period, we also sold a total of 270,174.35 XCH, or less than 1.3% of coins from our initial Strategic Reserve, in blind programmatic transactions through the same third-party market maker on the same non-US third-party exchanges. Pursuant to a services agreement, the third-party market maker provides liquidity services for a set monthly retainer and earns a set service fee for any XCH sales on our behalf. All transactions completed by the third-party market maker are completed at the market price at the time of execution of the transaction on each third-party exchange and such transactions are completed pursuant to each exchange's terms and conditions. We do not have contractual privity with any such exchange for these transactions.

We expect that we will continue to sell XCH from our Strategic Reserve to fund operations until we secure alternative financing and, at that time, possibly discontinue sales of XCH or continue sales of XCH from our Strategic Reserve to a lesser extent. While we make available XCH to a third-party market maker to provide liquidity services and make sales of XCH from our Strategic Reserve, we have no immediate plans to sell, distribute, or dispose of, a substantial amount of our Strategic Reserve. In the future, we may sell, loan, collateralize, distribute, dispose of, or otherwise receive value in exchange for these pre-farmed coins, which may include selling more XCH from our Strategic Reserve and repurchasing our common stock with the proceeds. We intend to transfer the XCH value to our stockholders over time or continue to use our Strategic Reserve in the general course of our business based on business needs and applicable regulations. These future activities are subject to applicable regulations, applicable approvals, and tax considerations at the time of such sale, distribution, disposition, dividend, realization, or use.

We currently seek board approval for use of XCH from our Strategic Reserve. As with any other corporate asset, we have broad rights and abilities to borrow, pledge, repledge, hypothecate, rehypothecate, loan, or invest XCH in the Strategic Reserve subject to the controls and constraints discussed below. Decisions about how to use XCH are made on a case-by-case basis evaluating needs, risks, and applicable regulations. For example, we evaluate loan opportunities first by their relevance to the Chia platform or a customer's needs. Second, if the lending request makes sense to be completed in XCH versus fiat money, then we perform an ordinary credit worthiness review and seek board approval. We do not currently intend to pursue loans unless a specific proposal is compelling and meets the criteria described above. In April 2024, we entered into an advisory agreement related to the promotion and marketing of the Chia blockchain, the Chia platform and associated projects. In connection with the advisory agreement, we transferred a total of 47,872 XCH tokens as consideration for the services.

As of March 31, 2024, 2,275,000 XCH in our Strategic Reserve held in warm wallets is available to loan to enterprises, governments, or larger developers for use with their projects.

We have placed controls on our usage of our Strategic Reserve and as of March 31, 2024, we have moved the coins in our Strategic Reserve only six times since the genesis block. The transactions for these six prior moves are, and any future transaction will be, fully visible on the Chia blockchain.

- The first move was from their initial form to wallet addresses we previously specified. That move occurred on May 4, 2021, which was shortly after transactions were enabled on the Chia blockchain.
- The second move was on October 28, 2022, when we moved 12.5% of the coins within our initial Strategic Reserve into warm wallets that allow those coins to be moved with a delay of twenty-four hours, and we moved the other 87.5% of our initial Strategic Reserve into cold wallets that do not allow the coins to be moved without 90 days' public notice.
- The third move was on October 13, 2023, when we moved 200,000 coins, or less than 1% of our initial Strategic Reserve from the warm wallet to a wallet held by a third-party market maker in connection with liquidity services and planned blind programmatic sales of XCH on non-U.S. third-party exchanges.

- The fourth move was on December 9, 2023, when we moved an additional 50,000 coins from the warm wallet to a wallet held by the third-party market maker for planned sales of XCH on non-U.S. third-party exchanges.
- The fifth move was on February 3, 2024, when we moved an additional 50,000 coins from the warm wallet to a wallet held by the third-party market maker for planned sales of XCH on non-U.S. third-party exchanges.
- The sixth move was on March 21, 2024, when we moved an additional 50,000 coins from the warm wallet to a wallet held by the third-party market maker for planned sales of XCH on non-U.S. third-party exchanges.

The wallets containing our Strategic Reserve use our Advanced Custody tools and have been customized to be like a vault that is an autonomous wallet located on the blockchain whose restrictions are Chialisp code and whose authorizations are managed via signatures from each individual key holder's wallet and private key. Our Advanced Custody tools applied to our Strategic Reserve wallets enforce certain rules, including, multiple individuals must sign a transaction to execute it (three of five individuals for cold wallets and two of three individuals for warm wallets), various theft hardening tools, the ability for signers to be re-keyed by other signers, and the time locks on movements of the coin. During these time locks, spent coins can be clawed back to the original wallet address to further protect against theft. Clawbacks are pre-set so that each economic spend will implement a clawback window relative to the current time that the spend is submitted to the Chia blockchain. For example, if we intended to move coins in one of the cold wallets for our Strategic Reserve to a new wallet, and we submitted the transaction on January 1, the Chialisp of the vault would calculate and set a restriction prohibiting all movement of those coins, except being clawed back to the sending wallet at any point during that window, until April 1 (90 days later). After 90 days, the coins can be moved immediately only to the address specified in the original spending transaction on January 1. These Advanced Custody tools allow us to enforce our policy of giving at least 90 days' public notice if our plans to sell or dividend XCH from our cold wallets change. A 24 hour clawback window applies to our warm wallets. Further, should we decide not to proceed with a transaction or determine that a transaction was started by fraud or theft, since we retain at least backups of three of the private keys, we can clawback the coins that are in the clawback window immediately and only to the wallet they were sent from. In addition, there are security limitations enforced by Chialisp on the Chia blockchain that only allow a next spend to occur 30 days after the last spending attempt from our cold wallets and one hour in the case of our warm wallets. The Advanced Custody tool settings described above are specific to the vault wallets containing XCH from our Strategic Reserve. The Advanced Custody tools of the Chia platform are available to any user of the Chia blockchain, and any user, farmer, or developer can customize the specific parameters desired for their vaults and any digital assets contained within. See the section titled "—Our Innovations."

From a corporate governance perspective, any transactions that spend funds from the cold wallets require approval by our board of directors and spending from the warm wallets requires approval by members of management. As an example of the functionality of the custodial system, if we discover during our monitoring that a transaction was initiated that was not approved by the board of directors or management, as applicable, then we can initiate a clawback and return the coins to the original wallet. Multiple individuals are custodians of the private keys that control access to our Strategic Reserve. These private keys are stored on hardware security modules that do not connect to the internet and are located in North America and Europe. The wallets themselves are maintained on the Chia blockchain and are accessible on the internet. Standard spending from the Strategic Reserve cold wallets requires three of the five private keys that can authorize a payment to independently sign that spending transaction and spending from warm wallets requires two of the three private keys. Each private key is subject to physical, logical, and cryptographic access controls which include backups of the private keys. Should a private key be lost or stolen, and the backup not be effective for any reason, a specified quorum of the remaining keys can be used to substitute in a new key for the lost or stolen key. Our use of IETF BLS Signature standard allows signatures to be collected in parallel and with low security risk to the signed elements once correctly signed. Using existing keys, we

can also increase security by increasing either the number of minimum keys required to authorize a transaction or the total amount of possible keys or both. We do not carry insurance for the value of our Strategic Reserve.

The chart below shows the amount of XCH stored in each wallet that holds our Strategic Reserve and summarizes the set of controls that we implemented on the vaults containing our Strategic Reserve using Advanced Custody, which are enforced by the Chia blockchain. As described above, each wallet has a multiple signatures requirement, clawback window, and delayed spend period.

As of March 31, 2024				
Wallet	XCH Amount	Multiple Signatures Requirement	Clawback Window	Delayed Spend Period
U.S. Warm	962,500	2 of 3	24 hours	1 hour
Swiss Warm	1,312,500	2 of 3	24 hours	1 hour
U.S. Cold	9,187,500	3 of 5	90 days	30 days
Swiss Cold	9,187,500	3 of 5	90 days	30 days

The existence and amount of our Strategic Reserve is publicly available because wallet balances are completely transparent on the Chia blockchain. Each month, our Chief Financial Officer and a member of our finance team verify the balance of our Strategic Reserve in our wallets using a software tool developed by a third party, SpaceScan.io. We also have real-time monitoring of all of the coins that make up our Strategic Reserve and will be notified of any authorized or unauthorized movements.

We believe that if we were to be declared insolvent, the treatment of our Strategic Reserve would raise novel issues and any distribution or disposal of our Strategic Reserve would be subject to applicable law. A liquidation of the company could require a portion of our Strategic Reserve to be sold to pay outstanding liabilities and the remainder, if any, would likely be distributed to the stockholders. In a reorganization some portion of our Strategic Reserve may be sold to pay outstanding liabilities and otherwise support a plan of reorganization. In both cases, the existing controls implemented by our Advanced Custody tools would remain in effect, which could complicate any actions needed to be taken, however, in the event of insolvency, the bankruptcy process would govern future spending from our Strategic Reserve wallets.

As of March 31, 2024, there were 10,550,741.7 XCH traded and circulated in the global market. Over 96.6% of the XCH traded and circulated in the global market consists of the coins that were farming rewards created by the Chia blockchain protocol and awarded to block validators for maintaining the security and integrity of the Chia blockchain, and never a part of the Strategic Reserve and the remaining 3.4% of the XCH traded and circulated in the global market consists of coins from our Strategic Reserve.

XCH does not grant holders any governance rights, voting rights, or control of the Chia blockchain or the company. XCH is the native cryptocurrency of the Chia blockchain, which is required to secure the Chia blockchain and pay the transaction fee for transactions completed on the Chia blockchain and such transaction fee may be fully assumed by one of the parties to the transaction. We do not collect any revenue or share of the proceeds from third-party transactions on the Chia blockchain, in XCH or other digital assets.

In addition to our limited sales of XCH from our Strategic Reserve by a third-party market maker on non-U.S. third-party exchanges, farmers and other XCH holders trade and make available coins that were created by the Chia blockchain protocol as farming rewards. As a result, XCH trades and is available for purchase on third-party on-ramps, such as wrapped USDC or USDT via the warp.green bridge, bulletin boards, such as Dexie, and exchanges, such as Crypto.com. Any user can acquire XCH by downloading wallet software from a provider, visiting a third-party decentralized exchange, and using Offers to purchase XCH with fiat currency or another digital asset; alternatively, a user can set up an account at a third-party centralized exchange and purchase XCH with fiat currency or another digital asset. We do not sell or trade XCH on our website, and we do not collect proceeds from the sale of XCH by farmers and other holders. Some third-party exchanges list XCH without any relationship with us and we

learn about the listing in the same way as the general public. In some cases, we provide unpaid integration technical support to third-party exchanges for technical questions related to integration and tracking of the Chia blockchain if we are asked, and in some cases, we reimburse an exchange for its technical integration costs related to listing XCH. As of the date of this prospectus, Stably is the only non-exchange platform currently supporting XCH and we previously partnered with Stably to pay for various technical integration costs for Stably to make available its stablecoin on the Chia blockchain.

According to Messari Market Intelligence data, in the year ended March 31, 2023, XCH traded between a high of \$39.36 and a low of \$37.91, with a closing price of \$38.49 on March 31, 2023, giving our Strategic Reserve an aggregate gross value of approximately \$808.3 million, based on 21.0 million XCH in our initial Strategic Reserve as of that date. In the year ended March 31, 2024, XCH traded between a high of \$51.26 and a low of \$21.33, with a closing price of \$42.53 on March 31, 2024, giving our Strategic Reserve an aggregate gross value of approximately \$878.2 million, based on 20.7 million XCH in our Strategic Reserve as of that date. For the twelve month period ended June 30, 2024, XCH traded between a high of \$51.26 and a low of \$21.33, with a closing price of \$23.23 on June 30, 2024, giving our Strategic Reserve an aggregate gross value of approximately \$475.2 million, based on 20.5 million XCH in our Strategic Reserve as of that date. For the twelve month period ending June 30, 2024, average daily “real volume” per Messari data, which penalizes reported volume data on exchanges known to undertake wash trading activities in order to attempt to get closer to “real” trading volumes, was \$11.8 million. As of that date, our daily targeted token liquidation volume was \$60,000, or significantly less than 1% of daily volume. As with any security, commodity or asset, significant, sustained sales without a concomitant increase in demand may have a negative impact on price over time. However, we believe at these levels, our selling activity has a de minimis impact on price. Given the 24-hour trading nature of digital assets, Messari data refers to Midnight UTC-7 (or Pacific Daylight Time).

For information about risks related to our ability to sell, distribute, or dispose of our Strategic Reserve, see the risk factor titled “Risk Factors—Risks Related to Financial, Tax, and Accounting Matters—The value of our Strategic Reserve can be volatile, our Strategic Reserve may be difficult to sell, loan, collateralize, distribute, or dispose of, and the treatment of any sale, distribution, or disposition is subject to regulatory uncertainty.”

Farming Rewards, Transaction Fees, and Trailing Emissions Schedule

To incentivize a decentralized group of farmers, the Chia blockchain rewards farmers for doing the work of validating and securing the Chia blockchain. The Chia blockchain uses farming rewards of XCH on a trailing emissions schedule and transaction fees paid in XCH, which are the fees that the requester of a transaction pays for inclusion in a block, with a system that closely resembles that of Bitcoin. We do not have the ability to control access, regulate who participates as a farmer, or regulate farming because the Chia blockchain is decentralized and permissionless, and the Chia blockchain software is open source and available for anyone to download, install, fork, clone, rebuild, and participate as a farmer as long as the user has sufficient unused storage. We also do not, directly or indirectly, participate in farming, nor do we have the ability to unilaterally modify farming rewards on the Chia blockchain. Pursuant to company policy, our employees and contractors are not permitted to use company systems and hardware to participate in farming.

Farming Rewards and Transaction Fees

Farming rewards of XCH are created by farmers pursuant to the Chia blockchain protocol on a preset trailing emissions schedule without our involvement. Trailing emissions started high upon launch of the Chia blockchain and gradually decrease over time based on the theory that as more, and more valuable, transactions compete for limited block space, transaction fees paid to farmers by the ecosystem should increase in amount and fiat value. The intent is that transaction fees will eventually become the predominant way that farmers are rewarded by the ecosystem. The requester of a given transaction determines and sets a competitive transaction fee to offer to farmers in order for the transaction to be included in the next block. As use of the Chia blockchain increases, we expect there will be an increasing minimum transaction fee based on the complexity and size of a proposed transaction and that transaction fees may go above that minimum transaction fee to get priority access to the next block as farmers will include the transactions with the highest fees first.

For additional detail on how transaction fees are paid by requesters of transactions to farmers, see the section titled “Blockchain 101—Transactions and Transaction Fees.”

Trailing Emissions Schedule

XCH emissions on the Chia blockchain are created by and awarded to farmers by the protocol itself, regardless of whether the company is in business, and are not paid out of any existing XCH held by the company or any other entity. We believe that predictable, and ultimately low, trailing emissions lead to enhanced security because while transaction demand and therefore transaction fees fluctuate over the course of a day and a week, trailing emissions incentivize farmers to continue to make blocks at a steady rate.

As designed, XCH emissions would progress as follows:

- 64 XCH was created every 10 minutes from March 2021 to March 2024;
- 32 XCH will be created every 10 minutes from March 2024 to March 2027;
- 16 XCH will be created every 10 minutes from March 2027 to March 2030;
- eight XCH will be created every 10 minutes from March 2030 to March 2033; and
- four XCH will be created every 10 minutes after March 2033.

However, significant progress in adding network storage or speeding up Timelords can accelerate the actual timing of these changes which are set by block height. For example, the transition between 64 and 32 XCH was designed to occur on March 19, 2024, but instead happened on March 7, 2024.

There is no limit on the total number of XCH that may be created through farming rewards on the Chia blockchain. Further, automated trailing emissions allow users to easily calculate the amount of XCH in existence at a given time. For instance, based on the emissions schedule, in March 2027, all farming rewards generated to that date will represent 42% of all XCH in existence at that time. It will take approximately 21 years from mainnet launch for farming rewards to equal the size of our Strategic Reserve, as trailing emissions slow down in March 2033 when 47% of XCH will have come from farming rewards.

The Chia blockchain trailing emissions schedule, which excludes our pre-farmed Strategic Reserve, is similar to Bitcoin’s first 11 years emission schedule, but, unlike Bitcoin, XCH emissions do not stop. We believe a comparison of XCH emissions schedule to the Bitcoin emissions schedule is useful because the Bitcoin emission schedule is well known in the industry.

As XCH emissions do not stop, by year 12, there will be nearly as much XCH created by farmers as the pre-farmed genesis block, and in subsequent years, XCH created by farmers will surpass the pre-farmed genesis block.

XCH Farming Emissions Schedule as Compared to Bitcoin Emission Schedule

	BTC	Post-Genesis Block Farmed XCH
1st Halving Period ⁽¹⁾	10,500,000	10,091,520
2nd Halving Period ⁽¹⁾	5,250,000	5,045,760
3rd Halving Period ⁽¹⁾	2,625,000	2,522,880
4th Halving Period ⁽¹⁾	1,312,500	1,261,440
End of Year 12	18,375,000	18,921,600

(1) Each halving period represents a period of approximately three years for XCH, and a period of four years for BTC.

Sales and Marketing

Our sales and marketing function is focused on the sale of value-added services and support for complex enterprise and governmental implementations on the Chia blockchain. Specifically, the function aims to accelerate the adoption of real-world use cases for blockchain technology that decreases costs, improves efficiency, improves transparency, or provides any mixture of improvements over prior solutions while increasing our revenue.

Competitors

Chia Network Inc. is a software company focused on creating modular pieces of code that act as accelerants to integrate blockchain technology into real-world applications. Our primary competitors are competing blockchain technologies.

Our competitors could be better described as those who attract projects away from the Chia blockchain and, by extension, the Chia platform and Chia Network's services. These tend to be public Layer 1 and Layer 2 blockchain solutions. Our principal current competitors include a number of existing and well-known blockchains, such as Bitcoin, Ethereum, Polygon, Avalanche, Solana, and Ripple, and the developers who create pieces of code for those blockchain networks and technologies such as ConsenSys and potential emerging competitors that may create blockchain and smart contracting platforms, including Aptos and Mysten Labs, which created technologies that compete with the Chia platform and exist on competitor blockchains to the Chia blockchain, such as Sui, and Move. Although the Ethereum Foundation does not offer software and service around development on its blockchains and Bitcoin does not have comparable foundation, the size, scale, and adoption of the Ethereum and Bitcoin blockchains make those blockchains competitive despite not offering support or services. Avalanche, Polygon, Solana, and Ripple are all competitors who have announced corporate or governmental development taking place on their blockchain while each also run for-profit enterprises based around a blockchain of their own creation.

Our History

Chia Network Inc. was incorporated in the State of Delaware on August 1, 2017. It was founded by Bram Cohen, the inventor of BitTorrent. Until March 2021, we focused on fundamental and foundational research and development of the Chia blockchain and its technology and promoting its uses. The Chia blockchain prioritizes security, sustainability, and compliance while retaining ease of adoption and use. The Chia blockchain was built and made available to the world using the Apache 2.0 open source license.

In September 2017, Bram Cohen, in collaboration with Chia Network academic advisor Krzysztof Pietrzak and other academics in the field, published the academic paper, "Beyond Hellman's Time-Memory Trade-Offs with Applications to Proofs of Space," which was presented at BPASE '18. In May 2018, we published "Simple Proofs of Sequential Work," which won best paper at Eurocrypt 2018. In August 2018, we released the BLS-signatures open source library via GitHub. We released an open source VDF, a key component enabling the usage of Proof of Time, in January 2019. Alpha and Beta testnet blockchains were released in November 2019 and April 2020, respectively. In July 2020, we completed our industry-wide collaboration to create the IETF BLS Signature standard and updated our implementations which finalized our Proof of Space implementation. In November 2020, we released our new consensus algorithm based on an idea from the paper "Proof-of-Stake Longest Chain Protocols Revisited," which was presented at Stanford Blockchain 2020 in February 2020. The researchers behind this paper later independently confirmed the security claims that are included in the original Chia consensus in "Everything is a Race and Nakamoto Always Wins," which was published in May 2020.

We launched the Chia blockchain on March 19, 2021 and we pre-coded, and upon launch, a third-party farmer created (by virtue of winning the first block), our pre-farmed Strategic Reserve. We had control over the Chia blockchain prior to launch. Following the launch of the Chia blockchain, we ceased to have control over the Chia blockchain as it began running independently on farmer nodes operating the Chia blockchain protocol and the consensus mechanism contained in the Chia blockchain software. As the Chia blockchain is a decentralized public blockchain, we do not own, operate, or control, directly or indirectly, the Chia blockchain and we cannot control, directly or indirectly, its usage. For more information, see the section titled "—The Chia Blockchain."

Since the launch of the Chia blockchain and enablement of Chialisp, the CLVM, and transactions in May 2021, we have focused on creating development tools aimed at reducing the complexity of building on the Chia blockchain. We released a core SDK and other developer tools in August 2021, followed by the codification of the

CAT standard allowing for the secure creation of digital assets on the Chia blockchain paired with a new self-custodial software wallet product in November 2021. In January 2022, we released our Offers technology. In June of 2022, the NFT1 standard was released followed closely by the release of DataLayer, our on-chain federated database technology, in September 2022. We believe the rapid pace of development of these innovations lays the foundation for real world adoption.

Intellectual Property and Licensing

Protecting our technology, intellectual property, and other proprietary rights is an important aspect of our business. We rely on a combination of patent, trademark, copyright, and other related laws in the United States and internationally as well as confidentiality and non-disclosure agreements and other contractual arrangements to establish, protect, maintain, defend, and enforce our intellectual property and other proprietary rights.

Our intellectual property portfolio includes patents, various patent applications, registered trademarks, trade secrets, and internet domain names.

As of March 31, 2024, we held eight issued U.S. patents and six U.S. patent applications. Our issued patents are scheduled to expire in 2040. As a member of the COPA, we have granted licenses to our patents and have agreed not to assert our rights under such patents against other COPA members, except for certain mutual defensive purposes.

As of March 31, 2024, we held eight registered U.S. trademarks and 31 registered trademarks in certain foreign jurisdictions. In addition, we have registered internet domain names for certain websites that we use in our business, such as *www.chia.net*. The current registrations of these trademarks and domain names are effective for varying periods of time and may be renewed periodically, provided that we, as the registered owner, comply with all applicable renewal requirements including, where necessary, the continued use of the trademarks in connection with similar goods or services.

We have a policy of requiring employees and consultants to execute confidentiality and invention assignment agreements upon the commencement of an employment or consulting relationship with us. Our employee agreements also require relevant employees to assign to us all rights to any inventions made or conceived during their employment with us. In addition, we typically require individuals and entities with which we discuss potential business relationships to sign non-disclosure agreements.

We have elected to make our proprietary software available to customers under an Apache 2.0 License to facilitate collaboration and participation from our application developer community. Although most of our code is developed in-house, we also receive a limited amount of contributions from the open source developer community.

We continually review our development efforts to assess the existence and patentability of new intellectual property and we may pursue additional intellectual property rights protection to the extent we believe it would be beneficial and cost effective. Despite our efforts to obtain, maintain, protect, defend, and enforce our intellectual property rights, they may be invalidated, circumvented, challenged, or narrowed in scope. Furthermore, our efforts to obtain, maintain, defend, and enforce our intellectual property rights may not address all potential threats to our competitive advantage. For more information regarding risks related to our technology, intellectual property, and other proprietary rights, see the section titled “Risk Factors—Risks Related to Technology Information Systems, Cybersecurity, and Intellectual Property.”

Data Privacy and Cybersecurity

In the normal course of business, we may access, collect, store, transmit, and otherwise process certain types of data, such as information about individuals (“personal information”), including information that may, directly or indirectly, reveal certain characteristics or otherwise have a significant impact on an individual (“sensitive personal information”). In addition, we maintain sensitive company information, including proprietary and confidential business information, trade secrets, intellectual property, and sensitive third-party information. Consequently, we are or may become subject to a number of U.S. federal, state, local, and foreign data privacy and cybersecurity laws, rules, regulations, and industry standards designed to regulate consumer information and data. The various data privacy and cybersecurity legal obligations that apply to us may evolve in a manner that relates to our practices or

our services. We may need to take additional measures to comply with any new and evolving legal obligations and to maintain and improve our information security posture in an effort to avoid information security incidents or breaches affecting personal information or other sensitive or proprietary data or information. We also may be bound from time to time by contractual obligations relating to data privacy and/or cybersecurity.

We believe we have taken commercially reasonable steps to create and maintain safeguards, such as policies and procedures that are designed to protect the privacy, security, confidentiality, accuracy, and integrity of all our information.

Despite our cybersecurity program, our security safeguards cannot guarantee that a cyberattack or other unlawful, accidental, or unauthorized processing will not occur. A successful cyberattack could have significant consequences to the business, including loss of sensitive personal information, violation of applicable privacy and cybersecurity laws, significant legal and financial exposure, reputational harm and a loss of confidence in us, any of which could have material adverse impacts on our business, results of operations, financial condition, and prospects. For more information regarding risks related to data privacy and cybersecurity please refer to the section titled “Risk Factors—Risks Related to Technology Information Systems, Cybersecurity, and Intellectual Property.”

Law Enforcement Access

Like Bitcoin, the Chia blockchain is an immutable public ledger available for inspection by anyone. It does not have privacy features beyond the ability to use a different wallet address. Law enforcement or regulators can use publicly available tools such as block explorers to view spends and associated wallets for spends on the Chia blockchain. For DataLayer, which supports various levels of disclosure of the data in a user’s proprietary database(s), law enforcement or government regulators would be able to observe the public keys of any participant in any specific DataLayer instance. Those public keys will place hashes of the underlying data in each node of the federated database deployed by customers and other users of the Chia blockchain directly on the Chia blockchain. For customers or other users who choose to limit public access to the underlying data, after following the required legal process directed at such users, law enforcement or regulators would be able to compare the underlying data in the database and verify that those updates align with the data reflected on the public blockchain. By way of example, the CAD Trust relies on this capability and has opted to publicly publish all data entered into each federated database by default in order to allow third parties to audit the full life cycle of carbon offsets. Conversely, for patient records and clinical trial integrity, we would expect that a drug manufacturer using a DataLayer to coordinate a stage-three drug trial could, and would, limit access to the underlying clinical trial records to allow only the various hospitals participating in the trial the ability to update their own records and be able to later prove the complete integrity of the database to their regulators.

State of Regulation

We operate in a complex and rapidly evolving regulatory environment and are and may be subject to a wide range of laws and regulations enacted by U.S. federal, state, and local and foreign governments, and regulatory authorities. Accordingly, there is uncertainty regarding the application of certain rules and regulations to open source blockchain companies such as ours and given our novel business model and uncertainty regarding application of some of these laws and regulations, we may become subject to regulatory scrutiny or legal challenge with respect to our compliance with these requirements.

The laws and regulations to which we are subject, and interpretations of those laws and regulations, including those pertaining to blockchain technology and digital assets, are rapidly evolving and increasing in scope. Therefore, we monitor these areas closely and invest significant resources to ensure our business practices evolve to help us comply with the current laws, regulations, and legal standards to which we are subject, as well as to plan and prepare for changes in interpretations thereof, as well as additional laws, regulations, and legal standards that are introduced in the future. The evolving nature of our business and the significant uncertainty surrounding the regulation of the digital assets, blockchain technology, and software companies that develop, maintain, and support blockchain technology requires us to exercise our judgment as to whether certain laws, rules, and regulations apply to us, and it is possible that regulators may disagree with our conclusions. We are not regulated as a CFTC-regulated futures commission merchant, designated contract market, or derivatives clearing organization.

For additional information about the risks related to our regulatory environment, see the section titled “Risk Factors—Risks Related to Legal and Regulatory Matters.”

Our Employees and Human Capital Resources

As of June 30, 2024, we had 46 employees and contractors operating around the world. 18 employees and 14 contractors are focused primarily on research and development activities and 14 employees focus on the administration of the company and implementing our business plan. We also retain academic advisors who consult with management on an as-needed basis in connection with blockchain engineering and cryptography research and development.

	R&D	Operations
Employees	18	14
Contractors.....	14	—
Advisors	2	—

Our two academic advisors are from the Institute of Science and Technology Austria and Stanford University. Pursuant to our agreements with our academic advisors, management consults with the advisors as described above and our academic advisors receive periodic stock-based compensation awards. The agreements automatically renew for successive one-year terms until terminated by either party.

None of our employees are represented by a labor union or party to a collective bargaining agreement. In October 2023, we announced a reduction in workforce to align resources to focus on our core business. While we do not anticipate another reduction in workforce in the foreseeable future, such previous reduction may have a negative impact on our ability to retain current employees and attract highly skilled employees in the future. Nonetheless, we consider our relationship with our employees and contractors to be good.

We identify and recruit talent from the industry and our community who believe in our mission of driving real-world adoption of blockchain technology on the Chia blockchain and purposefully designing the Chia platform and our services to be secure, sustainable, and compliant. Our human capital resources objectives include, as applicable, recruiting, retaining, incentivizing, and integrating our existing and additional employees and contractors. The principal purposes of our equity incentive plans are to attract, retain, and motivate employees, contractors, and directors through competitive compensation packages and the granting of stock-based compensation awards.

We emphasize “Growing at Chia” in our human capital management with the following core values:

- *Plant roots in trust.* We are a transparent, high-integrity team that respectfully communicates and effectively collaborates.
- ** Sprout innovation.* We are resilient and persistent as we find new user-centric ways to bring better blockchain to all.
- *Work sustainably.* Our actions support team growth, company success, celebration, and time to recharge.

A majority of our employees and contractors work remotely, and we allow for flexible core work hours based on location to ensure a minimal functional overlap with our management. We believe our employees, contractors, and advisors are some of the strongest engineers and cryptographers in the world engaged in working on the latest protocols and research.

Our Facilities

Although a majority of our employees and contractors work remotely, we maintain a corporate headquarters. Our corporate headquarters is located in South San Francisco, California, where we lease office space. We believe that our existing facilities are sufficient for our near-term needs. We believe that suitable additional alternative spaces will be available in the future on commercially reasonable terms, if required.

Legal Proceedings

We are not a party to any material pending legal proceedings. We may be subject to legal proceedings, claims, and investigations from time to time in the ordinary course of business. We cannot predict the results of any such proceedings, claims, or investigations, and despite the potential outcomes, the existence thereof may have an adverse material impact on us due to diversion of management time and attention as well as the financial costs related to resolving such matters.

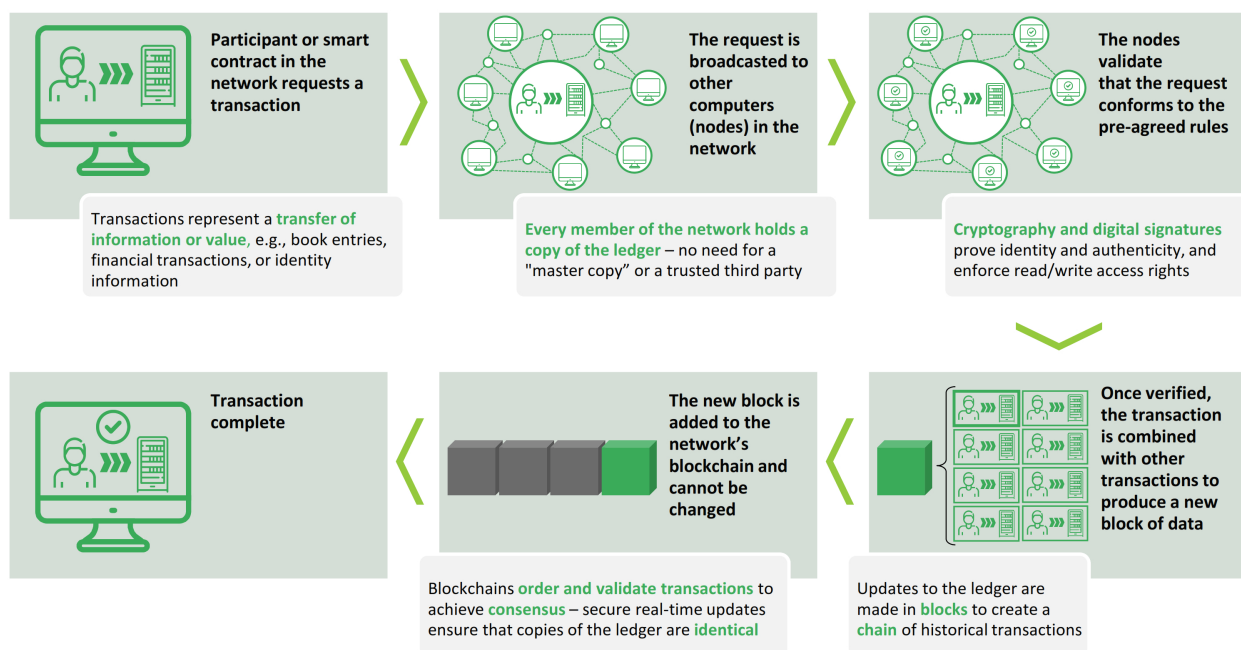
BLOCKCHAIN 101

A blockchain is a decentralized, distributed ledger (or database) that stores records across a network of computers (or nodes) in a secure and transparent system. Each node holds a copy of the database, which can be audited by the public, offering inherent security benefits. Adding a record to the ledger is commonly referred to as a transaction. Transactions are recorded in blocks and linked together in a chain, hence the term blockchain.

The system is designed to be append only, meaning new records may be added to update information, but prior records cannot be altered. On a blockchain, each block contains the information of all prior blocks making it nearly impossible to alter past records. The transparent and distributed nature of a blockchain makes it a trusted way to store digital information such as records of ownership or transactions.

A complete transaction needs three things: validation of the transaction, inclusion into a block, and the payment of a transaction fee. The figure below illustrates a typical transaction on the blockchain.

Figure 1



Blockchain Data Storage: Coin Model and Account Model

There are two primary models by which blockchains store information: the Coin model and the Account model. The type of model dictates the rules around the validation of transactions and blocks for inclusion.

The Coin model is simpler and more secure than the Account model. Validators must check previously confirmed transactions to determine whether the user of a coin has ownership of the coin in question. If so, the transaction can be placed into the next block and confirmed as valid by the rest of the network of validators.

The Account model is a list of owners and amounts. Transactions interact with a centralized, monolithic smart contract (for example, smart contract standards including ERC-20 assets and ERC-721 NFTs) to alter ownership of accounts and amounts.

The core difference between the Coin model and Account model is that transactions in the Coin model only need access to the specific coins involved in the transaction. For example, when transacting in cash, the greatest risk is that your cash is stolen and your goods are never delivered (risk is limited to the value you are transacting) while the greatest risk when transacting with a debit card is that your debit card is stolen and all of your money in your

bank account is stolen (risk expands to the amount of capital held in the account). In this example, cash is equivalent to the Coin model while the debit card is equivalent to the Account model. Transactions in the Account model must interact with a smart contract that has access to all accounts and values to change the state of ownership of coins. By extension, the Account model requires users to trust that the monolithic smart contract is not exploitable. There may be a risk in the Account model that a contract administrator is hiding a backdoor or that hackers can find accidental back doors. In some cases contract administrators may have complete control of the smart contract both historically and going forward. In practice, this would allow a single party to have control over all financial value and transactions of the affected smart contract.

In the Coin model, each validator in the network contains the previously agreed upon history of the blockchain. The validators who are not proposing the block run the proposed list of changes paired with their history through a cryptographic hash function. If a given validator's hash function returns the same nonce as the proposed block, that validator can attest that the previously agreed upon history of the blockchain is correct and was not incorrectly altered by the block proposer. The validators will also attest that all digital signatures necessary for each transaction to occur are correct.

Bitcoin and the Chia blockchain use the Coin model (sometimes referred to as the UTXO model for Bitcoin), while Ethereum uses the Account model.

Coin Model

Block Number	List of transactions	Block Number	List of transactions	Block Number	List of transactions
1	T1	2	T1 -> T4	3	T3 + T6 -> T7
Previously Agreed Upon History	T2 T3	Previously Agreed Upon History T1-T3	T2 -> T5 T3 -> T6	Previously Agreed Upon History T1-T6	T2 + T5 -> T8 T1 + T4 -> T9

Account Model

Unique ID (Nonce)	List of transactions	Unique ID (Nonce)	List of transactions	Unique ID (Nonce)	List of transactions
1	T1	2	T4	3	T7
Previously Agreed Upon History	T2 T3	Previously Agreed Upon History T1-T3	T5 T6	Previously Agreed Upon History T1-T6	T8 T9

Interactions with the Blockchain

Users interact with a blockchain in three ways: by using a wallet to do transactions (the most common form of interaction), by running a validator, or by using a combination of wallets and validators. Examples of interactions with a blockchain include people buying NFTs to support their favorite creator or enterprises buying carbon credits to offset their carbon footprints.

Wallets

For users to send and receive transactions, users must first set up a wallet. A wallet holds the user's private key, which is used to sign transactions, confirming that a user is in control of its digital assets. There are currently two types of wallets: custodial and self-custodial. With a custodial wallet, a centralized entity holds the private key, and with a self-custodial wallet, the user holds the private key. There are risks to both types of wallets. If a user with a self-custodial wallet loses its private key, the user will lose access to its funds. Custodial wallets operate more similarly to how banks work today, meaning the digital assets held in those wallets are assets of the user and liabilities of the centralized entity that created the wallet. However, there is no depository insurance for digital assets, meaning users are subject to the risk that the centralized entities remain solvent. Chia Network has sought to

address this issue for users of the Chia platform by creating more advanced mechanisms for self-custody that allow for a unique system of backup wallets.

Once a user decides which type of wallet they would like to use, they get a wallet from a wallet provider's website by signing up for the custodial wallet or downloading the software for a self-custodial wallet. To get a wallet on the Chia platform, a user would go to the Chia Network home page and click download, which begins the process of creating a self-custodial software wallet.

Once a user has a wallet, it has the tools to submit a transaction to the blockchain (as seen in Figure 1).

On the Chia blockchain, if a user would like to trade its XCH – the native coin of the Chia blockchain – for a U.S. dollar stablecoin, then the user would navigate to a bulletin board, such as Dexie, to connect with other users who would like to trade a U.S. dollar stablecoin for XCH. Once on the website, the user can look through available Offers until it finds an attractive deal. The Offer will have a link that the user can copy and paste into its wallet application. Once the link has been submitted in the user's wallet application, the wallet will confirm that the Offer is still available and that the user's wallet has the appropriate funds to complete the transaction. Then, the wallet application presents a confirmation screen for the user to review and confirm. If confirmed, the process in Figure 1 above begins.

While this is the process for the Chia blockchain, it differs in principle from other blockchains. For example, to trade coins on other blockchains, users must interact with a smart contract-managed pool of coins containing both the coin the user wishes to exchange and the coin the user wishes to receive in the trade. To facilitate trading, liquidity providers must trust the smart contract to correctly use their capital to facilitate exchanges, while users must always be willing to transact at the prevailing market price, as dictated by a special smart contract called an oracle.

Validation

Validation occurs through a consensus mechanism, which is discussed in detail below.

Validation involves validators and miners. Validators are special types of blockchain users who have the responsibility to attest that transactions follow the rules set out by the blockchain itself. Validators are those who do not fulfill the requirements set by a consensus mechanism to propose a given block. To the contrary, a miner is a temporary title given to the validator who does fulfill the requirements set by the consensus mechanism. After a miner proposes a block, they are rewarded if the block is successfully added to the blockchain and their status reverts to that of a regular validator on the next block.

Consensus Mechanisms

Overview

The consensus mechanism of a blockchain is the set of ideas, incentives, protocols, and social constructs that enables a distributed set of nodes or validators to agree on, or “validate,” the current state of the blockchain. In a given consensus mechanism, the protocols in place reward good actors and punish bad actors, control how blocks are chosen when there is a split decision among what block is placed at a certain position in the blockchain, decide how miners are chosen, and offer economic incentives.

Proof of Work, Proof of Stake, and Proof of Space and Time are three consensus mechanisms.

- **Proof of Work.** Proof of Work is like a race to find a random number that meets the criteria set by consensus. For example, on the Bitcoin blockchain, as of March 31, 2023, miners are trying 337,314,061,631,000,000,000 random numbers per second. The consensus mechanism is the underlying function that sets the difficulty and rules by which the cryptographic puzzle must be solved. In Proof of Work, mining is the way in which blocks are added to the blockchain, and miners complete work in order to receive a financial reward. Miners compete with one another to propose the next block by using powerful semiconductors made specifically to solve a single cryptographic function. To win the next block, the miner must produce a valid hash that is representative of the entire blockchain up until that point paired with a

Bitcoin block 776,540, the valid hash was
0000000000000000062ef9d8ef2743f927972eaf2db53180f77481a8f43984, utilizing nonce 2428577321.
The number of preceding zeros required (19 in the above hash) is set by the difficulty function, which is
changed every two weeks on the Bitcoin blockchain.

In Proof of Work, the objective is to have the longest blockchain, which requires the most work done by miners. To hijack the blockchain, a malicious miner would need to have over 50% of the total computing power on the blockchain to create malicious and valid blocks faster than the rest of the network. While this is technically possible, the investment in single-use computing resources and energy usage would likely inhibit or surpass the benefits of hijacking the blockchain.

- **Proof of Stake.** Proof of Stake consensus employs validators instead of miners, random validator selection instead of cryptographic work for the next block, and direct financial exposure instead of indirect exposure through the purchase of application-specific integrated circuits (“ASICs”) and energy cost. Similar to miners, validators are competing for a financial reward in return for their efforts; however, in this consensus mechanism, “the rich get richer.” A digital asset holder who does not have the minimum amount to stake risks losing the ability to gain staking rewards and being diluted over time.

To be a validator, one must stake, or lock up, a certain amount of financial assets. The job of the validator is to stand ready to receive incoming prospective blocks, check the signature of the block (to ensure that it has not violated the immutability of transactions that occurred prior to the block), execute transactions in the block (including a process to ensure there are no resulting errors), and provide the network with an attestation that it believes the block is valid to add to the broader blockchain.

Within a Proof of Stake system, there is often a system of slots (areas of blocks to fill) and epochs (sets of slots). A committee of validators is chosen at random from the global set of validators in each epoch, and these are the validators whose votes will count in the selection of blocks. Out of this committee of validators, a block builder is selected to propose a block in each of the slots of the epoch.

If a validator does not vote or attest when it is called upon, it will lose out on rewards. If a validator is dishonest by creating contradictory attestations or producing too many blocks in order to trick the system, for example, a percentage (up to 100% depending on the severity of their dishonesty) of their locked value will be taken from them and burned.

Due to this risk of losing funds, validators tend to outsource the complexities of staking to centralized exchanges and pools. The act of delegating capital to centralized entities creates third-party risk for users and results in centralized control of the blockchain. For instance, in February of 2020 after Tron acquired Steemit, the community sought to invoke a new, exact copy of the Steemit blockchain that would reduce the voting power that Tron and Steemit would have in the system. In March 2020, Tron was allegedly able to coordinate with three custodial staking providers who utilized delegated capital to retain control of the blockchain. This example highlights the risk of stake delegation on Proof of Stake blockchains, specifically the risk that a small number of centralized stakers could use delegated funds to take control of blockchains.

- **Proof of Space and Time.** PoST is an innovation that builds upon Proof of Work, solving key issues in security and sustainability. Farmers do a small amount of work upfront when they plot their storage capacity with Proof of Space. Once plotted they can farm the storage for as long as they wish. In order to win a block, a farmer's Proof of Space must closely match the challenge presented by the blockchain. This method solves the problem of proving effort with a fraction of the energy usage by using commodity hardware instead of specialized ASICs. Since the act of searching allocated storage for a challenge number is extremely inexpensive and quick, the second component, time, is controlled by a VDF. A VDF takes

wall-clock time to compute but is simple to verify. Proof of Time paired with Proof of Space creates random challenges for farmers as the outcome of the VDF cannot be predicted. It also makes it more difficult for a large holder of storage to hijack the blockchain. PoST is more secure than other consensus mechanisms because there is a limited amount of highly sought-after storage available for sale or rent, making it difficult for an attacker to amass a large amount of storage. The opportunity cost of repurposing existing and in-use storage is high. It is estimated that there is approximately three zetabytes of unused storage available out of 11 zetabytes of storage in the world. Since the three unused zetabytes are distributed across all devices and data centers in the world, it is nearly impossible for an attacker to recruit sufficient storage to control the consensus mechanism. PoST provides a better natural incentive to profitably dedicate this unused space to the network. Further, one of the strengths of the Chia blockchain is that running a validator is not a resource-intensive process and users do not need to have a strong technical background to run a validator. In fact, the download to run a validator is the same as the download for a wallet. All users have to do is allocate space on their computers, and the program will run itself in the background.

Hashing

All consensus mechanisms rely upon cryptographic hashing. For instance, SHA-256 is a function where a random 256-bit string is generated given a current data set. SHA-256 and other similar hash functions are deterministic functions, which given an input create the same unique output. These functions allow blockchains to ensure that, given a set of transactions and a specific random number, no one has tampered with the previously agreed upon history. Since the function is deterministic, if a malicious validator suggests a block with an altered history, when the remaining validators check the history, the suggested changes, and the random number, the remaining validators will receive a different 256-bit string. This difference in a 256-bit string indicates that the malicious validator altered the previously agreed upon state prior to suggesting the block.

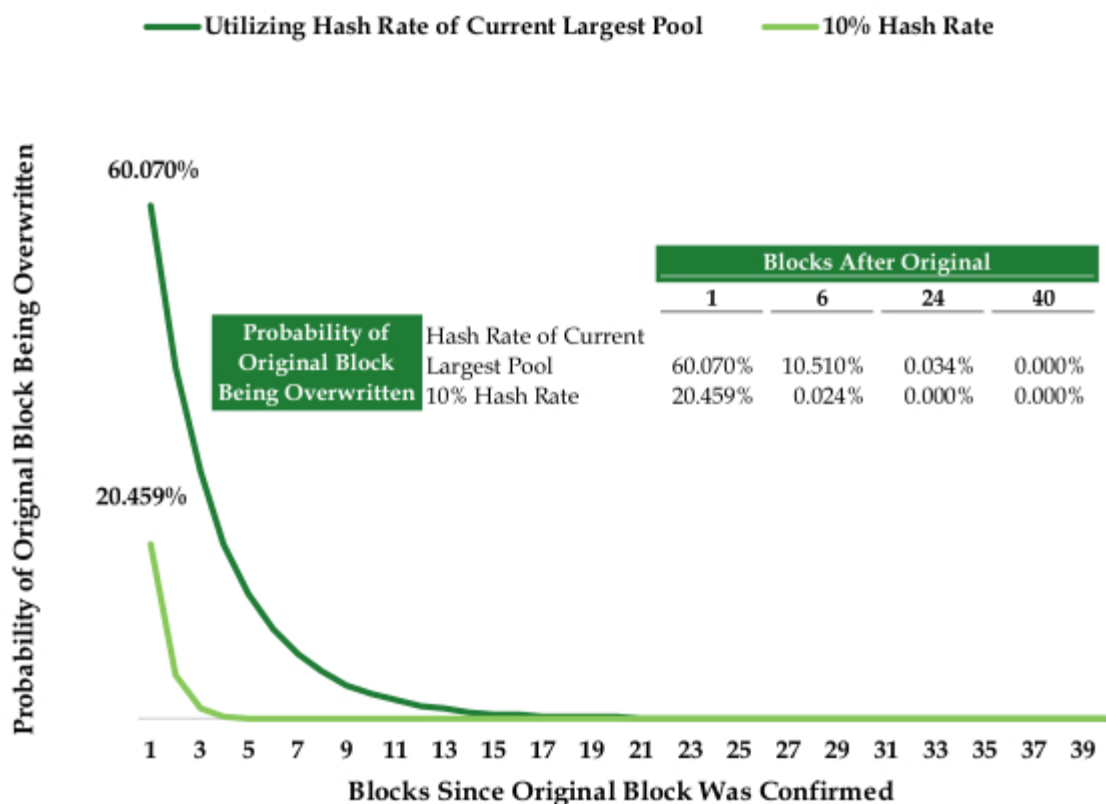
Finality

A core concept of every consensus mechanism is how it reaches finality. In other words, how long, generally, does a user have to wait to ensure that a transaction that was just made is not reverted or nullified.

In Bitcoin's Proof of Work consensus mechanism, finality is determined by a Poisson distribution, as described in the Bitcoin whitepaper. Bitcoin's finality is widely considered to be six blocks (which takes approximately one hour); however, a period of six blocks was determined by relying on an assumption that the largest miner owns only 10% of the computing power. Per blockchain.info, as of March 31, 2024, the largest mining pool, Foundry USA, controlled 28.2% of the hash rate over the seven-day period preceding March 31, 2024. As shown in the graphic below, running the calculation present within the Bitcoin whitepaper to determine probability of finality, as of March 31, 2024 after six blocks the probability of reorganization is 10.5%. Further, to achieve the same 99.9% certainty as cited in the Bitcoin whitepaper, it is necessary to wait 21 blocks (approximately four hours). This probability is determined through a Poisson distribution because Bitcoin believes that the longest blockchain must be true (because the amount of energy and effort is the greatest). In practice, this means that whichever blockchain has the most blocks will become the main blockchain. Greater than 50% attacks work because its malicious actor (controlling >50%) can, on average, create blocks faster than the rest of the network and therefore their malicious blockchain will eventually become longer than the non-malicious one. Despite such attacks being possible for short-term changes in block history, the difficulty of solving for the random string necessary to create a block ensures that

wall-clock time must pass between blocks being created. Therefore, it is extremely difficult for a long-range attack that attempts to re-write history beyond a few hours to catch the main blockchain.

Probability of Finality as of March 31, 2024



In contrast, finality is reached in Proof of Stake through checkpoints. For instance, the Ethereum blockchain places a checkpoint in each epoch (32 blocks or approximately six minutes). To reach finality, a block needs to have two preceding checkpoints confirmed by over 66% of validators. This means that finality can theoretically be blocked by one-third of validators. Although there are methodologies to counter this behavior, there could be disruption. Also, in contrast to Bitcoin's Proof of Work, Proof of Stake does not have an inherent time delay, either explicitly or through computational necessity, making Proof of Stake blockchains susceptible to long-range attacks. In addition to being susceptible due to not having a mechanism that forces wall-clock time to pass, finality is additionally elusive due to the prevalence of the tool for confirmation, in this case, financial assets. There are many known ways to cheaply inflate perceived financial asset ownership in the short term (such as loans or derivatives), while it is more difficult to rent energy capacity and specially manufactured ASICs for short periods of time.

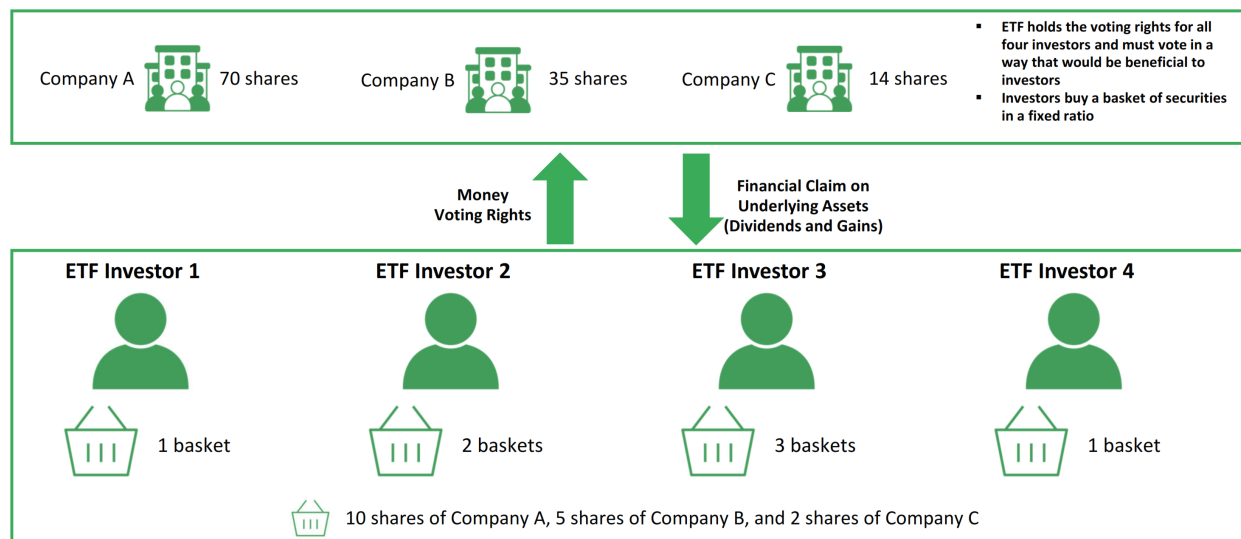
Within PoST, finality is probabilistic, similar to Proof of Work in Bitcoin, but faster and it can be assumed to exist after eight blocks (which takes approximately two and a half minutes). Once a transaction is included in a block, the next two blocks take approximately 38 seconds to confirm the blocks into the blockchain. During this period an attacker could build an alternate blockchain using those next two blocks in both blockchains. After that, the attacker would need to find and collude with each validator of the next block in order to successfully maintain the length of an alternate blockchain. We assume that this gets twice as hard for each additional block. If we assume that there is a 50% chance that the attacker could successfully collude with the validator of each block then the passage of six more blocks leaves a 0.78% chance that the attacker could find and successfully collude with all six validators within approximately two minutes. PoST's utilization of a mixture of light computational necessity paired with wall-clock time solves the problems of long-range attacks while also reducing environmental impact. Additionally, the difficulty of sourcing large amounts of storage, the opportunity costs of a large amount of storage, and the decentralized nature of existing device storage make it difficult to artificially inflate perceived storage.

Usage of storage is also a major reason that PoST outperforms Proof of Work in Bitcoin. Per Allied Market Research, the value of the Bitcoin Mining Hardware market was \$528.9 million in 2021 and is projected to reach \$1.7 billion by 2031. Conversely, IDC estimates that total spending by consumers and enterprises for the installed base of storage media in 2021 reached an estimated \$370.0 billion. Competition for the acquisition of new storage is ultimately greater than demand for specialized mining equipment (e.g., ASICs), which adds another layer of defense to PoST's finality.

Pooling

When validators aggregate their computational power (Bitcoin), staked capital (Ethereum), or storage (Chia blockchain) it is referred to as pooling. Pooling is beneficial because it allows for smoother earnings. For example, if a validator controls 0.5% of the hashrate on Bitcoin and is not in a pool, the likelihood that it wins a block and gets paid for its energy usage in a single day (assuming one block every 10 minutes) is 51.4%. Pooling allows the validator to take its 0.5% and add it to an already aggregated 10% of the hashrate, thus increasing the odds of winning a block in a day to over 99.9%. Even though the validator only receives its portion of the pool as a payout, the payout becomes more certain.

On Bitcoin and Ethereum, pools are typically delegated. Delegated pools are similar to exchange-traded funds ("ETFs") in that, even though a validator controls its power, it forfeits its validating power to the pool owner. For ETFs, owners delegate their ability to vote to the firm managing the ETF. Delegation may create misalignment of incentives, because the owner managing the pool does not have the same amount of financial risk as the validator who is placing its money or computational power at risk. On the Chia blockchain, we created a pooling protocol where financial payouts are separated from the method of voting by enabling validators to create blocks independently of their pool.



Evaluation of Consensus Mechanisms

Not all validation mechanisms are created equally. Consensus mechanisms are generally evaluated by using the Nakamoto Coefficient as well as by assessing their environmental impact. The Nakamoto Coefficient is the fewest number of entities that can exercise control over or significantly hinder a blockchain's ability to reach finality. In PoST, this would be more than 50% control, but for many Proof of Stake blockchains this can be 33.33% control. We believe there are four important factors to consider when evaluating consensus mechanisms.

- **Randomness of validator selection:** It is imperative that validator selection has proven randomness because network participants need to be able to trust that the entity with which they are transacting is not able to manipulate the execution of the transaction. This manipulation can either be through omission or predatory trading. For instance, in Ethereum, the set of validators voting on and proposing blocks is made

public within every epoch (32 blocks); however, even if users rarely check the list, publication of the list exposes validators to network attacks.

- **Number of validators:** Often too much importance is given to the number of validators on a system. There could feasibly be 100,000 validators, yet still a Nakamoto Coefficient of one because even if there are a lot of participants in such a blockchain network, there is effective consolidation of resources for validation. Even if there is consolidation, the number of validators is relevant given the element of randomness in the system. A large system is still a better system, but it must have some measure of resource separation between the validators to effectively secure the system.
- **Concentration of resource for validation:** In the Proof of Work ecosystem, the resource for validation is computing power for use in the cryptographic function. This means concentration is constrained by both access to cheap energy as well as the ability to obtain high computational power miners. Even with both of these constraints, the Nakamoto Coefficient for Bitcoin has hovered around two for the seven-day period ending March 31, 2024. In Proof of Stake, the resource is access to capital. More money leads to more validators which leads to more consolidated control. In Ethereum's case, they claim over 500,000 validators (however, according to ethernodes.org on March 30, 2024, there was a maximum of only 4,236 unique computers validating) but a Nakamoto Coefficient of one², two to reach more than 33.3% (Lido and one of Coinbase, ether.fi, or Binance), or five to reach more than 50% (Lido, Coinbase, ether.fi, Binance, and Kiln).
- **Environmental impact:** With regard to all benefits, environmental implications should also be considered, specifically whether the consensus mechanism consumes a significant amount of electricity and generates single-use semiconductor waste.

Transactions and Transaction Fees

Transaction fees are incentive payments to validators for securing the network. The payment is also necessary to increase efficiency and security and reduce spam on the blockchain by disincentivizing unnecessary transactions.

Once a transaction has been submitted by a user or a smart contract (which is discussed in more detail in the section titled “—Going Further – Using a Smart Contract” below), the transaction will move to the mempool. The mempool is a waiting area for transactions. Each transaction has a fee that the requester of the transaction is willing to pay for inclusion in a block. This pool of transactions is broadcast between validators and is used by validators when they are chosen to propose a block.

Validators in Proof of Stake, miners in Proof of Work, and farmers in PoST use the mempool to create valid blocks of transactions. Block proposers are chosen either randomly, via being quickest to solve for a specific outcome (i.e., 20 preceding zeros produced by the hash function), or via a combination of outcomes and randomness (i.e., space and time). The block builder is then rewarded both by the blockchain with new coins and by the requestor with transaction fees in existing coins for their efforts.

Blocks are then confirmed by the rest of the network in order to ensure the transactions are valid and the block builder has not incorrectly altered the past state of the blockchain. Validators ensure that the valid execution of all transactions in the proposed blocks, the correct parent, and all aspects of the proposed block can be recreated using the state of the existing blockchain, which all validators expect. It is this validation effort that ensures the immutability of blockchains.

With the process now complete, the transaction of the user mentioned above who wanted to trade its XCH for a U.S. dollar stablecoin has made its way into a block and has been confirmed on the blockchain. It is at this point that the blockchain updates its state and the XCH is deducted from the user's wallet and the U.S. dollar stablecoin is added and vice-versa for the counterparty.

² At the Science of Blockchain Conference 2022, Vitalik Buterin described a “partially automated” process to communicate, message, and push users toward one of multiple competing blockchains during certain types of attacks on the grounds that “fully automating recovery from consensus failure implies... solving consensus” within Ethereum. A single actor such as Mr. Buterin, a large staking pool such as Lido, or a large asset issuer such as Tether, could potentially influence selection of a blockchain single-handedly.

An Account model is very similar to how a bank account works. When wallet A sends money to wallet B, wallet A's balance decreases while wallet B's balance increases. The wallet itself is defined by a private key on a network and therefore the wallet becomes a bank account which is controlled by the user. What is important to note is that account states are what is incremented and decremented in each block. As a result, the input and output state of blocks, which reduces the ability to increase transactions per second, is incredibly important. Account models tend to make smart contracting environments slightly easier for developers while the Coin model offers clear efficiency and security benefits. In short, the Account model is more of a computational-focused model where users submit transactions which tell nodes how their account should be altered in the next state.

In the Coin model, users submit transactions that specify the end result of the change in state, such as the new coins that are spendable by each user. Nodes then verify that the coins utilized in each transaction are unspent and that the coins being spent are owned by the private key making the request. In this system, each coin is locked by the private key which owns it. This is an important fact for security, as it requires every private key that has coin ownership to be broken in order for the user to take control of funds. Conversely in the Account model, taking over the key that can alter the smart contract would result in the loss of control of all funds.

Going Further – Using a Smart Contract

There are multiple ways that a transaction can be submitted to a blockchain. A user can submit a transaction for evaluation through a wallet or an application can submit a transaction. Applications use smart contracts to interact with the blockchain. A smart contract is a digital, code-based agreement that is automatically executed when predetermined terms and conditions are met. The key characteristics of a smart contract are automation and predetermination. These characteristics expand the viability of smart contracts beyond a traditional transaction in order to optimize capital movement, workflow automation, auditability of compliance, and more.

For example, if a user goes to Dexie hoping to trade and there is no Offer for trading U.S. dollar stablecoins for XCH, then Dexie, in concert with a user's wallet, enables the user to make an Offer by defining the terms that are acceptable – this is an example of interacting with a smart contract. The user will pre-accept any Offer within that range. Instead of being charged before the Offer is accepted, the user will be charged by the contract at precisely the same time as the counterparty when the Offer is accepted and executed, without the need for funds in escrow or margin from Dexie. Since this transaction is pre-signed and automatically executed, trust is an unnecessary component of the ecosystem.

Workflow automation and compliance auditability reduce the ability for mistakes to occur in the normal course of business. For example, managing a loan with an automated code base reduces the potential for human error. When contracts are signed, the payments are automatically defined and the ability to prepay is included directly into the smart contract code. Regular payments are automatically recorded, and the loan is adjusted accordingly. When a customer then chooses to prepay their loan, a human being is not required to adjust balances. Instead, the loan is immediately removed from the records of the bank. The lender's audit is greatly simplified and there are no unintended repayments or charges to the debtor customer.

Blockchains give everyone the opportunity to put less trust in people and more trust in math. We believe blockchain technology will lead to significant increases in trust and efficiency in developed markets that enjoy functional financial systems. We also expect this will cause profound positive changes for the approximately four billion people who do not have the luxury of being a part of the Dollar, Euro, Yen, or Pound geographies. We believe blockchains and smart contracts will enable information, markets, and transactions to be more trustworthy.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of March 31, 2024:

Name	Age	Position(s)
<i>Executive Officers and Employee Directors:</i>		
Bram Cohen	48	Chief Technology Officer, Chairman, and Director
Gene Hoffman, Jr.	48	Chief Executive Officer, President, and Director
Misha Graboi	48	Chief Financial Officer
Thomas C. Chow	45	Chief Legal Officer and Secretary
<i>Non-Employee Directors:</i>		
Effie Datson ⁽¹⁾	54	Director
David Frazee ⁽¹⁾⁽²⁾	54	Director
Noor Menai	59	Director
Chuck Stoops ⁽¹⁾⁽²⁾	61	Director

* Lead Independent Director

(1) Member of the audit committee of our board of directors.

(2) Member of the compensation committee of our board of directors.

(3) Member of the nominating and corporate governance committee of our board of directors.

Executive Officers and Employee Directors

Bram Cohen is our Founder and has served as our Chief Technology Officer since January 2023, previously served as our Chief Technology Officer from September 2018 until July 2019 and has served as Chairman of our board of directors since September 2018. He has served as a member of our board of directors since August 2017. From August 2017 to September 2018 and July 2019 to January 2023, Mr. Cohen served as our Chief Executive Officer. He also served as our President from August 2017 to December 2017 and July 2019 to December 2019. Prior to founding Chia Network, Mr. Cohen founded BitTorrent, Inc., a software company for peer-to-peer communications and served as Founder from July 2003 to August 2017.

We believe Mr. Cohen is qualified to serve as a member of our board of directors because of the perspective and experience he brings as our Founder, former Chief Executive Officer, and current Chief Technology Officer.

Gene Hoffman, Jr. has served as our Chief Executive Officer since January 2023 and as our President and a member of our board of directors since December 2019. From December 2019 to December 2022, Mr. Hoffman served as our Chief Operating Officer. Mr. Hoffman was an advisor to us from September 2017 until December 2019 when he joined Chia Network full time. From September 2003 to December 2016, Mr. Hoffman served as Chief Executive Officer and Chairman of Vindicia, Inc., a subscription payments company that was acquired by Amdocs Ltd. in September 2016. From January 1998 to May 2002, Mr. Hoffman co-founded and served as Chief Executive Officer, President, and a director of Emusic.com Inc., a publicly traded online music store, which was acquired by Universal Music Group in April 2001.

We believe Mr. Hoffman is qualified to serve as a member of our board of directors because of his extensive knowledge building and scaling companies across connected industries, including enterprise software and software-as-a-service (“SaaS”), consumer subscriptions, cryptography, and software development, and his perspective as our President and Chief Executive Officer.

Misha Graboi has served as our Chief Financial Officer since May 2021. From April 2019 to June 2020, Mr. Graboi served as Chief Executive Officer of Delta-V Global Management Pte. Ltd., a consulting firm to asset management companies. From August 2008 to December 2018, Mr. Graboi served in various roles at Pacific

Alternative Asset Management Company/PAAMCO Prisma (“PAAMCO”), an investment firm, most recently as Chief Executive Officer for PAAMCO Asia Pte. Ltd. Mr. Graboi served as Executive Director and Head, European Internet Equity Research of Goldman Sachs, an investment bank, from June 2000 to December 2001. Mr. Graboi earned his Chartered Financial Analyst Designation (CFA) in September 2010. Mr. Graboi holds a B.S. from Georgetown University, a J.D. from Harvard Law School, and an M.B.A. from Harvard Business School.

Thomas C. Chow has served as our Chief Legal Officer and Secretary since November 2021. From July 2018 to October 2022, Mr. Chow served as General Counsel and Secretary for PubMatic, Inc., a publicly traded specialized advertising cloud infrastructure provider. From November 2017 to July 2018, Mr. Chow served as Senior Counsel, Media and Technology for Snap Inc., a publicly traded camera and social media company. Mr. Chow also served as General Counsel, Chief Compliance Officer, and Secretary for Exponential Interactive, Inc., an ad tech company, from February 2014 to October 2017; as Vice President, General Counsel for Vindicia, Inc., a subscription payments company, from October 2011 to February 2014; and as Director and Associate General Counsel for TechSoup Global, a technology nonprofit organization from November 2008 to October 2011. Mr. Chow has served as a member of the board of directors of Cryptsonic Technologies Inc., a digital rights management technology company, since August 2016 and as an advisor to BiBo Labs Inc., a retail supply chain software company, since January 2015. Mr. Chow holds a B.A. from the University of California, Berkeley and a J.D. from the University of California, College of the Law, San Francisco.

Non-Employee Directors

Effie Datson has served as a member of our board of directors since June 2023. Since August 2023, Ms. Datson has served as Chief Operations Officer & Head of Business Development and a Designated Member for NewAg Partners LLP, an investment platform for regenerative agriculture and sustainable agribusiness. Ms. Datson has served as the President and a director of EK Datson Capital, Inc. since June 2023 and has served as a non-executive director of Wienerberger AG since May 2023. From August 2022 to December 2022, Ms. Datson served as a Company Director at London-based fintech K.i. Markets (Holdings) Ltd and K.i. Markets Ltd. From June 2020 to July 2022, she served as Global Head of Family Office at Barclays Private Bank and from April 2018 to January 2020 as Senior Managing Director, Head of Hedge Funds at Union Bancaire Privée. From May 2015 to October 2017, Ms. Datson was a Senior Managing Director at State Street Corporation, a publicly traded global custodian, where she was a key member of InfraHedge, the alternatives managed account platform. From July 2007 to May 2015, Ms. Datson served as a Director at Deutsche Bank AG, between 2002 and 2007, she was an investor, trader, and researcher at two quantitative algorithmic hedge funds and one fund of hedge funds, and from June 1997 to December 2001 as Vice President, Foreign Exchange at Goldman Sachs & Co. LLC. She is also the founder and former Board Chair of 100 Women in Finance in EMEA where she served from 2006 to 2018. Ms. Datson holds a B.A. from Harvard University and an M.B.A from Harvard Business School.

We believe Ms. Datson is qualified to serve as a member of our board of directors because of her extensive experience in the financial services, capital markets, and fintech sectors.

David Frazee has served as a member of our board of directors since May 2021. Mr. Frazee has served as a managing partner of Richmond Global Ventures, a venture capital firm, since September 2013. Mr. Frazee also co-founded Demystifying Silicon Valley, an educational forum for venture capital investors and entrepreneurs, and has served as its Chief Executive Officer since June 2020. Mr. Frazee was a partner at K&L Gates LLP, a law firm, from February 2010 to August 2013. Mr. Frazee holds an A.B. from Stanford University and a J.D. from the University of Michigan Law School.

We believe Mr. Frazee is qualified to serve as a member of our board of directors because of his experience in the venture capital industry and his knowledge of SaaS technology companies.

Noor Menai has served as a member of our board of directors since August 2023. Mr. Menai has served as the Chief Executive Officer and President of CTBC Bank USA and as President of the associated bank holding company, California Capital Corp, since November 2012. Prior to that, he served in several other senior roles at CTBC Bank since first joining in January 2011. From September 2007 to May 2009, Mr. Menai served as the co-founder and managing director of Fajr Capital, a sovereign wealth fund-based investment fund. He also served as

Chief Executive Officer and President of Charles Schwab from October 2006 to August 2007. Prior to that, he served in several senior domestic and global roles for Citigroup from 1997 to 2006. Mr. Menai has served as a committee member of the Federal Reserve Bank of San Francisco's Community Depository Institutions Advisory Council since January 2022, on the board of directors for CTBC Bank USA and California Capital Corp since November 2012, and on the board of directors of the International Bankers Association of California since June 2012. Mr. Menai holds a B.A. from the University of Rochester and an M.B.A from the University of Rochester William E. Simon Graduate School of Business Administration.

We believe Mr. Menai is qualified to serve as a member of our board of directors because of his extensive experience in the global banking and fintech sectors.

Chuck Stoops has served as a member of our board of directors since December 2020. Since August 2024, Mr. Stoops has served as a principal and board director at Aperture Capital S.A., a Switzerland-based provider of capital and growth services to financial technology companies. From October 2022 to December 2023, Mr. Stoops was the General Counsel and later Chief Strategy Officer of Tradeshift, a digital supply chain and payment automation platform. From January 2019 to January 2022, Mr. Stoops served as a director for Universal Platform S.A. and from June 2015 to February 2017 as a director for SnapSwap International S.A. From October 2014 to November 2015, Mr. Stoops served as Chief Legal Officer, Secretary and Chief Data Protection Officer of Rakuten Europe Bank S.A. Mr. Stoops served in various roles at PayPal, Inc., then owned by eBay Inc., including as Corporate Counsel and Chief Data Protection Officer from 2013 to 2014, and as Deputy Chief Financial Officer and Head of Tax from 2004 to 2010. From 2012 to 2013, Mr. Stoops served as Head of Finance, International of Netflix, Inc., a publicly traded subscription video service and production company. Mr. Stoops holds a B.A. from Washington & Jefferson College, a J.D. from the Pepperdine University Rick J. Caruso School of Law, and an L.L.M. from Georgetown University Law Center.

We believe Mr. Stoops is qualified to serve as a member of our board of directors because of his extensive experience in the financial services and fintech sector and his knowledge of the industry in which we operate.

Relationships

There are no family relationships among any of our executive officers or directors.

None of our executive officers or directors serve as officers or directors of other companies or entities in the blockchain or digital asset industry.

Board Composition and Election of Directors

Our board of directors currently consists of six members. Under our sixth amended and restated certificate of incorporation and our amended and restated voting agreement by and between the company and those certain stockholders named therein, dated April 18, 2023 (the "Voting Agreement"), in each case as in effect prior to the completion of this offering, our directors were elected as follows: Bram Cohen and Gene Hoffman were elected by holders of our common stock, voting together as a separate class; David Frazee was elected by the holders of our convertible preferred stock, voting together as a separate class; and Effie Datson, Noor Menai, and Chuck Stoops were elected by certain holders of our common stock and convertible preferred stock, voting together as a single class. In connection with this offering, the provisions by which the directors are elected in our amended and restated certificate of incorporation will be amended, and the Voting Agreement will terminate. As a result, after this offering, there will be no contractual obligations regarding the election of our directors.

After this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Each of our current directors will continue to serve until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal.

Director Independence

Our board of directors has undertaken a review of the independence of each director and, based on the information provided by each director concerning his or her background, employment, and affiliations, our board of directors has determined that Effie Datson, David Frazee, Noor Menai, and Chuck Stoops qualify as independent directors in accordance with the rules. Under the rules, the definition of independence includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his or her family members has engaged in various types of business dealings with us. Our board of directors has made a subjective determination as to each independent director that no relationships exist that, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Bram Cohen and Gene Hoffman are not considered independent by virtue of their positions as our Chief Technology Officer and Chief Executive Officer, respectively. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's relationships as they may relate to us and our management, including the beneficial ownership of our capital stock by each director, and the transactions involving them described in the section titled "Certain Relationships and Related-Party Transactions."

Lead Independent Director

Our board of directors has adopted, effective prior to the effectiveness of the registration statement of which this prospectus forms a part, corporate governance guidelines that provide that one of our independent directors will serve as our lead independent director for so long as we have a non-independent chairperson. Our board of directors has appointed to serve as our lead independent director. As lead independent director, will preside over periodic meetings of our independent directors, serve as a liaison between the chairperson of our board of directors and the independent directors, and perform such additional duties as our board of directors may otherwise determine and delegate.

Classified Board of Directors

In accordance with our amended and restated certificate of incorporation that will go into effect immediately prior to the completion of this offering, our board of directors will be divided into three classes with staggered, three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Effective immediately prior to the completion of this offering, our directors will be divided among the three classes as follows:

- The Class I directors will be and , and their terms will expire at our first annual meeting of stockholders after this offering;
- The Class II directors will be and , and their terms will expire at our second annual meeting of stockholders after this offering; and
- The Class III directors will be and , and their terms will expire at our third annual meeting of stockholders after this offering.

Our amended and restated certificate of incorporation that will go into effect immediately prior to the completion of this offering will provide that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control of our company. Our directors may be removed only for cause by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock entitled to vote in the election of directors.

Role of the Board of Directors in Risk Oversight Process

Risk assessment and oversight are an integral part of our governance and management processes. Our board of directors encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks facing us. Throughout the year, executive management reviews these risks with the board of directors at regular board meetings as part of management presentations that focus on particular business functions, operations, or strategies, and presents the steps taken by management to mitigate or eliminate such risks.

Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through our board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. While our board of directors is responsible for monitoring and assessing strategic risk exposure, our audit committee is responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The audit committee also approves or disapproves any related-person transactions. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. The risk oversight process also includes receiving regular reports from our committees and members of management to enable our board of directors to understand our risk identification, risk management, and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, cybersecurity, strategic, and reputational risk.

Committees of the Board of Directors

Our board of directors will have three standing committees: an audit committee; a compensation committee; and a nominating and corporate governance committee. Each committee is governed by a charter that will be available on our website following completion of this offering. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Effective as of the date the registration statement of which this prospectus forms a part is declared effective by the SEC, the members of our audit committee consist of Effie Datson, David Frazee, and Chuck Stoops. will be the chairperson of our audit committee. The composition of our audit committee meets the requirements for independence under the current listing standards of _____ and Rule 10A-3 of the Exchange Act. Each member of our audit committee is financially literate. In addition, our board of directors has determined that _____ is an “audit committee financial expert” within the meaning of the SEC rules. This designation does not impose on such directors any duties, obligations, or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. Our audit committee is directly responsible for, among other things:

- appointing, retaining, compensating, and overseeing the work of our independent registered public accounting firm;
- assessing the independence and performance of our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm the scope and results of the firm’s annual audit of our financial statements;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the financial statements that we will file with the SEC;
- pre-approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- reviewing policies and practices related to risk assessment and management;

- reviewing our accounting and financial reporting policies and practices and accounting controls, as well as compliance with legal and regulatory requirements;
- reviewing, overseeing, approving, or disapproving any related-person transactions;
- reviewing with our management the scope and results of management's evaluation of our disclosure controls and procedures and management's assessment of our internal control over financial reporting, including the related certifications to be included in the periodic reports we will file with the SEC; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls, or auditing matters, or other ethics or compliance issues.

Compensation Committee

Effective as of the date the registration statement of which this prospectus forms a part is declared effective by the SEC, the members of our compensation committee consist of David Frazee and Chuck Stoops. _____ will be the chairperson of our compensation committee. Each of David Frazee and Chuck Stoops is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act and meets the requirements for independence under the current listing standards of _____. Our compensation committee is responsible for, among other things:

- reviewing and approving the compensation of our executive officers, including reviewing and approving corporate goals and objectives with respect to compensation;
- possessing the authority to act as an administrator of our equity incentive plans;
- reviewing and approving, or making recommendations to our board of directors with respect to, incentive compensation and equity plans;
- reviewing and recommending that our board of directors approve the compensation for our non-employee board members; and
- establishing and reviewing general policies relating to compensation and benefits of our employees.

Nominating and Corporate Governance Committee

Effective as of the date the registration statement of which this prospectus forms a part is declared effective by the SEC, the members of our nominating and corporate governance committee consist of _____ and _____. _____ will be the chairperson of our nominating and corporate governance committee. _____ and _____ meet the requirements for independence under the current listing standards of _____. Our nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending candidates for membership on our board of directors, including the consideration of nominees submitted by stockholders, and on each of the board's committees;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the code of business conduct and ethics for directors and executive officers;
- overseeing the process of evaluating the performance of our board of directors; and
- assisting our board of directors on corporate governance matters.

Code of Business Conduct and Ethics

In connection with this offering, our board of directors will adopt a code of business conduct and ethics that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. Upon completion of this offering, the full text of our code

of business conduct and ethics will be posted on the investor relations section of our website. We intend to disclose future amendments to our code of business conduct and ethics, or any waivers of such code, on our website or in public filings.

Indemnification and Insurance

We maintain directors' and officers' liability insurance. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions limiting the liability of directors and officers and indemnifying them under certain circumstances. We have entered or will enter into indemnification agreements with all of our directors to provide our officers, our directors and certain of their affiliated parties with additional indemnification and related rights. See the section titled "Description of Capital Stock—Limitations on Liability and Indemnification Matters."

Compensation Committee Interlocks and Insider Participation

None of the members of our board of directors who will serve on our compensation committee upon the effectiveness of the registration statement of which this prospectus forms a part is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past fiscal year has served, as a member of a compensation committee (or if no committee performs that function, the board of directors) of any other entity that has an executive officer serving as a member of our board of directors.

EXECUTIVE COMPENSATION

Executive Compensation

This section discusses the material components of the executive compensation program for our named executive officers. Our named executive officers for fiscal 2024 were:

- Gene Hoffman, Jr., Chief Executive Officer and President;
- Thomas C. Chow, Chief Legal Officer and Secretary; and
- Misha Graboi, Chief Financial Officer.

We have also voluntarily included Bram Cohen, our Chief Technology Officer, as a named executive officer for fiscal 2024.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations, and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion. As an “emerging growth company” as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies.

2024 Summary Compensation Table

The following table presents all of the compensation awarded to or earned by or paid to our named executive officers in fiscal 2024:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Gene Hoffman, Jr. <i>Chief Executive Officer and President</i>	2024	407,708	—	—	—	—	407,708
	2023	475,000	—	—	—	—	475,000
Thomas C. Chow <i>Chief Legal Officer and Secretary</i>	2024	400,000	—	463,613	—	—	863,613
	2023	383,333	50,000	—	—	—	433,333
Misha Graboi <i>Chief Financial Officer</i>	2024	395,000	—	100,415	—	—	495,415
	2023	395,000	—	—	—	—	395,000
Bram Cohen <i>Chief Technology Officer</i>	2024	407,708	—	—	—	—	407,708
	2023	475,000	—	—	—	—	475,000

(1) Amounts reported represent the aggregate grant date fair value of stock options granted to our named executive officers computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 2 to our consolidated financial statements included in this prospectus.

Narrative to the Summary Compensation Table

Annual Base Salaries

Our named executive officers each receive a base salary to compensate them for services rendered to us. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive’s skill set, experience, role, and responsibilities. Over the period from November 16, 2023 to February 15, 2024, Messrs. Hoffman and Cohen each took a voluntary 40% reduction in their base salary rates, and as of February 16, 2024, each of their base salary rates was increased to 80% of their pre-reduction levels. As of

March 31, 2024, our named executive officers' annual base salaries were as follows: Mr. Hoffman: \$380,000; Mr. Chow: \$400,000; Mr. Graboi: \$395,000; and Mr. Cohen: \$380,000.

Our board of directors and compensation committee may adjust the base salaries of our named executive officers from time to time in their discretion.

Annual Bonuses

During fiscal 2024 we did not maintain an annual bonus program, and none of our named executive officers were eligible to earn an annual bonus in fiscal 2024.

Equity Compensation

We have historically granted stock options and restricted stock awards to our employees, including our named executive officers, in order to attract and retain them, as well as to align their interests with the interests of our stockholders.

In October 2023, we granted Mr. Graboi an option to purchase 10,000 shares of our common stock, and Mr. Chow an option to purchase 46,170 shares of our common stock, each with an exercise price of \$13.30 per share. Each option was granted under the Company's 2017 Stock Incentive Plan (the "2017 Plan"). Each option vests and becomes exercisable as to 1/48th of the total shares on each monthly anniversary of October 2, 2023, subject to continued service with us.

In connection with this offering, we will adopt the 2024 Plan in order to facilitate the grant of cash and equity incentives to directors, employees (including our named executive officers) and consultants of our company, and certain of our affiliates and to enable us to obtain and retain the services of these individuals, which is essential to our long-term success. The 2024 Plan will be effective the date the registration statement relating to this offering becomes effective. For additional information about the 2024 Plan, see the section titled "—Equity Incentive Plans" below.

Retirement Benefits

We currently do not provide any retirement benefits to our employees.

Perquisites and Other Personal Benefits

We determine perquisites on a case-by-case basis and will provide a perquisite to a named executive officer when we believe it is necessary to attract or retain the named executive officer. In fiscal 2024, we did not provide any perquisites or personal benefits to our named executive officers not otherwise made available to our other employees.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information regarding outstanding equity awards held by our named executive officers as of March 31, 2024.

Name	Vesting Start Date	Grant Date	Option Awards			
			Number of Securities Underlying Unexercised Stock Options (#) Exercisable	Number of Securities Underlying Unexercised Stock Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Gene Hoffman, Jr.	6/30/2019	7/25/2019 ⁽¹⁾	100,000	—	1.70	7/24/2029
	12/9/2019	12/9/2019 ⁽¹⁾	150,000	—	1.70	12/8/2029
	4/15/2021	4/15/2021 ⁽²⁾	546,875	203,125	0.60	4/14/2031
Thomas C. Chow	11/29/2021	11/30/2021 ⁽¹⁾	116,666	83,334	27.64	11/29/2031
	10/2/2023	10/30/2023 ⁽²⁾	4,809	41,361	13.30	10/29/2033
Misha Graboi	5/17/2021	6/17/2021 ⁽¹⁾	212,500	87,500	8.59	6/16/2031
	10/2/2023	10/30/2023 ⁽²⁾	1,041	8,959	13.30	10/29/2033
Bram Cohen	—	—	—	—	—	—

(1) The option vests and becomes exercisable as to 25% of the total shares on the first anniversary of the vesting start date and as to 1/48th of the total shares on each monthly anniversary thereafter, subject to continued service with us.

(2) The option vests and becomes exercisable as to 1/48th of the total shares on each monthly anniversary of the vesting start date, subject to continued service with us.

Executive Compensation Arrangements

Employment Agreements

We have entered into employment offer letters with Messrs. Hoffman, Chow, and Graboi, and an employment agreement with Mr. Cohen. The agreements generally provide for at-will employment and set forth the executive's initial base salary, eligibility for employee benefits, the terms of initial equity grants, severance benefits on a qualifying termination of employment (which severance benefits have since been superseded, as described below), and in the case of Mr. Chow, a signing bonus.

Change in Control and Severance Agreements

In connection with this offering, we entered into a change in control and severance agreement with each of our named executive officers that supersedes and replaces all existing severance benefits under each executive's existing employment agreement or offer letter. The benefits under the agreements are described below.

If we terminate a named executive officer's employment without "cause" or the executive resigns for "good reason" (in each case, as defined in the agreement) other than during the period beginning three months before and ending 18 months after a change in control of the company, in addition to any accrued obligations, the executive will be entitled to the following: (i) an amount equal to 12 months of the executive's then-current base salary; (ii) a prorated annual bonus based on actual performance results for the year of termination; (iii) payment or reimbursement of COBRA premiums for up to 12 months following the termination date; and (iv) 12 months' vesting acceleration for the executive's outstanding equity awards that vest solely based on continued service to the company.

If we terminate a named executive officer's employment without "cause" or the executive resigns for "good reason" during the period beginning three months before and ending 18 months after a change in control of the company, in addition to any accrued obligations, the executive will be entitled to the following: (i) an amount equal to 18 months (for Messrs. Hoffman and Cohen) or 12 months (for Messrs. Chow and Graboi) of the executive's then-current base salary; (ii) an amount equal to 150% (for Messrs. Hoffman and Cohen) or 100% (for Messrs. Chow and Graboi) of the executive's annual target bonus for the year of termination; (iii) a prorated target annual

bonus for the year of termination; (iv) payment or reimbursement of COBRA premiums for up to 18 months (for Messrs. Hoffman and Cohen) or 12 months (for Messrs. Chow and Graboi) following the termination date; and (v) full vesting acceleration for the executive's outstanding equity awards that vest solely based on continued service to the company.

Additionally, if the successor corporation in a change in control of the company refuses to assume or substitute for a named executive officer's outstanding equity awards (other than any portion subject to performance-based vesting), the board shall cause such equity award to become fully vested immediately prior to the consummation of such transaction.

Payments and benefits under the change in control and severance agreements are contingent on the applicable executive timely providing us with (and not revoking) a general release of claims and complying with the terms of the executive's confidential information and invention assignment agreement with the company.

Equity Incentive Plans

2024 Incentive Award Plan

We intend to adopt the 2024 Plan, which will be effective on the date immediately prior to the date our registration statement relating to this offering becomes effective. The principal purpose of the 2024 Plan is to attract, retain, and motivate selected employees, consultants, and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The material terms of the 2024 Plan, as it is currently contemplated, are summarized below.

Share Reserve. Under the 2024 Plan, shares of our common stock will be initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock unit ("RSU") awards, performance bonus awards, performance stock unit awards, dividend equivalents, or other stock- or cash-based awards. The number of shares initially reserved for issuance pursuant to awards under the 2024 Plan will be increased by (i) the number of shares represented by awards outstanding under the 2017 Plan ("Prior Plan Awards") that become available for issuance under the counting provisions described below following the effective date and (ii) an annual increase on the first day of each fiscal year, beginning in fiscal year 2026 and ending in fiscal year 2035, equal to the lesser of (A) % of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of stock as determined by our board of directors; provided, however, that no more than shares of stock may be issued upon the exercise of incentive stock options ("ISOs").

The following counting provisions will be in effect for the share reserve under the 2024 Plan:

- to the extent that an award (including a Prior Plan Award) expires, lapses or is terminated, converted into an award in respect of shares of another entity in connection with a spin-off or other similar event, exchanged for cash, surrendered, repurchased, or canceled, in any case, in a manner that results in the company acquiring the underlying shares at a price not greater than the price paid by the participant or not issuing the underlying shares, such unused shares subject to the award at such time will be available for future grants under the 2024 Plan;
- to the extent shares are tendered or withheld to satisfy the grant, exercise price, or tax withholding obligation with respect to any award under the 2024 Plan or Prior Plan Award, such tendered or withheld shares will be available for future grants under the 2024 Plan;
- to the extent shares subject to SARs are not issued in connection with the stock settlement of SARs on exercise thereof, such shares will be available for future grants under the 2024 Plan;
- the payment of dividend equivalents in cash in conjunction with any outstanding awards or Prior Plan Awards will not be counted against the shares available for issuance under the 2024 Plan; and

- shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries will not be counted against the shares available for issuance under the 2024 Plan.

In addition, the sum of the grant date fair value of all equity-based awards and the maximum that may become payable pursuant to a cash-based award to any individual for services as a non-employee director during any calendar year may not exceed \$.

Administration. The compensation committee of our board of directors is expected to administer the 2024 Plan unless our board of directors assumes authority for administration. Our board of directors may delegate its powers to a committee, which, to the extent required to comply with Rule 16b-3, is intended to be comprised of “non-employee directors” for purposes of Rule 16b-3 under the Exchange Act. The 2024 Plan provides that the board or compensation committee may delegate its authority to grant awards other than to individuals subject to Section 16 of the Exchange Act or officers or directors to whom authority to grant awards has been delegated.

Subject to the terms and conditions of the 2024 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the 2024 Plan. The administrator is also authorized to adopt, amend, or rescind rules relating to the administration of the 2024 Plan. Our board of directors may at any time remove the compensation committee as the administrator and revest in itself the authority to administer the 2024 Plan. The full board of directors will administer the 2024 Plan with respect to awards to non-employee directors.

Eligibility. Awards under the 2024 Plan may be granted to individuals who are then our employees or consultants or are the employees or consultants of certain of our subsidiaries. Such awards also may be granted to our directors. However, only employees of our company or certain of our subsidiaries may be granted ISOs.

Awards. The 2024 Plan provides that the administrator may grant or issue the types of awards set forth below. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms, and conditions of the award.

- *Nonstatutory Stock Options* (“NSOs”) will provide for the right to purchase shares of our common stock at a specified price which may not be less than fair market value on the date of grant, and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant’s continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NSOs may be granted for any term specified by the administrator that does not exceed 10 years.
- *Incentive Stock Options* will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, and must not be exercisable after a period of 10 years measured from the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2024 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.
- *Restricted Stock* may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse, however, extraordinary dividends will generally be placed in escrow, and will not be released until restrictions are removed or expire.

- *Restricted Stock Units* may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, RSUs may not be sold, or otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, stock underlying RSUs will not be issued until the RSUs have vested, and recipients of RSUs generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.
- *Stock Appreciation Rights* may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. The exercise price of any SAR granted under the 2024 Plan must be at least 100% of the fair market value of a share of our common stock on the date of grant. SARs under the 2024 Plan will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.
- *Performance Bonus Awards and Performance Stock Units* are denominated in cash or shares/unit equivalents, respectively, and may be linked to one or more performance or other criteria as determined by the administrator.
- *Other Stock- or Cash-Based Awards* are awards of cash, fully vested shares of our common stock, and other awards valued wholly or partially by referring to, or otherwise based on, shares of our common stock. Other stock or cash-based awards may be granted to participants and may also be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of base salary, bonus, fees, or other cash compensation otherwise payable to any individual who is eligible to receive awards. The administrator will determine the terms and conditions of other stock- or cash-based awards, which may include vesting conditions based on continued service, performance, and/or other conditions.
- *Dividend Equivalents* represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are converted to cash or shares by such formula and such time as determined by the administrator. In addition, dividend equivalents with respect to an award subject to vesting will either (i) to the extent permitted by applicable law, not be paid or credited or (ii) be accumulated and subject to vesting to the same extent as the related award.

Any award may be granted as a performance award, meaning that the award will be subject to vesting and/or payment based on the attainment of specified performance goals.

Change in Control. In the event of a change in control, unless the administrator elects to terminate an award in exchange for cash, rights, or other property, or cause an award to accelerate in full prior to the change in control, such award will continue in effect or be assumed or substituted by the acquirer, provided that any performance-based portion of the award will be subject to the terms and conditions of the applicable award agreement. In the event the acquirer refuses to assume or replace awards granted prior to the completion of such transaction, awards granted under the 2024 Plan (other than any portion subject to performance-based vesting) will be subject to accelerated vesting such that 100% of such awards will become vested and exercisable or payable, as applicable. The administrator may also make appropriate adjustments to awards under the 2024 Plan and is authorized to provide for the acceleration, cash out, termination, assumption, substitution, or conversion of such awards in the event of a change in control or certain other unusual or nonrecurring events or transactions.

Adjustments of Awards. The administrator has broad discretion to take action under the 2024 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits, and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations, and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as “equity restructurings,” the administrator will make equitable adjustments to the 2024 Plan and outstanding awards.

Amendment and Termination. The administrator may terminate, amend, or modify the 2024 Plan at any time and from time to time. However, we must generally obtain stockholder approval to the extent required by applicable law, rule, or regulation (including any applicable stock exchange rule), and generally no amendment may materially and adversely affect any outstanding award without the affected participant's consent. Notwithstanding the foregoing, an option may be amended to reduce the per share exercise price below the per share exercise price of such option on the grant date and options may be granted in exchange for, or in connection with, the cancellation or surrender of options having a higher per share exercise price without receiving additional stockholder approval.

No incentive stock options may be granted pursuant to the 2024 Plan after the tenth anniversary of the effective date of the 2024 Plan, and no additional annual share increases to the 2024 Plan's aggregate share limit will occur after such anniversary. Any award that is outstanding on the termination date of the 2024 Plan will remain in force according to the terms of the 2024 Plan and the applicable award agreement.

2017 Stock Incentive Plan

Our board of directors originally adopted the 2017 Plan in August 2017, and subsequently amended the 2017 Plan to increase the number of shares reserved for issuance. Our 2017 Plan allows for the grant of stock options (both ISOs and NSOs), restricted stock awards, RSUs, SARs, and other equity-based or cash-based awards to employees, directors, and consultants, including employees and consultants of any parent, subsidiary, or affiliate, subject to the terms and conditions described below. As of March 31, 2024, options to purchase shares of common stock at a weighted-average exercise price per share of \$ remained outstanding under the 2017 Plan, and shares of common stock were available for future issuance under the 2017 Plan. In connection with the effectiveness of the 2024 Plan, no further awards will be granted under the 2017 Plan, but all outstanding awards will continue to be governed by their existing terms.

Administration. Our board of directors, or a committee thereof appointed by our board of directors, has the authority to administer the 2017 Plan and grant awards thereunder. The administrator has the authority to take any actions it deems necessary or advisable for the administration of the 2017 Plan, consistent with the terms of the 2017 Plan.

Awards. The 2017 Plan provides that the administrator may grant the types of awards set forth below. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms, and conditions of the award.

- *Stock Options.* NSOs may be granted to employees, directors, and consultants, and ISOs may be granted only to employees. The exercise price of ISOs granted to employees who at the time of grant own stock representing more than 10% of the voting power of all classes of our common stock may not be less than 110% of the fair market value per share of our common stock on the date of grant, and the exercise price of ISOs granted to any other employees, or NSOs granted to any service provider, may not be less than 100% of the fair market value per share of our common stock on the date of grant. The maximum term of each option is 10 years from the grant date, or for ISOs granted to employees who at the time of grant own stock representing more than 10% of the voting power of all classes of our common stock, five years from the grant date.
- *Restricted Stock.* Restricted stock may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of stock options, will have voting rights and will have the right to receive dividends, if any, prior to the time when the restrictions lapse; however, dividends will generally not be paid until restrictions on the corresponding shares of restricted stock are removed or expire.
- *Restricted Stock Units.* RSUs may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, RSUs may not be sold, or

otherwise transferred or hypothecated, until vesting conditions are removed or expire. Unlike restricted stock, common stock underlying RSUs will not be issued until the RSUs have vested, and recipients of RSUs generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

- *Stock Appreciation Rights.* SARs typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. The exercise price of any SAR granted must be at least 100% of the fair market value of a share of our common stock on the date of grant. SARs will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.
- *Other Stock Awards.* Other awards that are based in whole or in part on stock, or the value thereof, may be granted. The administrator will determine the terms and conditions of any such award, which may include vesting conditions based on continued service, performance, and/or other conditions.

Adjustments of Awards. In the event of any significant change that occurs with respect to our common stock (through consolidation, recapitalization, stock dividends, extraordinary cash dividends, stock splits, or other similar transactions), the administrator will make appropriate adjustments to the number and class of shares subject to outstanding awards, the class and price per share of outstanding awards, and the number and class of shares available for issuance under the 2017 Plan.

Change in Control. In the event of a merger or other consolidation, a transaction providing for the sale of all or substantially all of the company's stock or assets, a separation or reorganization, or similar transaction, outstanding awards will be subject to the agreement governing such transaction, which may provide for, among other things, the continuation, assumption, or substitution of outstanding awards, or the exercisability or settlement of awards to the extent vested followed by their cancellation. Additionally, upon a change in control of the company, the vesting of any awards under the 2017 Plan that are held by our non-employee directors will accelerate in full.

Plan Amendment or Termination. The administrator has the authority to amend or terminate the 2017 Plan, although certain material amendments would require the approval of our stockholders, and amendments that would materially and adversely affect the rights of any recipient would require the consent of such recipient with respect to his or her awards. In connection with the effectiveness of the 2024 Plan, no further awards will be granted under the 2017 Plan.

2024 Employee Stock Purchase Plan

We intend to adopt the ESPP, which will be effective on the date immediately prior to the date the registration statement relating to this offering becomes effective. The ESPP is designed to allow our eligible employees to purchase shares of our common stock, at periodic intervals, with their accumulated payroll deductions. The ESPP is intended to qualify under Section 423 of the Code. The material terms of the ESPP, as it is currently contemplated, are summarized below.

Administration. Subject to the terms and conditions of the ESPP, our compensation committee will administer the ESPP. Our compensation committee can delegate administrative tasks under the ESPP to the services of an agent and/or employees to assist in the administration of the ESPP. The administrator will have the discretionary authority to administer and interpret the ESPP. Interpretations and constructions of the administrator of any provision of the ESPP or of any rights thereunder will be conclusive and binding on all persons. We will bear all expenses and liabilities incurred by the ESPP administrator.

Share Reserve. The maximum number of our shares of our common stock that will be authorized for sale under the ESPP is equal to the sum of (i) shares of common stock and (ii) an annual increase on the first day of each fiscal year, beginning in fiscal year 2026 and ending in fiscal year 2035, equal to the lesser of (A) % of the shares of common stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (B) such number of shares of common stock as determined by the administrator; provided, however, no more than shares of our common stock may be issued under the ESPP. The shares reserved for issuance under the ESPP may be authorized but unissued shares or reacquired shares.

Eligibility. Employees eligible to participate in the ESPP for a given offering period generally include employees who are employed by us or one of our subsidiaries on the first day of the offering period. Our employees (and, if applicable, any employees of our subsidiaries) who customarily work less than five months in a calendar year or are customarily scheduled to work less than 20 hours per week will not be eligible to participate in the ESPP. Finally, an employee who owns (or is deemed to own through attribution) 5% or more of the combined voting power or value of all our classes of stock or of one of our subsidiaries will not be allowed to participate in the ESPP.

Participation. Employees will enroll under the ESPP by completing a payroll deduction form permitting the deduction from their compensation of at least 1% of their compensation but not more than 15% of their base compensation. Such payroll deductions may be expressed as either a whole number percentage or a fixed dollar amount, and the accumulated deductions will be applied to the purchase of shares on each purchase date. However, a participant may not purchase more than 100,000 shares in each offering period and may not accrue the right to purchase shares of common stock at a rate that exceeds \$25,000 in fair market value (determined at the time the option is granted) for each calendar year the option is outstanding (as determined in accordance with Section 423 of the Code). The ESPP administrator has the authority to change these limitations for any subsequent offering period.

Offering. Under the ESPP, participants are offered the option to purchase shares of our common stock at a discount during a series of successive offering periods, the duration and timing of which will be determined by the ESPP administrator. However, in no event may an offering period be longer than 27 months in length.

The option purchase price will be the lower of 85% of the closing trading price per share of our common stock on the first trading date of an offering period in which a participant is enrolled or 85% of the closing trading price per share on the purchase date, which will occur on the last trading day of each purchase period within an offering period.

Unless a participant has previously canceled his or her participation in the ESPP before the purchase date, the participant will be deemed to have exercised his or her option in full as of each purchase date. Upon exercise, the participant will purchase the number of whole shares that his or her accumulated payroll deductions will buy at the option purchase price, subject to the participation limitations described above.

A participant may cancel his or her payroll deduction authorization at any time prior to the end of the offering period. Upon cancellation, the participant will have the option to either (i) receive a refund of the participant's account balance in cash without interest or (ii) exercise the participant's option for the current offering period for the maximum number of shares of common stock on the applicable purchase date, with the remaining account balance refunded in cash without interest. Following at least one payroll deduction, a participant may also decrease (but not increase) his or her payroll deduction authorization once during any offering period. If a participant wants to increase or decrease the rate of payroll withholding, he or she may do so effective for the next offering period by submitting a new form before the offering period for which such change is to be effective.

A participant may not assign, transfer, pledge, or otherwise dispose of (other than by will or the laws of descent and distribution) payroll deductions credited to a participant's account or any rights to exercise an option or to receive shares of our common stock under the ESPP, and during a participant's lifetime, options in the ESPP shall be exercisable only by such participant. Any such attempt at assignment, transfer, pledge, or other disposition will not be given effect.

Adjustments upon Changes in Recapitalization, Dissolution, Liquidation, Merger, or Asset Sale. In the event of any increase or decrease in the number of issued shares of our common stock resulting from a stock split, reverse stock split, stock dividend, combination, or reclassification of our common stock, or any other increase or decrease in the number of shares of common stock effected without receipt of consideration by us, we will proportionately adjust the aggregate number of shares of our common stock offered under the ESPP, the number and price of shares which any participant has elected to purchase under the ESPP, and the maximum number of shares which a participant may elect to purchase in any single offering period. If there is a proposal to dissolve or liquidate us, then the ESPP will terminate immediately prior to the consummation of such proposed dissolution or liquidation, and any offering period then in progress will be shortened by setting a new purchase date to take place before the date of our dissolution or liquidation. We will notify each participant of such change in writing prior to the new exercise date. If

we undergo a merger with or into another corporation or sell all or substantially all of our assets, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or the parent or subsidiary of the successor corporation. If the successor corporation refuses to assume the outstanding options or substitute equivalent options, then any offering period then in progress will be shortened by setting a new purchase date to take place before the date of our proposed sale or merger. We will notify each participant of such change in writing prior to the new exercise date.

Amendment and Termination. The administrator may amend, suspend, or terminate the ESPP at any time. However, the administrator may not amend the ESPP without obtaining stockholder approval within 12 months before or after such amendment to the extent required by applicable laws.

Director Compensation

We have not historically maintained a formal non-employee director compensation program; however, we have granted stock options to our non-employee directors from time to time. Additionally, we reimburse our non-employee directors for their reasonable expenses incurred in attending meetings of our board of directors and its committees.

In July and August 2023, in connection with her appointment to our board of directors, we granted Effie Datson options to purchase a total of 10,000 shares of our common stock under the 2017 Plan, with an exercise price of \$13.30 per share. Each option vests and becomes exercisable as to 25% of the total shares on the first anniversary of June 30, 2023, and as to 1/48th of the total shares on each monthly anniversary thereafter, subject to continued service with us.

In October 2023, in connection with his appointment to our board of directors, we granted Noor Menai an option to purchase 10,000 shares of our common stock under the 2017 Plan, with an exercise price of \$13.30 per share. The option vests and becomes exercisable as to 25% of the total shares on the first anniversary of August 28, 2023, and as to 1/48th of the total shares on each monthly anniversary thereafter, subject to continued service with us.

The following table sets forth all of the compensation earned by or paid to our non-employee directors in fiscal 2024 for their service on our board of directors. Messrs. Hoffman and Cohen received no additional compensation for their service as directors in fiscal 2024, and their compensation as our Chief Executive Officer and President and Chief Technology Officer, respectively, is set forth in the Summary Compensation Table above.

2024 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾	Total (\$)
Effie Datson	—	99,967	99,967
David Frazee	—	—	—
Noor Menai	—	100,467	100,467
Chuck Stoops	—	—	—

- (1) Amounts reported represent the aggregate grant date fair value of stock options granted to our non-employee directors computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 2 to our consolidated financial statements included in this prospectus. The table below shows the aggregate number of shares subject to option awards (exercisable and unexercisable) held as of March 31, 2024 by each non-employee director.

Name	Option Awards Outstanding at Fiscal Year-End
Effie Datson	10,000
David Frazee	—
Noor Menai	10,000
Chuck Stoops	65,000

We intend to approve and implement a compensation program for our non-employee directors to be effective in connection with the consummation of this offering.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In addition to the compensation and other arrangements discussed in the section titled “Executive Compensation,” the following is a description of each transaction since April 1, 2021 and each currently proposed transaction in which:

- we have been or will be a participant;
- the amount involved exceeds or will exceed \$120,000; and
- any of our directors, executive officers, or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

Equity Financings

Preferred Stock Financing – SAFE Conversion

In May 2021, in connection with our preferred stock financing, our SAFEs, which we entered into with various investors between September 2017 and July 2020, converted into:

- an aggregate of 1,473,182 shares of our Series A convertible preferred stock at a conversion price of \$2.2909 per share;
- an aggregate of 528,939 shares of our Series B convertible preferred stock at a conversion price of \$15.1467 per share; and
- an aggregate of 4,439,832 shares of our Series C redeemable convertible preferred stock at a conversion price of \$1.1262 per share.

The following tables summarize acquisitions of our Series A convertible preferred stock, Series B convertible preferred stock, and Series C redeemable convertible preferred stock by our directors, executive officers, our holders of more than 5% of our capital stock, and their affiliated entities upon conversion of their respective SAFEs in our preferred stock financing.

Name	Shares of Series A Convertible Preferred Stock	SAFE Amount Converted
Gene Hoffman, Jr.	21,825	\$ 50,000
Entities affiliated with AngelList-Ravikant ⁽¹⁾	283,726	\$ 650,000

(1) Entities affiliated with AngelList-Ravikant (as defined in the section titled “Principal Stockholders”) collectively beneficially owned more than 5% of our outstanding capital stock upon our SAFE conversion.

Name	Shares of Series B Convertible Preferred Stock	SAFE Amount Converted
Chia Sprout, LLC ⁽¹⁾	43,309	\$ 656,000
Entities affiliated with Slow Ventures ⁽²⁾	99,030	\$ 1,500,000

(1) Chia Sprout, LLC (“Chia Sprout”) is an investment vehicle entity. Chia Sprout is managed by Mr. Hoffman. David Frazee, a member of our board of directors, and entities affiliated with him are members of Chia Sprout. Misha Graboi, our Chief Financial Officer, is a member of Chia Sprout.

(2) Entities affiliated with Slow Ventures collectively beneficially owned more than 5% of our outstanding capital stock upon our SAFE conversion.

Name	Shares of Series C Redeemable Convertible Preferred Stock	SAFE Amount Converted
Bram Cohen ⁽¹⁾	599,377	\$ 675,000
Gene Hoffman, Jr.	88,796	\$ 100,000
Entities affiliated with Slow Ventures ⁽²⁾	1,331,951	\$ 1,500,000
Entities affiliated with AngelList-Ravikant ⁽³⁾	887,967	\$ 1,000,000

(1) Consists of Mr. Cohen and his immediate family members.

(2) Entities affiliated with Slow Ventures collectively beneficially owned more than 5% of our outstanding capital stock upon our SAFE conversion.

(3) Entities affiliated with AngelList-Ravikant collectively beneficially owned more than 5% of our outstanding capital stock upon our SAFE conversion.

Preferred Stock Financing – Series D Convertible Preferred Stock

In May 2021, in connection with our preferred stock financing, we sold an aggregate of 2,872,897 shares of our Series D convertible preferred stock at a purchase price of \$21.2054 per share, for an aggregate purchase price of \$60.9 million, pursuant to our preferred stock financing.

The following table summarizes purchases of our Series D convertible preferred stock by our holders of more than 5% of our capital stock and their affiliated entities. None of our directors or executive officers purchased shares of Series D convertible preferred stock.

Name	Shares of Series D Convertible Preferred Stock	Aggregate Purchase Price
Entities affiliated with Richmond Global Ventures ⁽¹⁾	1,302,550	\$ 27,621,133
Entities affiliated with Slow Ventures ⁽²⁾	188,630	\$ 3,999,980
Entities affiliated with AngelList-Ravikant ⁽³⁾	47,158	\$ 1,000,004

(1) Entities affiliated with Richmond Global Ventures collectively beneficially owned more than 5% of our outstanding capital stock upon our preferred stock financing. David Frazee, a member of our board of directors, is a partner at Richmond Global Ventures.

(2) Entities affiliated with Slow Ventures collectively beneficially owned more than 5% of our outstanding capital stock upon our preferred stock financing.

(3) Entities affiliated with AngelList-Ravikant (as defined in the section titled “Principal Stockholders”) collectively beneficially owned more than 5% of our outstanding capital stock upon our preferred stock financing.

Preferred Stock Financing – Series D Convertible Preferred Stock Extension

In April and May 2023, in connection with the extension of our preferred stock financing, we sold an aggregate of 89,515 shares of our Series D convertible preferred stock at a purchase price of \$21.2054 per share, for an aggregate purchase price of \$1.9 million, pursuant to the extension of our preferred stock financing.

The following table summarizes additional purchases of our Series D convertible preferred stock by our directors, executive officers, holders of more than 5% of our capital stock, and their affiliated entities.

Name	Shares of Series D Convertible Preferred Stock	Aggregate Purchase Price
Entities affiliated with Richmond Global Ventures ⁽¹⁾	13,987	\$ 296,600
Entities affiliated with Bram Cohen ⁽²⁾	18,863	\$ 399,998

(1) Entities affiliated with Richmond Global Ventures collectively own more than 5% of our outstanding capital stock. David Frazee, a member of our board of directors, is a partner at Richmond Global Ventures.

(2) Consists of a member of Mr. Cohen’s immediate family.

Common Stock Sales

In August 2021, one of our stockholders sold an aggregate of 658,333 shares of our common stock at a purchase price of \$21.2054 per share, for an aggregate purchase price of \$14.0 million. The company was a party to these sales and also agreed to waive certain transfer restrictions in connection with such sales.

The following table summarizes acquisitions of these shares of our common stock by our directors, executive officers, our holders of more than 5% of our capital stock, and their affiliated entities.

Name	Shares of Common Stock	Aggregate Purchase Price
Entities affiliated with Richmond Global Ventures ⁽¹⁾	258,389	\$ 5,479,242
Entities affiliated with Bram Cohen ⁽²⁾	4,715	\$ 99,983
Gene Hoffman, Jr.	1,178	\$ 24,980

(1) Entities affiliated with Richmond Global Ventures collectively beneficially owned more than 5% of our outstanding capital stock upon our preferred stock financing. David Frazee, a member of our board of directors, is a partner at Richmond Global Ventures.

(2) Consists of a member of Mr. Cohen's immediate family.

Amended and Restated Investors' Rights Agreement

We are party to an amended and restated investors' rights agreement (the "Amended and Restated Investors' Rights Agreement"), which provides, among other things, that certain holders of our capital stock, including entities affiliated with AngelList-Ravikant, Richmond Global Ventures, and Slow Ventures, which each hold more than 5% of our outstanding capital stock, Mr. Hoffman, our Chief Executive Officer, President, and director; Mr. Cohen, our Chief Technology Officer and director and a member of his immediate family; and Chia Sprout, have the right to demand that we file a registration statement or request that their shares of our capital stock be included on a registration statement that we are otherwise filing. For more information regarding these registration rights, see the section titled "Description of Capital Stock—Registration Rights."

Voting Agreement

We are party to the Voting Agreement under which certain holders of our capital stock, including entities affiliated with AngelList-Ravikant, Richmond Global Ventures, and Slow Ventures, which each hold more than 5% of our outstanding capital stock; Mr. Hoffman, our Chief Executive Officer, President, and director; and Mr. Cohen, our Chief Technology Officer and director, have agreed as to the manner in which they will vote their shares of our capital stock on certain matters, including with respect to the election of directors. Upon the effectiveness of the registration statement of which this prospectus forms a part, the Voting Agreement will terminate and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors.

Right of First Refusal

Pursuant to our equity compensation plans and certain agreements with our stockholders, including a right of first refusal and co-sale agreement with certain holders of our capital stock, including entities affiliated with AngelList-Ravikant, Richmond Global Ventures, and Slow Ventures, which each hold more than 5% of our outstanding capital stock; Mr. Hoffman, our Chief Executive Officer, President, and director; and Mr. Cohen, our Chief Technology Officer and director, we or our assignees have a right to purchase shares of our capital stock which certain stockholders propose to sell to other parties. This right will terminate upon the effectiveness of the registration statement of which this prospectus forms a part. For additional information regarding beneficial ownership of our capital stock, see the section titled "Principal Stockholders."

Employment Agreements

We have entered into employment agreements with each of our executive officers. For additional information regarding these arrangements, see the section titled "Executive Compensation—Executive Compensation Arrangements."

Director and Officer Indemnification

Our amended and restated certificate of incorporation and amended and restated bylaws will provide indemnification and advancement of expenses for our directors and officers to the fullest extent permitted by the DGCL, subject to certain limited exceptions. Prior to the completion of this offering, we intend to enter into separate indemnification agreements with each of our directors and officers. We have also purchased directors' and officers' liability insurance for each of our directors and officers. See "Description of Capital Stock—Limitations on Liability and Indemnification Matters."

Related-Person Transaction Policy

Our board of directors intends to adopt a written related-person transaction policy, to be effective upon the completion of this offering, setting forth the policies and procedures for the review and approval or ratification of related-person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement, or relationship, or any series of similar transactions, arrangements, or relationships, in which we were or are to be a participant, where the amount involved exceeds \$120,000, and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including but not limited to whether the transaction is on terms comparable to those that could be obtained in an arm's-length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth information about the beneficial ownership of our common stock as of June 30, 2024, as adjusted to reflect the sale of common stock offered by us in this offering and assuming no exercise of the underwriters' option to purchase additional shares, by:

- each person, or group of persons, known to us who beneficially owns more than 5% of our capital stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Under these rules, a person is deemed to be a "beneficial" owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. Except as indicated in the footnotes below, we believe, based on the information furnished to us, that the individuals and entities named in the table below have sole voting and investment power with respect to all shares beneficially owned by them, subject to any applicable community property laws.

We have based percentage ownership of our common stock before this offering on 18,863,311 shares of our common stock outstanding as of June 30, 2024, and assuming the occurrence of each of (i) the filing and effectiveness of our amended and restated certificate of incorporation, which will be in effect immediately prior to the completion of this offering, and (ii) the Preferred Stock Conversion, in each case as if it had occurred as of June 30, 2024. Percentage ownership of our common stock after this offering assumes our sale of shares of common stock in this offering, assuming no exercise by the underwriters of their option to purchase additional shares of common stock.

In computing the number of shares beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares subject to options held by the person that are currently exercisable, or would become exercisable, within 60 days of June 30, 2024. However, except as described above, we did not

deem such shares outstanding for the purpose of computing the percentage ownership of any other person. The table below excludes any purchases that may be made in this offering.

Unless otherwise indicated, the address for each beneficial owner listed in the table below is 611 Gateway Boulevard, Suite 120, South San Francisco, California 94080.

Name of Beneficial Owner	Shares Beneficially Owned Before this Offering		Shares Beneficially Owned After this Offering	
	Shares	%	Shares	%
Named Executive Officers and Directors:				
Bram Cohen ⁽¹⁾	6,937,814	36.8 %		
Gene Hoffman, Jr. ⁽²⁾	1,046,470	5.3 %		
Misha Graboi ⁽³⁾	245,833	1.3 %		
Thomas C. Chow ⁽⁴⁾	147,118	*		
Effie Datson ⁽⁵⁾	2,708	*		
David Frazee ⁽⁶⁾	1,574,926	8.3 %		
Noor Menai ⁽⁷⁾	2,500	*		
Chuck Stoops ⁽⁸⁾	57,499	*		
All executive officers and directors as a group (8 persons) ⁽⁹⁾	10,014,868	49.6 %		
Other 5% or Greater Stockholders:				
Entities affiliated with AngelList-Ravikant ⁽¹⁰⁾	1,218,851	6.5 %		
Entities affiliated with Richmond Global Ventures ⁽¹¹⁾	1,574,926	8.3 %		
Entities affiliated with Slow Ventures ⁽¹²⁾	1,619,611	8.6 %		

* Represents beneficial ownership of less than 1%.

- (1) Represents (i) 6,936,452 shares of common stock and (ii) 1,362 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (2) Represents (i) 170,108 shares of common stock held by Mr. Hoffman, (ii) 43,309 shares held by Chia Sprout, LLC, an investment vehicle entity managed by Mr. Hoffman, and (iii) 876,362 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (3) Represents 245,833 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024. Does not include 1,624 shares held by Chia Sprout, LLC for which Mr. Graboi has an economic interest but no voting power.
- (4) Represents 147,118 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (5) Represents 2,708 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (6) See footnote (8) for shares held by the entities affiliated with Richmond Global Ventures. Mr. Frazee, a managing partner of Richmond Global Ventures, is a member of our board of directors. Does not include 8,128 shares held by Chia Sprout, LLC for which Mr. Frazee and entities affiliated with Mr. Frazee have an economic interest but no voting power.
- (7) Represents 2,500 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (8) Represents 57,499 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (9) Represents (i) 8,681,486 shares of common stock and (ii) 1,333,382 shares underlying options to purchase common stock that are exercisable within 60 days of June 30, 2024.
- (10) Represents (i) 283,726 shares of common stock held by A-CVP-16-FUND, a series of AngelList-NR-FUNDS, LLC, (ii) 604,274 shares of common stock held by CN FUND I, a series of Naval Ravikant AngelList Funds, LP, (iii) 283,693 shares of common stock held by RAVIKANT CAPITAL, LP – A3, (iv) 8,635 shares of common stock held by RAVIKANT CAPITAL, LP - B6, and (v) 38,523 shares of common stock held by RAVIKANT CAPITAL QP, LP - B6 (collectively, the “AngelList-Ravikant entities”). Fund GP, LLC is the general partner of each of the AngelList-Ravikant entities and may be deemed to have voting and dispositive power over the shares held by such entities. Voting and dispositive decisions with respect to the shares held by AngelList-Ravikant entities and Fund GP, LLC are made based on the advice of the fund lead, Naval Ravikant. The address for AngelList-Ravikant entities is 3130 Alpine Rd, #288415, Portola Valley, California 94028.
- (11) Represents (i) 1,038,548 shares of common stock held by Richmond Global Ventures Chia Holdings International, LLC (“Richmond International”) and (ii) 536,378 shares of common stock held by Richmond Global Ventures Chia Holdings, LLC (“Richmond Holdings”) and together with Richmond International, “Richmond Global Ventures”). Mr. Frazee and Peter Kellner are the managing partners of Richmond Global Ventures and may be deemed to have shared voting, investment, and dispositive power with respect to the shares held by these entities. The address for Richmond Global Ventures is 9620 Las Vegas Boulevard S., Suite E4 # 677, Las Vegas, Nevada 89123-6508.

- (12) Represents (i) 1,357,064 shares of common stock held by Slow Ventures III, LP (“Slow Ventures III”), (ii) 73,917 shares held by Slow Ventures III-A, LP (“Slow Ventures III-A”), and (iii) 188,630 shares held by Slow Ventures Opportunity Fund I, LP (“Slow Ventures Opportunity Fund”) and, together with Slow Ventures III and Slow Ventures III-A, “Slow Ventures”). Slow Ventures GP III, LLC (“Slow Ventures GP III”) is the general partner of Slow Ventures III and Slow Ventures III-A, and may be deemed to have voting and dispositive power over the shares held by such entities. Slow Ventures Opportunity Fund GP I, LLC is the general partner of Slow Ventures Opportunity Fund, and may be deemed to have voting and dispositive power over the shares held by such entity. Voting and dispositive decisions with respect to the shares held by Slow Ventures are made collectively by the managing directors of Slow Ventures GP III and Slow Ventures Opportunity Fund GP I, LLC, Kevin Collieran, Sam Lessin, and William Quist. The address for Slow Ventures is 1006 Kearny Street, San Francisco, California 94133.

DESCRIPTION OF CAPITAL STOCK

The following summary describes our capital stock and certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective immediately prior to the completion of this offering; the Investors' Rights Agreement; and of the Delaware General Corporation Law. Because the following is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our amended and restated certificate of incorporation, amended and restated bylaws, and Amended and Restated Investors' Rights Agreement. Copies of these documents will be filed with the SEC as exhibits to our registration statement of which this prospectus forms a part.

General

Immediately prior to the completion of this offering, our authorized capital stock will consist of:

- shares of common stock, par value \$0.00001 per share, and
- shares of undesignated preferred stock, par value \$0.00001 per share.

As of March 31, 2024, after giving effect to (i) the filing and effectiveness of our amended and restated certificate of incorporation and (ii) the Preferred Stock Conversion, there were _____ shares of our common stock outstanding, held by _____ stockholders of record, and no shares of our preferred stock outstanding.

Common Stock

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. The holders of our common stock will not have cumulative voting rights in the election of directors.

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See the section titled "Dividend Policy."

Right to Receive Liquidation Distributions

In the event of our liquidation, dissolution, or winding up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to the prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any shares of preferred stock outstanding at that time.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to redemption or sinking fund provisions. The rights, preferences, and privileges of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Fully Paid and Non-assessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and non-assessable.

Preferred Stock

Following the completion of this offering, and pursuant to the provisions of our amended and restated certificate of incorporation that will be in effect thereafter, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

Stock Options

As of March 31, 2024, we had outstanding options to purchase an aggregate of shares of our common stock, with a weighted-average exercise price of \$ per share. For additional information regarding terms of our equity incentive plans, see the section titled “Executive Compensation—Equity Incentive Plans.”

Warrants

As of March 31, 2024, we had outstanding warrants to purchase up to an aggregate of shares of our common stock at a weighted-average exercise price of \$ per share. The warrants may be exercised prior to the completion of this offering or net exercised prior to the completion of this offering for an aggregate of shares of our common stock, assuming an initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. The warrants will terminate if they are not exercised prior to the completion of this offering.

Registration Rights

Following the completion of this offering, and subject to the lock-up agreements entered into in connection with this offering, the holders of an aggregate of up to shares of our common stock or their permitted transferees will be entitled to rights with respect to the registration of these shares under the Securities Act. These rights are provided under the terms of the Investors’ Rights Agreement, between us and the holders of these shares, which was entered into in connection with our preferred stock financing, and include demand registration rights, Form S-3 registration rights, and piggyback registration rights. In any registration made pursuant to the Investors’ Rights Agreement, all fees, costs, and expenses of underwritten registrations will be borne by us, including the reasonable fees of one counsel for the selling holders not to exceed \$30,000, and all selling expenses, including all underwriting discounts, selling commissions, and stock transfer taxes, will be borne by the holders of the shares being registered. We will not be required to bear the expenses in connection with the exercise of the demand registration rights of a registration if the request is subsequently withdrawn at the request of the selling stockholders holding a majority of securities to be registered. In an underwritten public offering, the underwriters have the right, subject to specified conditions, to limit the number of shares such holders may include.

The underwriters of any underwritten offering will have the right to limit the number of shares registered by these holders if they determine that marketing factors require limitation, in which case the number of shares to be registered will be apportioned pro rata among these holders, according to the total amount of securities entitled to be included by each holder, or in such other proportions as shall be mutually agreed by all such selling holders. However, the number of shares to be registered by these holders cannot be reduced unless all other securities (other than the securities to be sold by us) are first entirely excluded from the underwriting.

The registration rights terminate upon the earlier of five years after the completion of this offering or at such time as any particular stockholder may sell all of its shares during any three-month period pursuant to Rule 144 or

another similar exemption under the Securities Act (and without the requirement for us to be in compliance with the current public information required under subsection (c)(1) of Rule 144) and holds less than one percent (1%) of our outstanding capital stock.

Demand Registration Rights on Form S-1

The holders of an aggregate of up to _____ shares of our common stock, or their permitted transferees, are entitled to certain Form S-1 registration rights. Under the terms of the Investors' Rights Agreement, we will be required, upon the written request from holders of a majority of the then-outstanding shares having registration rights to register at least 40% of the then-outstanding shares having registration rights (or a lesser percent if the aggregate offering price, net of underwriting discounts, selling commissions, and stock transfer taxes, would exceed \$10.0 million), to register, as soon as practicable, such registrable securities for public resale. We may be required to effect two registrations pursuant to this provision of the Investors' Rights Agreement. We may postpone the filing of a registration statement once for up to 120 days in a 12-month period if our board of directors determines that the filing would be materially detrimental to us. We are not required to effect a Form S-1 registration under certain additional circumstances specified in the Investors' Rights Agreement, including during the period beginning 60 days prior to our good faith estimate of the date of filing, and ending on a date 180 days after the effective date, of a registration statement for certain of our offerings or if we are eligible to file a registration statement on Form S-3.

Form S-3 Registration Rights

The holders of an aggregate of up to _____ shares of our common stock, or their permitted transferees, are also entitled to certain Form S-3 registration rights. The holders representing at least 30% of the then-outstanding shares having registration rights can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate offering price, net of underwriting discounts, selling commissions, and stock transfer taxes, is at least \$3.0 million. The holders may only require us to effect at most two registration statements on Form S-3 in any 12-month period. We may postpone the filing of a registration statement once for up to 120 days in a 12-month period if our board of directors determines that the filing would be materially detrimental to us. We are not required to effect a Form S-3 registration under certain additional circumstances specified in the Investors' Rights Agreement, including during the period beginning 30 days prior to our good faith estimate of the date of filing, and ending on a date 90 days after the effective date, of a registration statement for certain of our offerings.

Piggyback Registration Rights

If we register any of our securities for public sale, holders of an aggregate of up to _____ shares of our common stock, or their permitted transferees, having registration rights will have the right to include their shares in the registration statement. This right does not apply to: a registration relating to participants in any company stock option, stock purchase, equity incentive, or similar plan; a registration relating to an SEC Rule 145 transaction; a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable common stock; or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered.

Anti-Takeover Provisions

The provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws, as we expect they will be in effect upon the completion of this offering, could have the effect of delaying, deferring, or discouraging another person from acquiring control of us. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date on which the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset, or stock sale, or other transaction or series of transactions together resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation’s outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 of the DGCL may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

- *Board of Directors Vacancies.* Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors is permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.
- *Classified Board.* Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors will be classified into three classes of directors. The existence of a classified board of directors could discourage a third party from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See the section titled “Management—Board Composition and Election of Directors—Classified Board of Directors.”
- *Directors Removed Only for Cause.* Our amended and restated certificate of incorporation will provide that stockholders may remove directors only for cause.
- *Stockholder Action; Special Meeting of Stockholders.* Our amended and restated certificate of incorporation will provide that special meetings of our stockholders may be called only by a majority of our board of

directors, the chairperson of our board of directors, our lead independent director, or our Chief Executive Officer. Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, holders of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Further, our amended and restated bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our lead independent director, or our Chief Executive Officer, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.

- *Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the potential acquirer's own slate of directors or otherwise attempting to obtain control of the company.
- *No Cumulative Voting.* The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation and amended and restated bylaws will not provide for cumulative voting.
- *Issuance of Undesignated Preferred Stock.* After the filing of our amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to _____ shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.
- *Choice of Forum.* Our amended and restated certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, (A)(i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, other employees, or stockholders to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or amended and restated bylaws (as either may be amended or restated) or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject-matter jurisdiction thereof, the federal district court of the State of Delaware, and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Notwithstanding the foregoing, the exclusive forum provision shall not apply to claims seeking to enforce any liability or duty created by the Exchange Act or any claim for which the federal district courts of the United States have exclusive jurisdiction. Our amended and restated certificate of incorporation will also provide that, to the fullest extent permitted by law, any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the foregoing. By agreeing to this provision, however, stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

If any action the subject matter of which is within the scope described above is filed in a court other than a court located within the State of Delaware (a "Foreign Action"), in the name of any stockholder, such stockholder shall be

deemed to have consented to the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the applicable provisions of our amended and restated certificate of incorporation and having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

Although our amended and restated certificate of incorporation will contain the choice of forum provision described above, it is possible that a court could find that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees, or stockholders, which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder.

Limitations on Liability and Indemnification Matters

Our amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, will provide that we will indemnify each of our directors and officers to the fullest extent permitted by the DGCL, and our amended and restated bylaws will provide that we will indemnify them to the fullest extent permitted by such law. We expect to enter into indemnification agreements with our current directors and officers prior to the completion of this offering and expect to enter into a similar agreement with any new directors or officers. Further, pursuant to our indemnification agreements and directors' and officers' liability insurance, our directors and executive officers will be indemnified and insured against the cost of defense, settlement, or payment of a judgment under certain circumstances. In addition, as permitted by Delaware law, our amended and restated certificate of incorporation will include provisions that eliminate the personal liability of our directors and officers for monetary damages resulting from breaches of certain fiduciary duties as a director or officer. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director or officer for breach of fiduciary duties as a director or officer.

These provisions may be held not to be enforceable for violations of the federal securities laws of the United States.

Listing

We intend to apply to list our common stock on the _____ under the symbol "CHIA."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be _____. The transfer agent and registrar's address is _____.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Sales of substantial amounts of our common stock in the public market after this offering, or the perception that such sales could occur, could adversely affect the trading price of our common stock, and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Upon the completion of this offering, based on the number of shares of our capital stock outstanding as of _____, 2024, we will have an aggregate of _____ shares of common stock outstanding, assuming no exercise of the underwriters' option to purchase additional shares of common stock, no exercise of any stock options or warrants after _____, 2024, and after giving effect to the Preferred Stock Conversion. All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sales would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement.

The remaining shares of common stock and shares of common stock subject to stock options will be on issuance, deemed "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below. We expect that substantially all of these shares will be subject to the 180-day lock-up period under the lock-up agreements described below. Upon expiration of the lock-up period, we estimate that approximately _____ shares will be available for sale in the public market, subject in some cases to applicable volume limitations under Rule 144.

Lock-Up and Market Standoff Agreements

In connection with this offering, we, our directors, our executive officers, and the holders of substantially all of our outstanding shares of common stock and other equity securities have agreed, subject to certain exceptions, not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the prior written consent of CAVU Securities, LLC on behalf of the underwriters. Upon the expiration of the lock-up period, substantially all of the shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed herein. See the section titled "Underwriting."

In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain security holders, including in connection with the Investors' Rights Agreement and the equity awards issued under our 2017 Plan, that contain market standoff provisions imposing restrictions on the ability of such security holders to offer, sell, or transfer our equity securities for a period of 180 days following the date of this prospectus.

Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described in this prospectus, within any three-month period, a number of shares of common stock that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding; or
- the average weekly trading volume of shares of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales made in reliance upon Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, Rule 701 allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been our affiliate during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits our affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701. Moreover, all Rule 701 shares that are subject to lock-up agreements and/or market standoff agreements as described above and under the section titled “Underwriting” will not become eligible for sale until the expiration of those agreements, as applicable.

Equity Incentive Plans

We intend to file with the SEC one or more registration statements on Form S-8 under the Securities Act to register all shares of our common stock issuable or reserved for issuance under the 2017 Plan, 2024 Plan, and ESPP. We expect to file the registration statement covering shares offered pursuant to our plans on or shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144.

Registration Rights

We have granted demand, Form S-3, and piggyback registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See the section titled “Description of Capital Stock—Registration Rights.”

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of the material U.S. federal income tax consequences of the ownership and disposition of shares of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or foreign tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date of this offering. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position regarding the tax consequences of the ownership and disposition of our common stock.

This discussion is limited to holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address the U.S. federal income tax consequences of the ownership and disposition of XCH in the event we make a distribution (in whole or in part) of XCH. We have committed that a distribution of XCH will only be made in compliance with applicable laws and regulations in effect at the time of the distribution. This discussion does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax. In addition, it does not address consequences relevant to holders subject to particular rules, including, without limitation:

- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers, or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons for whom our common stock constitutes “qualified small business stock” within the meaning of Section 1202 of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the stock being taken into account in an “applicable financial statement” (as defined in the Code);
- “qualified foreign pension funds” as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- tax-qualified retirement plans.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level.

Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS LEGAL OR TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

THIS DISCUSSION DOES NOT ADDRESS THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF XCH IN THE EVENT WE MAKE A DISTRIBUTION (IN WHOLE OR IN PART) OF XCH. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF OWNING AND DISPOSING OF XCH.

Tax Treatment of XCH

Many aspects of the tax treatment of XCH are unclear. The IRS has released limited guidance discussing certain aspects of digital assets such as XCH. Such guidance includes an IRS notice issued in 2014 stating that a digital asset (i) is “property,” (ii) is “not treated as currency” for purposes of the rules relating to foreign currency gain or loss, and (iii) may be held as a capital asset. There can be no assurance that the IRS will not alter its position with respect to virtual currencies in the future or that a court would uphold the treatment set forth in IRS guidance. It is also unclear what additional guidance on the treatment of virtual currencies for U.S. federal income tax purposes may be issued in the future.

The remainder of this discussion assumes that XCH is properly treated for U.S. federal income tax purposes as property that may be held as a capital asset and that is not currency for purposes of the provisions of the Code relating to foreign currency gain and loss.

However, any alteration of or successful challenge to the current IRS positions and any additional guidance could result in material adverse tax consequences for stockholders. Due to the substantial uncertainty regarding the tax treatment of digital assets and the possibility that current guidance may be modified, revoked, or supplemented at any time, possibly with retroactive effects, and we cannot predict the nature or extent of the material adverse tax consequences that could result.

Holders are strongly urged to consult their tax advisors regarding the tax consequences of the ownership, and disposition of our common stock, including the tax consequences of receiving a distribution of XCH.

Tax Considerations Applicable to U.S. Holders

Definition of a U.S. Holder

For purposes of this discussion, a “U.S. holder” is any beneficial owner of our common stock that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and all substantial decisions of which are subject to the control of one or more United States persons (within the meaning of Section 7701(a)(30) of the Code), or (2) has made a valid election under applicable Treasury Regulations to continue to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section titled “Dividend Policy,” we do not anticipate declaring or paying dividends in the foreseeable future.

However, if we do make distributions on our common stock in cash and/or XCH, a U.S. holder will be treated as receiving a distribution equal to the sum of (1) any cash distributed and (2) the fair market value (in U.S. dollars) of any XCH distributed on the date of the distribution. Such distributions will constitute taxable dividends to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Dividends received by a corporate U.S. holder may be eligible for a dividends received deduction, subject to applicable limitations. Dividends received by certain non-corporate U.S. holders, including individuals, are generally taxed at the lower applicable capital gains rate provided certain holding period and other requirements are satisfied. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital and first be applied against and reduce a U.S. holder’s adjusted tax basis in our common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below in the section relating to the sale or other taxable disposition of our common stock.

A U.S. holder’s tax basis in the XCH received in a distribution generally will equal the fair market value on the date of the distribution of such XCH received, and the holding period in the XCH will begin the day after the distribution.

Sale or Other Taxable Disposition of Common Stock

Upon the sale, exchange, or other taxable disposition of our common stock, a U.S. holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon the sale, exchange, or other taxable disposition and (ii) such U.S. holder’s adjusted tax basis in the common stock. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder’s holding period in such common stock is more than one year at the time of the sale, exchange, or other taxable disposition. Long-term capital gains recognized by certain non-corporate U.S. holders, including individuals, generally will be subject to reduced rates of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding

A U.S. holder may be subject to information reporting and backup withholding when such holder receives payments (including distributions) on our common stock or receives proceeds from the sale or other taxable disposition of our common stock. Certain U.S. holders are exempt from backup withholding, including corporations. A U.S. holder will be subject to backup withholding if such holder is not otherwise exempt and such holder:

- fails to furnish the holder’s taxpayer identification number, which for an individual is ordinarily his or her social security number;
- furnishes an incorrect taxpayer identification number;
- is notified by the IRS that the holder previously failed to properly report payments of interest or dividends;
- or fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

Any backup withholding must be remitted in cash to the IRS. In the event we, a U.S. holder’s broker or another applicable withholding agent determines that backup withholding applies with respect to any distribution (in whole or in part) of XCH, such backup withholding may be funded by selling (on the U.S. holder’s behalf) XCH that such U.S. holder would otherwise receive in the distribution, by asking the U.S. holder to provide the funds, by withholding from cash otherwise distributable to the U.S. holder, or by withholding from or using other property held in the U.S. holder’s account with the broker or withholding agent. Such holder may bear brokerage or other costs of this withholding procedure.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS. U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Tax Considerations Applicable to Non-U.S. Holders

For purposes of this discussion, a "non-U.S. holder" is a beneficial owner of our common stock that is neither a U.S. holder nor an entity treated as a partnership for U.S. federal income tax purposes.

Distributions

As described in the section titled "Dividend Policy," we do not anticipate declaring or paying dividends in the foreseeable future. However, if we do make distributions on our common stock in cash and/or XCH, a non-U.S. holder will be treated as receiving a distribution equal to the sum of (1) any cash distributed and (2) the fair market value (in U.S. dollars) of any XCH distributed on the date of the distribution.

Such distributions will constitute dividends to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a non-U.S. holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below in the section relating to the sale or other taxable disposition of our common stock. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of the withholding rules discussed below we or the applicable withholding agent may treat the entire distribution as a dividend.

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty).

Non-U.S. holders will be entitled to a reduction in or an exemption from withholding on dividends as a result of either (a) an applicable income tax treaty or (b) the non-U.S. holder holding our common stock in connection with the conduct of a trade or business within the United States and dividends being effectively connected with that trade or business. To claim such a reduction in or exemption from withholding, the non-U.S. holder must provide the applicable withholding agent with a properly executed (a) IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) claiming an exemption from or reduction of the withholding tax under the benefit of an income tax treaty between the United States and the country in which the non-U.S. holder resides or is established, or (b) IRS Form W-8ECI stating that the dividends are not subject to withholding tax because they are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, as may be applicable. These certifications must be provided to the applicable withholding agent prior to the payment of dividends and generally must be updated periodically. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty or have effectively connected income, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), then, although exempt from U.S. federal withholding tax (provided the non-U.S. holder provides appropriate certification, as described above), the non-U.S. holder will be subject to U.S. federal income tax on such dividends on a net income basis at the regular rates applicable to U.S. persons. In addition, a non-U.S. holder that is a corporation may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Any withholding tax must be remitted in cash to the IRS. Depending on the circumstances, in the event of a distribution consisting in whole or in part of XCH, we, a non-U.S. holder's broker, or other applicable withholding agent may obtain the funds necessary to remit such withholding tax by selling (on the non-U.S. holder's behalf) XCH that such non-U.S. holder would otherwise receive in the distribution, by asking the non-U.S. holder to provide the funds, by withholding from cash otherwise distributable to the non-U.S. holder, or by withholding from or using other property held in the non-U.S. holder's account with the broker or withholding agent. Such holder may bear brokerage or other costs of this withholding procedure.

Sale or Other Taxable Disposition of Common Stock

A non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes U.S. real property interests ("USRPIs") by reason of our status as a U.S. real property holding corporation ("USRPHC") for U.S. federal income tax purposes.

Gain described in the first bullet point above will generally be subject to U.S. federal income tax on a net income basis at the regular rates applicable to U.S. persons. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

A non-U.S. holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on any gain derived from the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States) provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC. Because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets and our non-U.S. real property interests, however, there can be no assurance we are not a USRPHC or will not become one in the future.

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

A non-U.S. holder will not be subject to backup withholding with respect to distributions on our common stock we make to the non-U.S. holder, provided the applicable withholding agent does not have actual knowledge or reason to know such holder is a United States person and the holder certifies its non-U.S. status, such as by providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable certification. However, information returns generally will be filed with the IRS in connection with any distributions made on our common stock to the non-U.S. holder, regardless of whether such distributions constitute dividends or whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Information reporting and backup withholding may apply to the proceeds of a sale or other taxable disposition of our common stock within the United States, and information reporting may (although backup withholding generally will not) apply to the proceeds of a sale or other taxable disposition of our common stock outside the United States conducted through certain U.S.-related financial intermediaries, in each case, unless the beneficial

owner certifies under penalty of perjury that it is a non-U.S. holder on IRS Form W-8BEN or W-8BEN-E, or other applicable form (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or such owner otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act ("FATCA")) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends paid on our common stock or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules we or the applicable withholding agent may treat the entire distribution as a dividend. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of our common stock on or after January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Any withholding tax must be remitted in cash to the IRS. In the event a distribution is made in whole or in part in XCH, any withholding applicable to the XCH may be funded by selling (on a holder's behalf) XCH that a holder would otherwise receive in the distribution, by asking the holder to provide the funds, by withholding from cash otherwise distributable to the holder, or by withholding from or using other property held in the holder's account with a broker or withholding agent. Such holder may bear brokerage or other costs of this withholding procedure.

Prospective investors should consult their tax advisors regarding the potential application of these withholding provisions.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated _____, we have agreed to sell to the underwriters named below, for whom CAVU Securities, LLC is acting as sole representative, the following respective numbers of shares of common stock.

Underwriter	Number of Shares
CAVU Securities, LLC	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the option to purchase additional shares described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to _____ additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ _____ per share. The underwriters and selling group members may allow a discount of \$ _____ per share on sales to other broker-dealers. After the initial public offering the representative may change the public offering price and concession and discount to broker-dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares	Without Option to Purchase Additional Shares	With Option to Purchase Additional Shares
Underwriting discounts and commissions paid by us	\$	\$	\$	\$
Expenses payable by us	\$	\$	\$	\$

We estimate that our out of pocket expenses for this offering will be approximately \$ _____. We have also agreed to reimburse the underwriters for up to \$ _____ for their Financial Industry Regulatory Authority ("FINRA") counsel fee. In accordance with FINRA Rule 5110, this reimbursed fee is deemed underwriting compensation for this offering.

We, all of our executive officers, directors, and the holders of substantially all of our outstanding shares of common stock and other equity securities, including options to acquire shares of our common stock, have agreed, subject to certain exceptions, that we and they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, or disposition, or to

enter into any transaction, swap, hedge, or other arrangement, without, in each case, the prior written consent of CAVU Securities, LLC for a period of 180 days after the date of this prospectus.

The restrictions described in the immediately preceding paragraph and contained in the lock-up agreements between the underwriters and the lock-up parties do not apply, subject in certain cases to various conditions, to certain customary transactions.

We have agreed to indemnify the underwriters against liabilities under the Securities Act or contribute to payments that the underwriters may be required to make in that respect.

We intend to apply to list the shares of common stock on _____ under the symbol “CHIA.”

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representative and will not necessarily reflect the market price of the common stock following this offering. The principal factors that we and the representative expect to consider in determining the initial public offering price included:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of, and prospects for, the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development, results of operations, and our current financial condition;
- the general condition of the securities markets at the time of this offering
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

We cannot assure you that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to this offering or that an active trading market for the common stock will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in the option to purchase additional shares. The underwriters may close out any covered short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares

through the option to purchase additional shares. If the underwriters sell more shares than could be covered by the option to purchase additional shares, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the _____ or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representative may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing, and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. These investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The common stock offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distributions of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy and any common stock offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each a “Relevant State”), no shares of common stock have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the common stock which has been approved by the competent

authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged, and agreed to and with each of the underwriters and us that it is a “qualified investor” within the meaning of Article 2(e) of the Prospectus Regulation. In the case of any shares being offered to a financial intermediary as that term is used in the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged, and agreed that the shares acquired by it in the offer have not been acquired on a nondiscretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters have been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129. We have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares in this document. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of us or the underwriters.

Notice to Prospective Investors in the United Kingdom

In relation to the United Kingdom, no shares of common stock have been offered or will be offered pursuant to this offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the shares that either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that offers of shares may be made to the public in the United Kingdom at any time under the following exemptions under the UK Prospectus Regulation:

- to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than “qualified investors” as defined in Article 2 of the UK Prospectus Regulation); or
- in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (“FSMA”),

provided that no such offer of shares shall require us or any representative to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and

the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

We have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of us or the underwriters.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in Article 2 of the UK Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high-net-worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”) or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares in the United Kingdom within the meaning of the FSMA. Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CO”) or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation, or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Notice to Prospective Investors in Japan

The shares of common stock have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law Act. Accordingly, none of the shares of common stock nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations, and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in Switzerland

The shares of common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the “SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares of common stock or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the company, or the shares of common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of shares of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in Israel

In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase shares of common stock under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728—1968, including, inter alia, if: (i) the offer is made, distributed, or directed to not more than 35 investors, subject to certain conditions, or the Addressed Investors; or (ii) the offer is made, distributed, or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions, or the “Qualified Investors.” The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. We have not and will not take any action that would require us to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728—1968. We have not and will not distribute this prospectus or make, distribute, or direct an offer to subscribe for our shares of common stock to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors. Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request, as a condition to be offered shares of common stock, that Qualified Investors will each represent, warrant, and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with the offer to be issued shares of common stock; (iv) that the shares of common stock that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728—1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728—1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor’s name, address, and passport number or Israeli identification number.

Notice to Prospective Investors in Singapore

Each underwriter has acknowledged that this prospectus and the accompanying prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each underwriter has represented and agreed that it has not offered or sold any shares of common stock or caused the shares of common stock to be made the subject of an invitation for subscription or purchase and will not offer or sell any shares of common stock or cause the shares of common stock to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this prospectus and the accompanying prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

then securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of common stock pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification—In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of the shares of common stock, we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the shares of common stock are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Australia

This prospectus:

- does not constitute a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the “Corporations Act”);
- has not been, and will not be, lodged with the Australian Securities and Investments Commission (“ASIC”), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document for the purposes of the Corporations Act; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, available under section 708 of the Corporations Act (“Exempt Investors”).

The shares of common stock may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares of common stock may be issued, and no draft or definitive offering memorandum, advertisement, or other offering material relating to any shares of common stock may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares of common stock, you represent and warrant to us that you are an Exempt Investor.

As any offering of shares of common stock under this prospectus will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months

may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the shares of common stock you undertake to us that you will not, for a period of 12 months from the date of issue of the shares of common stock, offer, transfer, assign, or otherwise alienate those shares of common stock to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Notice to Prospective Investors in Canada

The shares of our common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares of our common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Latham & Watkins LLP, Menlo Park, California.

CHANGE IN ACCOUNTANTS

On August 17, 2022, we dismissed and replaced Armanino LLP as our independent auditors and retained Deloitte & Touche LLP as our independent registered public accounting firm. The decision to change our independent auditors was approved by the audit committee of our board of directors.

Armanino LLP did not issue a report on our audited financial statements for the year ended March 31, 2022. We had no disagreements with Armanino LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to its satisfaction, would have caused Armanino LLP to make reference in connection with its opinion to the subject matter of the disagreement during the two fiscal years prior to its replacement and the subsequent interim period ended August 17, 2022. During the two most recent fiscal years preceding our replacement of Armanino LLP, and the subsequent interim period ended August 17, 2022, there were no “reportable events” as such term is defined in Item 304(a)(1)(v) of Regulation S-K.

During the two years ended March 31, 2022 and through the subsequent interim period ended August 17, 2022, neither we, nor anyone acting on our behalf, consulted with Deloitte & Touche LLP on matters that involved the application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on our financial statements, or any other matter that was the subject of a disagreement as that term is used in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K or a “reportable event” as that term is used in Item 304(a)(1)(v) and the related instructions to Item 304 of Regulation S-K.

EXPERTS

The financial statements of Chia Network Inc. as of March 31, 2024 and 2023, and for each of the two years in the period ended March 31, 2024, included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report. Such financial statements are included in reliance upon the report of such firm given their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of our common stock being offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and the common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance, we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. The SEC maintains a website that contains reports, proxy, information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements, and other information with the SEC. These periodic reports, proxy statements, and other information will be available for inspection and copying at the SEC’s public reference facilities and the website of the SEC referred to above. We also maintain a website at www.chia.net. Upon the completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The inclusion of our website address in this prospectus is an inactive textual reference only. The information contained in or accessible through our website is not part of this prospectus or the registration statement of which this prospectus forms a part,

and investors should not rely on such information in making a decision to purchase our common stock in this offering.

Chia Network Inc.

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Consolidated Financial statements for the years ended March 31, 2024 and 2023

CHIA NETWORK INC.

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Report Of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Chia Network Inc.

Opinion on the Financial Statements

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

Emphasis of Matter

As discussed in Note 7 to the financial statements, during the period ended March 31, 2024, the Company began selling XCH from the Strategic Reserve and has stated that it intends to sell XCH from the Strategic Reserve to fund operations until such time as the Company can secure alternative financing. The Company has stated that it believes it is in compliance with laws and regulations related to the sales of XCH through the date these financial statements were issued.

Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

San Francisco, California

August 12, 2024

We have served as the Company's auditor since 2022.

Chia Network Inc.

Consolidated Balance Sheets as of March 31, 2024 and 2023

(in thousands, except share data)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,583	\$ 9,821
Trade receivables, net of allowance for credit losses of \$0 and 62, respectively	—	63
Prepaid expenses	330	980
Other current assets	1,363	705
Total current assets	3,276	11,569
Non-current assets:		
Restricted cash	868	868
Property and equipment, net	324	358
Intangible assets, net	489	427
Digital assets	9	877
Other non-current assets	4,106	2,728
Total non-current assets	5,796	5,258
Total assets	\$ 9,072	\$ 16,827
Liabilities, Mezzanine Equity, and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 3,156	\$ 30
Accrued expenses	629	2,583
Lease liability - current	347	321
Other current liabilities	—	277
Total current liabilities	4,132	3,211
Non-current liabilities:		
Lease liability - non-current	279	626
Other non-current liabilities	—	27
Total non-current liabilities	279	653
Total liabilities	4,411	3,864
Commitments and contingencies (Note 13)		
Mezzanine equity		
Redeemable Series C convertible preferred stock, \$0.00001 par value; 4,439,839 shares authorized at March 31, 2024 and 2023; 4,439,832 shares issued and outstanding at March 31, 2024 and 2023; aggregate liquidation preference of \$5,000 as of March 31, 2024 and 2023	52,521	52,521
Total mezzanine equity	52,521	52,521
Stockholders' deficit		
Convertible Series A, Series B, and Series D preferred stock, \$0.00001 par value; 6,529,286 shares authorized at March 31, 2024 and 2023; 4,964,533 and 4,875,018 shares issued and outstanding at March 31, 2024 and 2023; aggregate liquidation preference of \$74,206 and \$72,308 as of March 31, 2024 and 2023	89,320	87,460
Common stock, \$0.00001 par value; 25,000,000 shares authorized at March 31, 2023 and 2022; 9,458,197 and 9,418,707 shares issued and outstanding at March 31, 2024 and 2023, respectively	—	—
Treasury stock	—	—
Additional paid in capital	29,835	19,485
Accumulated deficit	(167,015)	(146,503)
Total stockholders' deficit	(47,860)	(39,558)
Total liabilities, mezzanine equity, and stockholders' deficit	\$ 9,072	\$ 16,827

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

Chia Network Inc.

Consolidated Statements of Operations for the years ended March 31, 2024 and 2023

(in thousands, except share data)

	2024	2023
Revenue:		
Revenue from professional services	\$ 71	\$ 125
Revenue from subscription and support	119	—
Total revenue	190	125
Cost of revenue:		
Cost of professional services revenue	169	37
Cost of subscription and support revenue	97	—
Total cost of revenue	266	37
Gross (loss) profit	(76)	88
Operating expenses and (gains)/losses:		
Research and development	11,547	15,653
Sales and marketing	10,007	12,672
General and administrative	8,780	9,912
Net realized (gains)/losses on sale of digital assets	\$ (9,668)	—
Digital asset impairment losses	\$ 19	\$ 602
Total net operating expenses	20,685	38,839
Loss from operations	(20,761)	(38,751)
Non-operating income (expense), net:		
Interest expense	—	(380)
Other income, net	249	482
Non-operating income (expense), net	249	102
Net loss	\$ (20,512)	\$ (38,649)
Loss per share:		
Basic and diluted	\$ (2.17)	\$ (4.11)
Weighted-average number of common shares outstanding:		
Basic and diluted	9,436,554	9,398,675

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

Chia Network Inc.

Consolidated Statements of Stockholders' Deficit and Mezzanine Equity for the years ended March 31, 2024 and 2023 (in thousands, except share data)

	Convertible preferred stock		Common stock						Mezzanine equity
	Shares	Amount	Shares	Amount	Treasury stock	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit	Series C redeemable convertible preferred stock
Balance, March 31, 2022	4,875,018	\$ 87,460	9,379,050	\$ —	—	\$ 8,780	\$ (107,854)	\$ (11,614)	\$ 52,521
Exercise of stock options	—	—	39,657	—	—	67	—	67	—
Stock-based compensation	—	—	—	—	—	10,638	—	10,638	—
Net loss	—	—	—	—	—	—	(38,649)	(38,649)	—
Balance, March 31, 2023	4,875,018	\$ 87,460	9,418,707	\$ —	—	\$ 19,485	\$ (146,503)	\$ (39,558)	\$ 52,521
Exercise of stock options	—	—	39,490	—	—	30	—	30	—
Issuance of Series D convertible preferred stock, net of issuance costs	89,515	1,860	—	—	—	—	—	1,860	—
Stock-based compensation	—	—	—	—	—	10,320	—	10,320	—
Net loss	—	—	—	—	—	—	(20,512)	(20,512)	—
Balance, March 31, 2024	4,964,533	\$ 89,320	9,458,197	\$ —	\$ —	\$ 29,835	\$ (167,015)	\$ (47,860)	\$ 52,521

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

Chia Network Inc.

Consolidated Statements of Cash Flows for the years ended March 31, 2024 and 2023

(in thousands)

	2024	2023
Cash flows from operating activities		
Net loss	\$ (20,512)	\$ (38,649)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	257	276
Impairment of other non-current assets	156	58
Digital asset impairment loss	19	602
Digital asset transaction fees	72	—
Allowance for credit losses on trade receivables	63	62
Net realized gain on sale of digital assets	(9,668)	—
Non-cash lease expense	208	217
Non-cash interest expense	—	380
Loss from equity method investment	29	—
Stock-based compensation expense	10,320	10,638
Changes in operating assets and liabilities:		
Accounts receivable	—	(125)
Prepaid expenses	651	(328)
Other current assets	(654)	(246)
Other non-current assets	(475)	16
Accounts payable	(5)	(77)
Accrued expenses	(73)	(1,074)
Lease liability	(321)	(297)
Other current liabilities	(277)	251
Other non-current liabilities	(27)	—
Net cash used in operating activities	(20,237)	(28,296)
Cash flows from investing activities		
Purchases of fixed assets	(235)	(223)
Purchases of intangible assets	(97)	(163)
Purchase of digital assets held	—	(95)
Disposal of digital assets held	10,445	101
Purchases of investments	—	(100)
Net cash provided by (used in) investing activities	10,113	(480)
Cash flows from financing activities		
Issuance of convertible preferred stock	1,898	—
Payment of convertible preferred stock issuance costs	(38)	—
Repayment of convertible note	—	(10,000)
Proceeds from exercise of stock options	26	67
Net cash provided by (used in) financing activities	1,886	(9,933)
(Decrease) Increase in cash, cash equivalents and restricted cash	(8,238)	(38,709)
Cash, cash equivalents and restricted cash, beginning of period	10,689	49,398
Cash, cash equivalents and restricted cash, end of period	\$ 2,451	\$ 10,689
Supplemental disclosure of cash flow information		
Deferred offering costs	\$ 1,251	\$ 1,954
Non-cash transfer of accrued expenses to accounts payable	\$ 3,130	\$ —
Summary of cash, cash equivalents and restricted cash balances		
Cash and cash equivalents	\$ 1,583	\$ 9,821
Restricted cash	868	868
Cash, cash equivalents and restricted cash	\$ 2,451	\$ 10,689

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

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

1. Nature of operations

Company and background

Chia Network Inc. (the “Company”) is a South San Francisco-based software company incorporated in Delaware on August 1, 2017. In December 2020, the Company registered a Swiss entity, Chia GmbH, a wholly owned subsidiary. In August 2022, the Company registered a Singapore entity, Chia Network Pte. Ltd., a wholly owned subsidiary.

The Company is a software company focused on creating modular pieces of code that act as accelerants to integrate blockchain technology into real-world applications. It built the Chia blockchain, which was launched on March 19, 2021 and enabled transactions on May 3, 2021. The coin provided by the Chia blockchain protocol is called the Chia coin or XCH, which trades on multiple cryptocurrency exchanges around the world.

2. Summary of significant accounting policies

Principles of consolidation and basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The Company may purchase an investment or other interests in a third-party entity. At the time of a purchase, the Company evaluates whether that entity is considered to be a variable interest entity (“VIE”). If an entity is a VIE, the Company would evaluate whether it is its primary beneficiary that is required to consolidate it. The primary beneficiary of a VIE is the party that meets both of the following criteria: (1) has the power to direct the activities that most significantly impact the VIE’s economic performance; and (2) has the obligation to absorb losses or the right to receive economic benefits from the VIE. As of March 31, 2024 and 2023, the Company was not a primary beneficiary of any VIE.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of expenses during the reporting period. These estimates include, but are not limited to, certain assumptions used in the impairment of digital assets; valuation of stock-based compensation; and valuation of Simple Agreement for Equity (“SAFE”) notes. Actual results could differ from those estimates and such differences could be material to the Company’s financial position and results of operations.

Foreign currency

The Company’s functional currency is the U.S. dollar. The Company has exposure to foreign currency translation gains and losses arising from the Company’s investment in foreign subsidiaries. The revenues, expenses, and financial results of these foreign subsidiaries are recorded in their respective functional currencies.

For foreign subsidiaries where the functional currency is the U.S. dollar, transactions denominated in non-functional currencies are remeasured to the functional currency at the average exchange rate for the period. Non-functional currency monetary assets and liabilities are remeasured to the functional currency using the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities are measured at historical exchange rates. Gains and losses related to remeasurement are recorded in other income, net in the consolidated statements of operations. As such, there is no impact to other comprehensive income.

For foreign subsidiaries where the functional currency is a currency other than the U.S. dollar, the financial statements of these subsidiaries are translated into U.S. dollars using a current rate of exchange, with gains or losses, net of tax as applicable, included in accumulated other comprehensive income within the consolidated statements of

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

shareholders' equity. The cumulative translation adjustment for the fiscal years ended March 31, 2024 and 2023 was immaterial.

Going concern

The Company expects to continue to incur net operating losses for at least the next several years as it continues to develop its business, execute on its business strategy, and acquire new customers. In the fiscal period ended March 31, 2024, these conditions raised substantial doubt about the Company's ability to continue as a going concern. The Company started selling XCH held in the Strategic Reserve beginning in October 2023 and plans to continue to do so until it can secure alternative financing in order to fund operations for the 12-month period after these financial statements are issued. The Company has concluded it is probable that management's plans alleviate the substantial doubt about the Company's ability to continue as a going concern.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase. The Company's cash equivalents primarily consist of money market funds.

Restricted cash

The Company has restricted cash deposits at a financial institution related to a letter of credit associated with a lease. This amount is presented as restricted cash.

Trade receivables

Trade receivables are contractual rights to receive cash and are recorded at the invoice amount, net of an allowance for credit losses. The Company assesses its allowance for credit losses on trade receivable accounts by evaluating the customer-specific circumstances as well as the aging of its trade receivables. The allowance for credit losses is recorded in operating expenses within sales and marketing in the consolidated statements of operations.

Digital assets

The Company's digital assets carried on its balance sheet consist primarily of Bitcoin received from investors as well as a small amount of other cryptocurrencies purchased for research purposes. The Company has determined to account for digital assets as indefinite-lived intangible assets in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Intangibles, Goodwill and Other*, for the periods covered by this report. The Company assigns costs to transactions on a first-in, first-out basis. An intangible asset with an indefinite useful life is not amortized but assessed for impairment on an on-going basis to evaluate whether events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived intangible asset is impaired.

The Company performs a quantitative impairment test to evaluate whether the carrying value of the digital assets it holds exceeds their fair value. The fair value is measured using the lowest intraday quoted price of the digital asset in the Company's principal market. The Company's principal market for Bitcoin, Ethereum and Gemini Dollar is the Gemini crypto exchange ("Gemini"); however, due to a lack of granular historical data downloadable on Gemini outside of an application programming interface, the Company uses Messari.io as a pricing source for the digital assets impairment testing, which is reviewed to ensure it approximates pricing in the Company's principal market. When an impairment is recognized, the loss establishes the new cost basis of the asset, and no subsequent reversal of impairment is made if prices rise. The Company does not hold digital assets for trading purposes. Impairment expense is reflected in digital asset impairment losses in the consolidated statements of operations.

The Company's digital assets also include 21 million XCH held in its Strategic Reserve that was set-up when in March 2021, just after the blockchain launch, the Company pre-coded and a third-party farmer created a block pursuant to the Chia protocol, which included 21 million XCH that the Company since then owned and controlled (the "Strategic Reserve"). The costs that the Company incurred during the creation of the blockchain infrastructure

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

itself, which led to the creation of the XCH in the Strategic Reserve, including direct labor costs, office lease expenses, costs of computer and servers, travel and other costs, were related to the overall activities of the Company and creation of the entire Chia blockchain, rather than solely to the creation of XCH to be held in the Strategic Reserve. Accordingly and pursuant to the guidance in ASC Topic 350, *Intangibles, Goodwill and Other*, the XCH held in the Strategic Reserve is carried as a digital asset at zero cost as indefinite-lived intangible assets. Upon disposal of any XCH held in the Strategic Reserve, the Company records a realized gain as the difference between a zero cost value and total cash proceeds received from such disposal. Net realized (gains)/losses on sale of digital assets are reflected within operating expenses and (gains)/losses in the consolidated statements of operations.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of fixed assets by asset category are described below:

Fixed Assets	Estimated Useful Life
Computer equipment	Two to three years
Furniture and fixtures	Five years
Computer software	Two years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

Routine repair and maintenance costs are expensed as incurred. The cost of major additions, replacements and improvements are capitalized.

Investments

The Company's investments include an equity investment in the Carbon Opportunities Fund LP ("COF"), a Delaware limited partnership that is managed by a third-party investment advisor, Cultivo Advisors LLC, and is intended to invest in carbon offsets. The Company entered into a limited partnership agreement in July 2022 to invest \$1,000 in COF, of which \$100 were called in November 2022 by the COF investment advisor. As of March 31, 2024, no further capital has been called by the COF investment advisor.

The Company does not have a controlling financial interest in COF but exercises significant influence over its activities. This investment is recorded at under the equity method at its initial purchase price and adjusted each reporting quarter for the Company's share of the investee's income or loss and dividend paid, if any. The Company's share of the investee's income or loss is recorded on a one quarter lag for this equity method investment as other income within non-operating income (expenses), net, in the consolidated statements of operations. There was no material equity method gain or loss during the years ended March 31, 2024 and March 31, 2023.

As of March 31, 2024, the carrying value of the COF investment was \$71, and the total capital committed by private investors to COF is \$10,000. The Company does not have any other involvement or contractual agreements with COF and, as a limited partner, it does not have any substantive kick-out, participating or other decision-making rights in COF. However, since the Company's ownership in the COF exceeds 5%, which is deemed to be significant enough to account for this investment under the equity method. The Company's maximum exposure in COF is equal to its total capital commitment of \$1,000.

Intangible assets

Intangible assets consist of registered trademarks, domain names, patents, intellectual property, and website development costs that are finite-lived. These intangible assets are amortized on a straight-line basis over 15 years.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets on an annual basis, or more frequently whenever circumstances indicate a long-lived asset may be impaired. When indicators of impairment exist, the Company

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

estimates future undiscounted cash flows attributable to such assets. In the event cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair value.

During the fiscal year ended March 31, 2024, the Company determined that its right-of-use asset and associated leasehold improvements were impaired by \$111 and \$45, respectively. The impairment was recorded as the amounts recoverable under the sub-lease of the Company's office lease were not sufficient to cover the future cash outflows under the Company's primary lease of the office space. The impairment expense is reflected in operating expenses in the consolidated statements of operations.

During the fiscal year ended March 31, 2023, the Company determined that due to a completion of re-design of its corporate website the previously capitalized website development costs that were reported within property and equipment, net, were impaired by \$33. The impairment expense is recorded in operating expenses in the consolidated statement of operations for the fiscal year ended March 31, 2023. In addition to that, the Company also impaired an investment during the fiscal year ended March 31, 2023 by \$25 as the entity ceased its operations. The impairment expense is reflected in other income, net, in the consolidated statement of operations.

Deferred offering costs

Deferred offering costs, which are included in other non-current assets in the consolidated balance sheets represents incremental costs directly attributable to the initial public offering, such as legal, accounting, and underwriter costs. These costs will be reclassified to contra-equity and offset against the proceeds received when a registration statement is completed and becomes effective.

Convertible note

There was no convertible debt outstanding during the fiscal year ended March 31, 2024. During the fiscal year ended March 31, 2023, the Company fully repaid its then-outstanding convertible note principal plus accrued interest. Prior to repayment, the Company accounted for its convertible note payable at cost pursuant to ASC Topic 470, *Debt*. The convertible note payable contained conversion and redemption features that were assessed for derivative treatment pursuant to ASC Topic 815, *Derivatives and Hedging*. The Company concluded that one contingent redemption feature and one contingent cash settlement feature met the requirements for derivative treatment and, as such, were bifurcated and accounted for separately at fair value. The Company determined that the fair value of the derivatives was immaterial both at inception and as of March 31, 2022 due to the low probability of the underlying contingent events to occur. The notional value of these derivatives was \$10,000. See Note 10 for more information including a summary of the conversion and redemption features.

SAFE notes

During the fiscal year ended March 31, 2022, the Company converted all of its outstanding SAFE notes to convertible preferred stock. These SAFE notes provided the investors with the right to convert the principal amount of their SAFE notes into a formula-driven amount of equity shares, to be issued by the Company upon occurrence of a qualifying conversion event (e.g., a qualifying equity financing event, a registered offering, etc.). Upon occurrence of certain other events (e.g., a qualifying liquidity event or dissolution event), the SAFE noteholder had an option to receive cash payment of their principal or a formula-driven number of equity shares. Prior to conversion, these SAFE notes were classified as long-term debt instruments to be measured both at inception and subsequently at fair value pursuant to ASC Topic 480, *Distinguishing Liabilities from Equity*. See Note 10 for further information.

Fair value measurements

The Company applies fair value accounting for its cash equivalents and bifurcated derivatives associated with the convertible note payable, using a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

Three levels of inputs may be used to measure fair value:

- Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical, unrestricted assets or liabilities in active markets.
- Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Revenue

The Company recognizes revenue from contracts with customers upon the transfer of control of promised services provided to customers. In accordance with the guidance in ASC 606, Revenue from contracts with customers, the Company recognizes revenue upon application of the following steps: (1) identification of the contract, or contracts, with the customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of the revenue when, or as, the Company satisfies a performance obligation. Revenue from contracts with customers is measured based on the amount of consideration that the Company expects to receive.

The Company's revenue to date consists of professional services to build, implement and customize blockchain applications and subscription and support revenue primarily for node and application hosting and support. The Company has received fixed pre-negotiated fees as compensation for professional services and pre-negotiated periodic fees for subscription and support services.

Revenue from professional services and revenue from subscription and support are recognized upon transfer of control of promised services to customers, which is expected to occur over time as the services are being performed.

In the fiscal years ended March 31, 2024 and 2023, the Company recorded professional services revenue in the amount of \$71 and \$125, respectively, from professional services. In the fiscal years ended March 31, 2024 and 2023, the Company recorded subscription and support revenue of \$119 and \$0. All revenue was recognized when the service was completed. The implementation services were provided to customers located in the United States while the subscription and support services were provided to a customer located in Singapore.

Cost of revenue

Cost of revenue from professional services consists of time-spent based allocations of wages, including employee benefits paid by the Company and stock-based compensation of the personnel, third-party contractors and service providers involved in implementation services, as well as any other direct costs of implementations such as cloud hosting expenses and other items.

The cost of revenue from subscription and support includes time-spent based allocation of wages, including employee benefits paid by the Company and stock-based compensation of the personnel, third-party contractors and service providers involved in subscription and support services, as well as any other direct costs, including cloud hosting expenses and other items.

Research and development

Research and development expenses primarily consist of personnel-related expenses incurred in maintaining and enhancing the Chia blockchain, the Chia platform, and related functionality; expenses related to expenses incurred by third-parties in research and development projects; cloud hosting and fiber expenses; security expenses

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

such as security audits, distributed denial-of-service protection, and bug bounties; expenses for certain software; legal expenses related to applying for patents for the Company's intellectual property; research and development related travel and conference expenses; and allocated lease and depreciation and amortization expenses. Research and development costs are expensed as incurred.

Sales and marketing

Sales and marketing expenses primarily consist of personnel-related expenses incurred in sales and marketing, ecosystem, and business development teams; professional and consulting fees related to sales and marketing; grants to third-party developers to promote and develop Chia's ecosystem; sales and marketing related travel and conference expenses; reimbursements to third-party exchanges for technical integration costs related to XCH listings; advertising and marketing expenses; expenses for certain software and data services related to sales and marketing; sponsorships; expenses related to the development of trademarks; other non-technical intellectual property; and allocated lease and depreciation and amortization expenses. Sales and marketing costs are expensed as incurred. Advertising expenses totaled \$106 and \$112 for the fiscal years ended March 31, 2024 and 2023, respectively.

General and administrative

General and administrative expenses primarily consist of personnel-related expenses incurred to support our business; expenses for certain support software, professional service and consulting expenses related to our support functions; other administrative expenses; general and administrative related travel and conference expenses; and allocated lease and depreciation and amortization expenses. General and administrative costs are expensed as incurred.

Leases

Under ASC 842, the Company elected in transition and for an ongoing basis not to apply the recognition requirements for short-term leases. Additionally, the Company has elected to combine lease and non-lease components. Lease expense is recognized on a generally straight-line basis over the life of each lease.

Stock-based compensation

The Company recognizes stock-based compensation expense using a fair-value based method for costs related to all stock-based awards. The Company estimates the fair value of stock-based payments on the date of grant using the Black-Scholes-Merton option-pricing model. The fair value of the stock is expensed over the requisite service period, which is typically the vesting period, reduced for actual forfeitures. The Company elected to account for forfeitures as they occur.

The model requires management to make a number of assumptions, including expected volatility of the Company's stock, expected life of the award, risk-free interest rate and expected dividends. The expected life of the awards is based on the average period the award is expected to remain outstanding based on the award's vesting term and contractual terms.

The Company determined the assumptions for the option-pricing model as follows:

- **Risk-Free Interest Rate.** The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date closest to the grant date for U.S. Treasury notes with maturities approximately equal to the expected term of the awards.
- **Expected Term.** The expected term represents the period that the stock-based compensation awards are expected to be outstanding. The Company has elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

- Volatility. The volatility is based on a blend of volatility of guideline companies and cryptocurrencies.
- Dividend Yield. The dividend yield is assumed to be zero as the Company has not paid and does not expect to pay dividends.

Income taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and credits. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

Judgment is required in determining any valuation allowance recorded against deferred tax assets. The Company recognizes deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In assessing the need for a valuation allowance, management considers all positive and negative evidence, including past operating results, estimates of future taxable income, projected future taxable income, tax planning strategies, and results of recent operations. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized. If the Company determines that it is able to realize its deferred tax assets in the future in excess of the net recorded amount, the Company decreases the deferred tax asset valuation allowance, which reduces the income tax expense.

The Company is required to evaluate the tax positions taken in the course of preparing its tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority based on the merits of the position. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax expense in the current year. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount that is initially recognized. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense (benefit) in the consolidated statements of operations and comprehensive loss.

For federal tax purposes, digital asset transactions, are treated on the same tax principles as property transactions based on current guidance from the Internal Revenue Service. A tax gain or loss is recognized when digital assets are exchanged for other property, in the amount of the difference between the fair market value of the property received and the tax basis in the digital asset. Receipts of digital assets in exchange for goods or services are included in taxable income at the fair market value on the date of receipt.

Comprehensive loss

Comprehensive loss includes net loss as well as other changes in stockholders' deficit that result from transactions and economic events other than those with stockholders. For the years ended March 31, 2024 and 2023, there were no items that gave rise to other comprehensive loss and, therefore, there was no difference between net loss and comprehensive loss.

Net loss per share of common stock

Basic net loss per share of common stock is calculated by dividing the net loss attributable to common stockholders by the weighted-average shares of common stock outstanding for the period. Diluted net loss per share of common stock is the same as basic net loss per share of common stock, since potentially dilutive securities from stock options, equity warrants, unvested restricted stock, convertible preferred stock, redeemable convertible preferred stock, and the convertible note would have an antidilutive effect as the Company incurred a net loss during the period. During the years ended March 31, 2024 and 2023, the Company incurred a net loss; therefore, all of the securities are antidilutive and excluded from the computation of diluted loss per share. Additionally, redeemable convertible preferred stock did not impact the numerator of the basic and diluted net loss per share of common stock.

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

calculation as there were no redemption adjustments as it was not probable of being redeemed as of March 31, 2024 and 2023.

The following table summarizes the Company's potentially dilutive securities as of March 31, 2024 and 2023:

	2024	2023
Unvested restricted stock	—	—
Stock options and warrants	1,232,878	865,270
Convertible preferred stock	9,397,479	9,314,850
Convertible note	—	138,478
Total	10,630,357	10,318,598

Concentrations of risk

Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and restricted cash. The Company places its cash and cash equivalents and restricted cash in financial institutions that management believes are creditworthy; however, deposits may exceed federally insured limits.

Risks and uncertainties

The Company's future results of operations involve a number of risks and uncertainties that could materially adversely affect its, cash flows, liquidity, results of operations, financial condition and prospects.

The Company's business depends on the acceptance of the Chia blockchain and the Chia platform. Currently, there is a relatively limited acceptance and adoption of blockchain technology as a way to exchange and custody tokens representing real-world assets. In comparison, there is relatively large use by speculators contributing to the historical price volatility of digital assets. The relative lack of acceptance and adoption of blockchain technology may limit the Company's growth. Continued lack of acceptance or decline in acceptance would have a material adverse effect on the business, prospects or operations of the Company. International, federal, state or local governments may restrict the use and exchange of digital assets in the future, which may impact the acceptance and adoption of blockchain technology worldwide and may negatively impact business, prospects or operations of the Company.

There is also uncertainty regarding the current and future accounting, tax and legal treatment, as well as regulatory requirements relating to digital assets or transactions utilizing digital assets. Governmental regulations, or any adverse accounting, tax, legal or regulatory treatment of digital assets or transactions could materially and adversely affect the manner in which the Company conducts its business and could continue to result in heightened regulation and oversight and in increased costs and potential litigation.

Segment reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (the "CODM") in deciding how to allocate resources to an individual segment and in assessment performance. The Company's CEO and President is the Company's CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, the Company has determined that it operates as one operating segment and one reportable segment.

Recently issued accounting standards

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. This new accounting standard update defers the effective dates of ASU 2016-13 for the SEC filers that are eligible to be smaller reporting companies, non-SEC filers, and all other companies to fiscal years beginning after December 15, 2022, including interim periods within

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

2. Summary of significant accounting policies (continued)

those fiscal years. ASU 2016-13 introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables, which will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands disclosure requirements. The Company adopted ASC 2016-03 in the fiscal year beginning April 1, 2023, including the interim periods within this fiscal year. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*, which reduces the number of accounting models for convertible debt instruments and convertible preferred stock. ASU 2020-06 also enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance. The Company adopted ASU 2020-06 in the fiscal year beginning April 1, 2023, including interim periods within this fiscal year. The adoption of ASU 2020-06 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In November 2023, the FASB issued ASU 2023-7, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which changes the disclosure requirements for significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker. The ASU is required to be applied retrospectively to prior periods presented, based on the significant segment expense categories identified and disclosed in the period of adoption. The ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact ASU 2023-07 will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60)*, which changes the subsequent measurement of digital assets to require to account for these assets at fair market value with changes recognized in net income. The ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact ASU 2023-08 will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax-related disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2023-09 will have on its consolidated financial statements.

3. Cash and cash equivalents: money market funds and accounts

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase. The Company's cash equivalents consist of money market funds, which are included in cash and cash equivalents in the accompanying consolidated balance sheets. As of March 31, 2024 and 2023, money market funds and accounts that are included in cash and cash equivalents totaled \$2,099 and \$878, respectively. These investments are measured at fair value.

4. Fair value measurements

Assets and liabilities measured at fair value on a recurring basis

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of March 31, 2024:

Assets	Level 1	Level 2	Level 3	Total
Money market funds and accounts	\$ 2,099	\$ —	\$ —	\$ 2,099
Cash and cash equivalents	\$ 2,099	\$ —	\$ —	\$ 2,099

Chia Network Inc.

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4. Fair value measurements (continued)

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of March 31, 2023:

Assets	Level 1	Level 2	Level 3	Total
Money market funds and accounts.....	\$ 878	\$ —	\$ —	\$ 878
Cash and cash equivalents.....	\$ 878	\$ —	\$ —	\$ 878

Assets and liabilities measured and recorded at fair value on a non-recurring basis

The Company's financial instruments, including cash, restricted cash, are classified as Level 1 and carried at amortized cost, which approximates their fair value.

The Company's non-financial assets, such as intangible assets, fixed assets, and digital assets are adjusted to fair value when an impairment charge is recognized. The fair value measurements for intangible assets and fixed assets are based predominantly on Level 3 unobservable valuation inputs. The fair value of digital assets held by the Company is predominantly based on Level 2 inputs.

5. Property and equipment, net

Property and equipment, net consisted of the following:

	March 31, 2024	March 31, 2023
Computer equipment	\$ 375	\$ 208
Furniture and fixtures	507	507
Computer software	291	223
Leasehold improvements	145	190
Total	1,318	1,128
Less: accumulated depreciation	(994)	(770)
Property and equipment, net	\$ 324	\$ 358

Depreciation expense related to property and equipment for the fiscal years ended March 31, 2024 and 2023 was \$223 and \$252, respectively.

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6. Intangible assets, net

Intangible assets, net consisted of the following as of March 31, 2024:

	Gross Value	Accumulated Amortization	Net Value	Weighted-average remaining amortization period (in years)
Domain name	\$ 14	\$ (5)	\$ 9	9.66
Trademark	255	(40)	215	12.77
Patents	257	(29)	228	13.37
Website	40	(3)	37	13.83
Intangible assets, net	<u>\$ 566</u>	<u>\$ (77)</u>	<u>\$ 489</u>	<u>13.08</u>

Intangible assets, net consisted of the following as of March 31, 2023:

	Gross Value	Accumulated Amortization	Net Value	Weighted-average remaining amortization period (in years)
Domain name	\$ 14	\$ (4)	\$ 10	9.75
Trademark	226	(24)	202	12.56
Patents	190	(15)	175	12.96
Website	40	—	40	14.83
Intangible assets, net	<u>\$ 470</u>	<u>\$ (43)</u>	<u>\$ 427</u>	<u>12.77</u>

Amortization expense related to intangible assets during the fiscal years ended March 31, 2024 and 2023 was \$34 and \$24, respectively. As of March 31, 2024, the future estimated amortization expense related to intangible assets is as follows:

Year ending March 31,

2024	\$ 38
2025	38
2026	38
2027	38
2028	38
Thereafter	299
Total	<u>\$ 489</u>

7. Digital assets

Digital assets held as of March 31, 2024 and 2023 included the following:

	2024	2023
Bitcoin	\$ 8	\$ 858
Other	1	19
Total	<u>\$ 9</u>	<u>\$ 877</u>

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7. Digital assets (continued)

An aggregated rollforward of the Company's digital assets balance during the fiscal years ended March 31, 2024 and 2023 is included below:

	2024	2023
Beginning balance	\$ 877	\$ 1,485
Other receipts of digital assets	—	95
Disbursements of digital assets	(849)	(101)
Impairment loss of digital assets	(19)	(602)
Ending balance	<u>\$ 9</u>	<u>\$ 877</u>

As of March 31, 2024 and 2023, the Company held 0.5 and 67.5 Bitcoins, respectively, which were not pledged, collateralized or otherwise restricted by contractual or other arrangements with third parties. As of March 31, 2024 and 2023, the Company held an insignificant quantity of other digital assets with a carrying value of \$1 and \$19, respectively.

Other receipts of digital assets (Bitcoins and other digital assets) include purchases from third parties. Disbursements of non-XCH digital assets include transfers to vendors and open market sales. In the fiscal years ended March 31, 2024 and 2023, the Company recorded a total net gain on sale of \$9,668 (including net gain from sale of Bitcoin of \$974 and net gain from sale of XCH of \$8,694) and \$0, respectively, from disbursements of its digital assets. Refer to the *Sale of XCH tokens* section below for more details on the sale of XCH tokens.

During the fiscal years ended March 31, 2024 and 2023, the Company recognized an impairment loss on its digital assets amounting to \$19 and \$602 respectively, and net gains on sale of digital assets of \$9,668 and \$0, respectively. Net gains on sale of digital assets represent an aggregated amount of positive and negative differences between the cost basis and the fair market price of a digital assets, that were sold on an open market or transferred out as a payment to vendors. The impairment losses and net gains (losses) on sale are recorded within the operating expenses and (gains)/losses in the consolidated statements of operations.

Sale of XCH tokens from the Strategic Reserve

As of March 31, 2023 the Company held and had not sold, loaned, collateralized, distributed, or disposed of its Strategic Reserve of 21 million XCH. In fiscal year, ended March 31, 2024 and commencing in October 2023, the Company began programmatically selling XCH from its Strategic Reserve using a third-party market maker on non-U.S. exchanges that do not permit U.S. persons to trade tokens. During the fiscal year ended March 31, 2024, the Company sold 270,174 XCH tokens held in the Strategic Reserve at an average price of \$32.18 per token and recorded a realized gain of \$8,694 as a result of these sales, which is reported within the operating expenses and (gains)/losses as Net realized (gains)/losses on sale of digital assets in the consolidated statements of operations.

Any sale or exchange for value of any portion of the Strategic Reserve may be subject to applicable laws and regulations, including regulatory approval, in the jurisdiction where the Company undertook such sale, exchange, or distribution. The Company believes the sales of XCH through the date of issuance of the financial statements are in compliance with applicable laws and regulations. It is likely the Company will continue to sell XCH from the Strategic Reserve to fund operations until such time as it can secure alternative financing. There is no guarantee that applicable regulators will take a position favorable to distributions or disposal of the Strategic Reserve. The Company will continue to evaluate and comply with the requirements of any applicable laws and regulations at the time of any sale, distribution, or disposition of any portion of the Strategic Reserve.

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8. Other non-current assets

Other non-current assets consisted of the following:

	March 31, 2024	March 31, 2023
Deferred offering costs	\$ 3,684	\$ 1,954
Right-of-use asset	279	597
Carbon Opportunities Fund investment	71	100
Other	72	77
Total	<u>\$ 4,106</u>	<u>\$ 2,728</u>

9. Accrued expenses

Accrued expenses consisted of the following:

	March 31, 2024	March 31, 2023
Professional services	\$ 273	\$ 525
Legal	163	1,682
Engineering and R&D	147	269
Other	46	107
Total	<u>\$ 629</u>	<u>\$ 2,583</u>

10. Debt

Convertible note

On July 19, 2021, the Company issued a convertible note to Western Digital Capital Global, Ltd. (the “WD Convertible Note”). Under the WD Convertible Note, Western Digital Capital Global, Ltd. (“Western Digital”) agreed to loan the Company \$10,000. The WD Convertible Note bore interest at 5.0% per annum and had a maturity date of December 31, 2022.

Under the terms of the WD Convertible Note, an automatic conversion would occur if there was an equity financing greater than \$25,000. The outstanding note principal and accrued interest would convert into equity shares at 95% of the price paid per share by the investors in the equity financing round. If an equity financing between \$5,000 and \$25,000 were to occur, Western Digital had an option to convert the outstanding note principal and accrued interest into equity shares at 95% of the price paid per share by the investors in the equity financing round.

If a sale of substantially all of the Company’s assets occurred prior to conversion, Western Digital would receive in cash the higher of 1) 1.5x the outstanding note principal plus accrued interest or 2) the amount of proceeds that would have been paid had the outstanding principal plus accrued interest been converted into equity shares equal to the quotient obtained by dividing (x) the outstanding principal and accrued interest by the higher of (a) \$21.2054 or (b) 90% of (x) (i) the volume weighted average price of 1 XCH as reported by Messari.io over the 30 days prior to the conversion date multiplied by (ii) the number of XCH held by the Company as of the conversion date divided by (y) the fully diluted number of outstanding shares of the Company’s capital stock as of the conversion date determined on an as-converted-to-common stock basis, including all options outstanding under any of the Company’s equity incentive plans, and including all other outstanding rights to acquire shares of Company capital stock, but excluding any shares issuable on conversion of the note.

At maturity, Western Digital had the option to be paid in cash for the note principal plus accrued interest or convert the outstanding note principal and accrued interest into Series D convertible preferred stock. The number of Series D convertible preferred shares to be issued upon such an optional conversion election was based on the price defined as the higher of (a) \$21.2054 or (b) 90% of (x) (i) the volume weighted average price of 1 XCH as reported

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10. Debt (continued)

by Messari.io over the 30 days prior to the conversion date multiplied by (ii) the number of XCH held by the Company as of the conversion date divided by (y) the fully diluted number of outstanding shares of the Company's capital stock as of the conversion date determined on an as-converted-to-common stock basis, including all options outstanding under any of the Company's equity incentive plans, and including all other outstanding rights to acquire shares of Company capital stock, but excluding any shares issuable on conversion of the note.

At maturity, Western Digital elected the option to be paid in cash for the outstanding note principal plus accrued interest. In December 2022, the Company paid Western Digital \$10,734, which consisted of \$10,000 of the original principal amount of the WD Convertible Note and \$734 of accrued interest. During the fiscal year ended March 31, 2023, interest expense on the WD Convertible Note totaled \$380. As of March 31, 2024 and 2023 no principal balance, no accrued interest and no other commitments were outstanding for the WD Convertible Note as it was fully repaid in December 2022. The Company did not enter into any new convertible note agreements upon the WD Convertible Note repayment and until March 31, 2024.

SAFE notes

The Company issued SAFE notes to investors totaling \$16,387 prior to the fiscal year ended March 31, 2022. The Company also entered into side letters with certain investors contemporaneously with the issuances of the SAFE notes. The Series A SAFE note side letter provides the investors with a contingent option to receive XCH if the Company performs an initial coin offering in connection with the Chia blockchain launch. As the Chia blockchain was launched in March 2019 with no initial coin offering, the Company believes this side letter has no value as of March 31, 2022. The Series C SAFE note side letter provides the investors with the right to redeem their post-SAFE note conversion convertible preferred stock for cash if the Company's equity shares are not listed on a U.S. stock exchange prior to June 30, 2025, or within a two-year period after the Company's equity shares are listed on a U.S. stock exchange and the value of the equity shares fails to exceed 65% of the XCH price times the number of XCH held by the Company on that date, for a 30-day period. The Company believes that the triggers within the Series C SAFE note side letter were remote and contingent on the date of issuance and as of March 31, 2023 and 2024, and therefore, no value was assigned.

In May 2021, all of the Company's outstanding SAFE notes were converted into three series of convertible preferred stock as a qualifying equity financing had occurred. The Company recorded an unrealized loss of \$64,542 related to the fair value measurement of the outstanding SAFE notes, as the SAFE notes liability was remeasured to its fair market value just prior to conversion. Then the carrying value of the SAFE notes was converted into a certain amount of convertible preferred stock of the Company. The number of equity shares issued to the SAFE note holders was determined upon the occurrence of the conversion event and its equity financing terms, including but not limited to the issuance price of new equity shares, the applicable valuation cap, and other factors.

As of March 31, 2024 and 2023, no SAFE notes were outstanding as they had all converted into convertible preferred stock of the Company.

11. Commitments and contingencies

Leases

In August 2018, the Company entered into an 87-month lease for office space, effective November 8, 2018 in San Francisco, California. Rental payments under the lease begin at \$29 per month and escalate at a fixed rate throughout the lease term. As part of the lease, the Company was required to take out a letter of credit requiring a deposit in the amount of \$868. This balance is included within restricted cash, net of current on the accompanying consolidated balance sheets as of March 31, 2024 and 2023. The lease allows the Company to reduce its letter of credit by 50% upon achieving a \$1,000,000 market capitalization. The components of operating lease expenses were as follows:

Year ended March 31,	Year ended March 31,
2024	2023

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11. Commitments and contingencies (continued)

Operating lease cost	\$ 290	\$ 312
Variable lease cost	41	31
Total	\$ 331	\$ 343

The following table summarizes the balances of the Company's operating lease right-of-use assets and operating lease liabilities as of March 31, 2024 and 2023:

	Year ended March 31, 2024	Year ended March 31, 2023
Right-of-use assets	\$ 279	\$ 597
Lease liability - current	347	321
Lease liability - non-current	279	626

Other information related to the Company's operating lease was as follows:

	Year ended March 31, 2024	Year ended March 31, 2023
Weighted average remaining lease term (in years)	1.83	2.83
Weighted average discount rate	8.0 %	8.0 %

Maturities of lease liabilities were as follows:

Year ending March 31,	
2025	\$ 415
2026	355
Total lease payments	\$ 770
Less imputed interest	(144)
Total	\$ 626

Cash paid for amounts included in lease liabilities during the fiscal years ended March 31, 2024 and 2023 was \$321 and \$297, respectively. Rent expense during the fiscal years ended March 31, 2024 and 2023 totaled \$455 and \$343, respectively. Included in this rent expense during the year ended March 31, 2024 was an impairment charge of \$123 related to the Company's right-of-use asset and associated leasehold improvements.

In January 2021, the Company entered into a sub-lease agreement with a sub-lessee to sublet the entire office space in San Francisco, California. The lease commenced in May 2021 and was terminated on January 31, 2024. In January 2024, the Company entered into an agreement with a new sub-lessee to begin lease the office space from April 2024 through January 2026. A schedule of approximate future non-discounted cash inflows as of March 31, 2024 as required under operating sub-leases that have an initial or remaining lease term in excess of one year is as follows:

Year ending March 31,	
2025	\$ 183
2026	188
Total	\$ 371

Sub-lease income during the fiscal years ended March 31, 2024 and 2023 totaled \$201 and \$300, respectively. Sub-lease income is included within other income in the accompanying consolidated statement of operations.

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11. Commitments and contingencies (continued)

Commitments

In July 2022, the Company entered into a commitment to invest \$1,000 of capital into the COF, of which \$100 was contributed in November 2022. As of March 31, 2024, the outstanding remaining capital commitment is equal to \$900. Refer to more details on this commitment to Note 2, Summary of significant accounting policies.

Legal proceedings

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not currently a party to any legal proceedings, nor is it aware of any pending or threatened litigation, that would have a material adverse effect on the Company's business, results of operations, cash flows, financial condition or prospects should such litigation be resolved unfavorably.

12. Stockholders' deficit and mezzanine equity

Capital structure

In accordance with the Certificate of Incorporation, as amended and restated on March 2, 2022, the Company is authorized to issue 25,000,000 shares of common stock and 10,969,125 shares of convertible preferred stock. Both common stock and convertible preferred stock have a par value per share of \$0.00001. A summary of the capital stock classes is included below:

Convertible preferred – Convertible preferred stock within stockholders' deficit consists of Series A convertible preferred, Series B convertible preferred, and Series D convertible preferred. Convertible preferred stock within mezzanine equity consists of Series C redeemable convertible preferred stock. Convertible preferred stock was issued as part of the Series D transaction on May 3, 2021. Investors holding SAFE notes converted their investments into Series A convertible preferred stock, Series B convertible preferred stock, and Series C redeemable convertible preferred stock. Series D convertible preferred was issued to investors for a total consideration of \$60,922, which was paid in cash of \$52,415 and digital assets of \$8,507. In April and May 2023, investors purchased additional Series D convertible preferred stock for a total consideration of \$1,898, which was entirely paid in cash.

A summary of the convertible preferred stock shares authorized, issued, and outstanding as of March 31, 2024 is as follows:

Preferred stock	Shares authorized	Shares issued and outstanding	Original issue price	Conversion price	Dividend rate	Aggregate liquidation preference
Series A convertible preferred stock	1,473,192	1,473,182	\$ 2.29090	\$ 2.29090	8.00 %	\$ 3,375
Series B convertible preferred stock	528,949	528,939	\$ 15.14670	\$ 15.14670	8.00 %	\$ 8,012
Series C redeemable convertible preferred stock	4,439,839	4,439,832	\$ 1.12617	\$ 1.12617	8.00 %	\$ 5,000
Series D convertible preferred stock	4,527,145	2,962,412	\$ 21.20540	\$ 21.20540	8.00 %	\$ 62,819

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12. Stockholders' deficit and mezzanine equity (continued)

A summary of the convertible preferred stock shares authorized, issued, and outstanding as of March 31, 2023 is as follows:

Preferred stock	Shares authorized	Shares issued and outstanding	Original issue price	Conversion price	Dividend rate	Aggregate liquidation preference
Series A convertible preferred stock	1,473,192	1,473,182	\$ 2.29090	\$ 2.29090	8.00 %	\$ 3,375
Series B convertible preferred stock	528,949	528,939	\$ 15.14670	\$ 15.14670	8.00 %	\$ 8,012
Series C redeemable convertible preferred stock	4,439,839	4,439,832	\$ 1.12617	\$ 1.12617	8.00 %	\$ 5,000
Series D convertible preferred stock	4,527,145	2,872,897	\$ 21.20540	\$ 21.20540	8.00 %	\$ 60,921

Liquidation preference, conversion rights, redemption rights, and voting rights for convertible preferred stock are the same for each series. Dividends on all classes of convertible preferred stock are paid when declared by the Company's Board of Directors. See below for a summary of these rights:

- **Liquidation preference** – In the event of any voluntary liquidation, dissolution or winding up of the Company, the holders of shares of convertible preferred stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, and in the event of a deemed liquidation event, the holders of shares of convertible preferred stock then outstanding shall be entitled to be paid out of the consideration payable to stockholders in such deemed liquidation event or out of the available proceeds, as applicable, on a pari passu basis before any payment shall be made to the holders of common stock by reason of their ownership thereof, an amount per share equal to the greater of i) the applicable original issue price, plus any dividends declared but unpaid thereon, or ii) such amount per share as would have been payable had all shares of convertible preferred stock been converted into common stock immediately prior to such liquidation, dissolution, winding up or deemed liquidation event.

If upon any such liquidation, dissolution or winding up of the Company or deemed liquidation event, the assets of the Company available for distribution to its stockholders shall be insufficient to pay the holders of shares of convertible preferred stock the full amount to which they shall be entitled, the holders of shares of convertible preferred stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

- **Conversion rights** – Each share of convertible preferred stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of common stock as is determined by dividing the original issue price for such series of convertible preferred stock by the conversion price for such series of convertible preferred stock in effect at the time of conversion.

Each share of convertible preferred stock is mandatorily convertible to common stock upon the closing of the sale of shares of common stock to the public at a price of at least \$47.7122 per share, in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$100,000 of proceeds, net of the underwriting discount and commissions, or upon the date and time or the occurrence of an event specified by vote or written consent of the preferred stockholders.

- **Redemption rights** – Series A convertible preferred stock, Series B convertible preferred stock, and Series D convertible preferred stock are not redeemable at the option of the holder. Series C redeemable convertible preferred stock (or any shares of common stock issued upon conversion) is redeemable by the holder if the Company's equity shares are not listed on a U.S. stock exchange prior to June 30, 2025, or

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12. Stockholders' deficit and mezzanine equity (continued)

within a two-year period after the Company's equity shares are listed on a U.S. stock exchange and the value of the equity shares fails to exceed 65% of the XCH price times the number of XCH held by the Company on that date, for a 30-day period. As the Series C convertible preferred stockholders control the redemption, the Series C convertible preferred stock is classified as mezzanine equity.

Shares of convertible preferred stock are entitled to annual dividends if declared by the Board of Directors. No dividends were declared during the fiscal years ended March 31, 2024 and 2023.

Common – Common stockholders are entitled to one vote per share. The holders of common stock are also entitled to receive dividends equally when, as and if declared. However, no dividends on common stock can be paid before non-cumulative dividends of 8% on convertible preferred stock if declared by the Board of Directors are paid by the Company. No dividends were declared by the Board of Directors during the fiscal years ended March 31, 2024 and 2023. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of common stock shall receive a pro rata distribution of any remaining assets after distribution to preferred stockholders and payable of liabilities, if any. Common stock is not redeemable at the option of the holder.

The Company has reserved shares of common stock for issuance for the following purposes as of March 31, 2024:

Series A convertible preferred stock	1,473,182
Series B convertible preferred stock	528,939
Series C redeemable convertible preferred stock	4,439,832
Series D convertible preferred stock	2,962,412
Equity warrants	15,458
Options outstanding under stock incentive plan	4,043,279
Options or restricted stock available for grant under stock incentive plan	443,428
Total	<u>13,906,530</u>

Restricted stock

In August 2017 and November 2017, the Company issued an aggregate of 8,500,000 shares of restricted stock at a price per share of \$0.0001 to two founders, subject to the provisions of restricted stock purchase agreements in which the awards shall vest monthly over a 48-month period. There was no restricted stock activity or compensation expense related to restricted stock during the fiscal years ended March 31, 2024 and 2023. As of March 31, 2024, there were no unvested shares of restricted stock remaining and no unrecognized compensation cost.

Stock incentive plan

In August 2017, the Board of Directors of the Company adopted the 2017 Stock Incentive Plan ("Stock Plan"), which provides for the granting of options, restricted stock awards ("RSAs") and other stock awards to employees and non-employees. As of March 31, 2024, the Company has reserved 6,300,000 shares of common stock for issuance under the Stock Plan.

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12. Stockholders' deficit and mezzanine equity (continued)

Options under stock incentive plan

Options issued under the Stock Plan are service-based awards and generally vest based on continuous service provided by the option holder over a four-year period on a straight-line or graded vesting schedule. The following table sets for the summary of options activity for the fiscal years ended March 31, 2024 and 2023:

	Options Outstanding Under Stock Plan	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, March 31, 2022	3,671,491	\$ 9.85	9.05	\$ 51,721
Granted	722,309	21.58		
Exercised	(39,657)	1.69		
Forfeited	(390,190)	14.99		
Expired	(18,750)	8.59		
Outstanding, March 31, 2023	3,945,203	\$ 11.58	8.06	\$ 31,403
Granted	694,689	13.71		
Exercised	(39,490)	0.77		
Forfeited	(499,456)	16.22		
Expired	(57,667)	9.21		
Outstanding, March 31, 2024	4,043,279	\$ 11.51	6.83	\$ 22,695
Exercisable as of March 31, 2024	2,632,304	\$ 10.26	6.10	\$ 17,931
Vested and expected to vest as of March 31, 2024	4,043,279	\$ 11.51	6.83	\$ 22,695

During the fiscal year ended March 31, 2024 the Company granted stock options for the purchase of 694,689 shares of the Company's common stock with a weighted-average grant date fair value of \$10.36. During the fiscal year ended March 31, 2023, the Company granted stock options for the purchase of 722,309 shares of the Company's common stock with a weighted-average grant date fair value of \$15.07. Compensation expense related to these options is recognized on a straight-line basis over the service period based upon the fair value at the grant date. Compensation expense related to these options totaled \$10,198 and \$10,522 for the fiscal years ended March 31, 2024 and 2023, respectively.

The intrinsic value is calculated as the difference between the exercise price of the underlying stock option award and the estimated fair value of the Company's common stock. The aggregate intrinsic value of stock options exercised during the fiscal years ended March 31, 2024 and 2023 was \$498 and \$656, respectively. The assumptions used under the Black-Scholes-Merton option-pricing model and weighted-average fair value of options on the grant date are as follows:

	2024	2023
Expected term (in years)	5.96	5.97
Risk-free interest rate	4.61 %	3.02 %
Expected volatility	88.21 %	107.10 %
Dividend yield	0.00 %	0.00 %
Fair value on grant date (per share)	\$ 10.36	\$ 15.07

As of March 31, 2024 there was a total of \$15,798 in unrecognized compensation cost related to unvested options, which is expected to be recognized over a weighted-average period of 2.12 years.

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

12. Stockholders' deficit and mezzanine equity (continued)

RSAs under stock incentive plan

RSAs issued under the Stock Plan are service-based awards and generally vest based on continuous service provided by the RSA holder over a four-year period on a graded vesting schedule. Compensation expense related to these RSAs is recognized on a straight-line basis over the service period based upon the fair value at the grant date. Compensation expense related to these RSAs totaled \$1 and \$25 for the fiscal years ended March 31, 2024 and 2023, respectively. Forfeited RSAs are recorded as treasury stock at cost. The following table sets for the summary of RSA activity for the fiscal years ended March 31, 2024 and 2023:

	Restricted Shares	Weighted- average Grant Date Fair Value per share	Weighted- average Remaining Vesting Period (in years)
Balance, March 31, 2022	23,319	1.20	0.59
Released	(22,694)	1.18	
Balance, March 31, 2023	625	\$ 1.73	0.25
Released	(625)	1.73	
Balance, March 31, 2024	—	\$ —	—

Common stock shares purchased under the Stock Plan are subject to certain restrictions and repurchase rights, including the right of first refusal by the Company for sale or transfer on new shares to outside parties and other restrictions on transfers and secondary market transactions. Repurchases of common stock shares are at cost. As of March 31, 2024, there were no shares of common stock subject to repurchase.

As of March 31, 2024, there was no unrecognized compensation cost related to unvested RSAs.

Equity warrants

During the fiscal year ended March 31, 2024 the Company issued equity warrants for the purchase of 5,022 shares of the Company's common stock with a weighted-average grant date fair value of \$13.30. During the fiscal year ended March 31, 2023 the Company issued one equity warrant for the purchase of 10,436 shares of the Company's common stock with a weighted-average grant date fair value of \$18.23. Compensation expense related to warrants is recognized on a straight-line basis over the period services are provided by the non-employees based upon the fair value at the grant date. Compensation expense related to warrants totaled \$120 and \$91 for the fiscal years ended March 31, 2024 and 2023. The following table sets for the summary of warrant activity for the fiscal years ended March 31, 2024 and 2023:

	Warrants Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, March 31, 2022	—	\$ —	—	\$ —
Granted	10,436	18.23		
Outstanding, March 31, 2023	10,436	\$ 18.23	6.55	\$ —
Granted	5,022	13.30		
Outstanding, March 31, 2024	15,458	\$ 16.63	5.75	\$ —
Exercisable as of March 31, 2024	15,458	\$ 16.63	5.75	\$ —

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

12. Stockholders' deficit and mezzanine equity (continued)

The assumptions used under the Black-Scholes-Merton option-pricing model and weighted-average fair value of warrants on the grant date are as follows:

	2024	2023
Expected term (in years)	7.00	7.00
Risk-free interest rate	4.08 %	3.58 %
Expected volatility	87.50 %	97.58 %
Dividend yield	0.00 %	0.00 %
Fair value on grant date (per share)	\$ 13.30	\$ 18.23

As of March 31, 2024 there was no unrecognized compensation as all warrants had vested.

13. Income taxes

The components of net loss before the provision of income taxes were attributable to the following regions for the fiscal years ended March 31, 2024 and 2023:

	2024	2023
Domestic	\$ 20,430	\$ 38,807
Foreign	82	(158)
Total	<u>\$ 20,512</u>	<u>\$ 38,649</u>

The composition of the income tax expenses for the fiscal years ended March 31, 2024 and 2023:

	2024	2023
Current income tax	\$ 12	\$ 1
Deferred income tax	(16)	—
Total	<u>\$ (4)</u>	<u>\$ 1</u>

The following is a reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the fiscal years ended March 31, 2024 and 2023:

	2024	2023
Statutory federal income tax rate	21.0 %	21.0 %
State income tax rate	4.6 %	5.5 %
Federal R&D credits	4.1 %	1.3 %
Uncertain tax positions	(2.0)%	(0.6)%
Non-deductible stock compensation	(8.2)%	(4.7)%
Valuation allowance	(20.3)%	(22.0)%
Other	0.8 %	(0.5)%
Provision for income taxes	<u>0.0 %</u>	<u>0.0 %</u>

Chia Network Inc.

Notes to the Consolidated Financial Statements

(in thousands, except digital asset tokens, per share data and share amounts)

13. Income taxes (continued)

The components of deferred income tax assets and liabilities as of March 31, 2024 and 2023 are as follows:

	2024	2023
Deferred income tax assets - non-current		
Federal and state net operating loss carryforwards	\$ 17,197	\$ 12,392
Foreign NOL	16	—
Capitalized start-up costs	1,435	1,555
Stock-based compensation	2,292	1,625
Lease liability	187	283
Tax credit carryforwards	1,477	820
Capitalized research and development expenditures	3,061	4,182
Other	103	574
Total deferred tax assets	25,768	21,431
Less: Valuation allowance	(24,046)	(19,878)
Deferred tax assets, net of valuation allowance	\$ 1,722	\$ 1,553
Deferred income tax liabilities - non-current		
Fixed assets and intangible assets	(11)	(22)
Right-of-use asset	(83)	(178)
Federal benefit of state deferred tax assets	(1,612)	(1,353)
Total deferred tax liabilities	(1,706)	(1,553)
Net deferred income tax assets	\$ 16	\$ —

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible. The Company believes it is more likely than not that the deferred tax assets will not be realized, based on a cumulative loss to date and no carryback potential. Accordingly, a valuation allowance has been established on net deferred tax assets. The valuation allowance increased by \$4,168 for the fiscal year ended March 31, 2024.

The Company has net operating loss carryforwards for federal tax purposes of \$53,156 and \$41,331 for the fiscal years ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and 2023, the Company has state net operating losses of \$68,263 and \$42,000, respectively. As of March 31, 2024 and 2023, the Company had federal credit carryforwards of \$2,059 and \$978, respectively. In addition, the Company had state tax credits of \$895 and \$662 as of March 31, 2024 and 2023, respectively. The Company has a net operating carryforward for foreign tax purposes of \$140 and \$0 for the years ending March 31, 2024 and 2023, respectively.

The federal net operating losses will carryforward indefinitely. State net operating losses begin to expire as of the year ending March 31, 2039. The foreign NOL begins to expire as of the year ending March 31, 2031. The foreign NOL begins to expire as of the year ending March 31, 2031. Federal credits begin to expire as of the year ending March 31, 2039 and state credits are indefinite. Federal and state capital loss carryforwards begin to expire after March 31, 2024.

As of March 31, 2024, the Company has reserved \$1,477 of unrecognized income tax benefits related to the federal and state research and development tax credit calculation. It is the Company's practice to recognize interest and penalties related to uncertain tax positions in income tax expense. The Company had no interest or penalty accruals associated with uncertain tax benefits as of March 31, 2024.

The Company files income tax returns for US federal income tax and California. All tax returns since inception remain open to examination by the tax authorities. The Company is currently not under examination for income tax.

Notes to the Consolidated Financial Statements

(in thousands except digital asset tokens, per share data and share amounts)

14. Subsequent events

Management of the Company has evaluated the impact of subsequent events through August 12, 2024, the date the consolidated financial statements were available for issuance.

In April 2024, the Company entered into an advisory agreement with a British Virgin Island company (“BVI company”) for advisory services related to the promotion and marketing of the Chia blockchain, the Chia platform and associated projects. Upon the execution of this agreement, the Company transferred to the BVI company a total of 47,872 XCH tokens with a fair market value of \$41.78 per XCH as consideration for these services. In addition, in May 2024 the Company transferred \$250 to the BVI company to reimburse them for the amount paid to a third-party exchange for technical integration costs related to the crypto exchange listing of XCH.

In May 2024, the Company entered into an asset acquisition agreement with a third-party developer to purchase an energy-efficient graphic processing unit plotter, solver, and harvester designed for the Chia Blockchain in exchange for an equity warrant to purchase up to 100,000 shares of common stock of the Company at a predetermined share price as a consideration for this acquisition, including a contingent provision that allows the Company to hold back up to 30,000 shares equity warrants that were originally issued if certain conditions are not met within a 12 month period from the acquisition date.

In April, May, June, July and August 2024, the Company continued to programmatically sell XCH tokens from its Strategic Reserve using a third-party market maker on non-U.S. exchanges that do not permit U.S. persons to trade tokens. From the inception of XCH token sales in October 2023 through August 12, 2024, the Company received total proceeds of approximately \$16,328 from the sale of XCH tokens, including proceeds of approximately \$7,632 from the sale of XCH tokens that occurred between April 1, 2024 and August 12, 2024.

chia

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by Chia Network Inc. (the “Registrant”) in connection with the sale of the common stock being registered. All amounts are estimates except for the U.S. Securities and Exchange Commission (the “SEC”) registration fee, the Financial Industry Regulatory Authority (“FINRA”) filing fee, and the listing fee.

	Amount to Be Paid
SEC registration fee	\$ *
FINRA filing fee	*
listing fee	*
Transfer agent’s fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue Sky fees and expenses	*
Miscellaneous expenses	*
Total	\$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys’ fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending, or completed actions, suits, or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee, or agent to a registrant. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Article 9 of the Registrant’s amended and restated certificate of incorporation, to be in effect immediately prior to the completion of this offering, provides for indemnification by the Registrant of its directors, officers, and employees to the fullest extent permitted by the Delaware General Corporation Law. The Registrant has entered or will enter into indemnification agreements with each of its current directors, executive officers, and certain other officers to provide these directors and officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant’s amended and restated certificate of incorporation and amended and restated bylaws, each to be in effect immediately prior to the completion of this offering, and to provide additional procedural protections. There is no pending litigation or proceeding involving a director or executive officer of the Registrant for which indemnification is sought.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director or officer of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, except for liability (i) for any breach of the director’s or officer’s duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions, or other distributions, or (iv) for any transaction from which the director or officer derived an improper personal benefit. The Registrant’s amended and restated certificate of incorporation, to be in effect immediately prior to the completion of this offering, provides for such limitation of liability.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act and (b) to the Registrant with respect to payments that may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The proposed form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities

Since April 1, 2021, the Registrant made sales of the following unregistered securities:

SAFE Issuances

In May 2021, the Registrant's SAFEs, which were entered into between September 2017 and July 2020 with accredited investors, converted into:

- an aggregate of 1,473,182 shares of the Registrant's Series A convertible preferred stock at a conversion price of \$2.2909 per share;
- an aggregate of 528,939 shares of the Registrant's Series B convertible preferred stock at a conversion price of \$15.1467 per share; and
- an aggregate of 4,439,832 shares of the Registrant's Series C redeemable convertible preferred stock at a conversion price of \$1.1262 per share.

Convertible Preferred Stock Issuances

In May 2021, the Registrant sold an aggregate of 2,872,897 shares of its Series D convertible preferred stock to 14 accredited investors at a purchase price of \$21.20543 per share, for an aggregate purchase price of \$60.9 million.

In April and May 2023, the Registrant sold an aggregate of 89,515 shares of its Series D convertible preferred stock to 10 accredited investors at a purchase price of \$21.20543 per share, for an aggregate purchase price of \$1.9 million.

Option and Common Stock Issuances

Since April 1, 2021, the Registrant granted to its employees, consultants, and other service providers options to purchase an aggregate of 4,782,669 shares of its common stock under its 2017 Plan, at exercise prices ranging from \$0.60 to \$31.09 per share.

Since April 1, 2021, the Registrant issued and sold to its employees, consultants, and other service providers an aggregate of 52,433 shares of its common stock upon the exercise of stock options under its 2017 Plan, at exercise prices ranging from \$0.60 to \$31.09 per share, for a weighted-average exercise price of \$1.38.

Warrant Issuance

In May 2022, the Registrant granted a service provider a warrant to purchase up to 3,536 shares of its common stock at a purchase price of \$22.24 per share.

In April 2023, the Registrant granted a service provider a warrant to purchase up to 6,900 shares of its common stock at a purchase price of \$16.18 per share.

In July 2023, the Registrant granted a service provider a warrant to purchase up to 5,022 shares of its common stock at a purchase price of \$13.30 per share.

In May 2024, in connection with an asset purchase from a third-party developer, the Registrant granted a third-party developer a warrant to purchase up to 100,000 shares of its common stock at a purchase price of \$13.46 per share.

In May 2024, the Registrant granted a service provider a warrant to purchase up to 10,000 shares of its common stock at a purchase price of \$13.46 per share.

Convertible Note Issuance

In July 2021, the Registrant issued a convertible promissory note to Western Digital Capital Global, Ltd. in principal amount of \$10.0 million. On December 31, 2022, the principal amount and interest accrued pursuant to the convertible promissory note was repaid in full and the convertible promissory note was cancelled.

The Registrant believes these offers, sales, and issuances were exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act, Regulation D promulgated thereunder, or Rule 701 promulgated under the Securities Act as transactions by an issuer not involving a public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement
3.1*	Sixth Amended and Restated Certificate of Incorporation, as currently in effect
3.2*	Amendment to Sixth Amended and Restated Certificate of Incorporation, as currently in effect
3.3*	Form of Amended and Restated Certificate of Incorporation, to be in effect immediately prior to the completion of this offering
3.4*	Amended and Restated Bylaws, as currently in effect
3.5*	Form of Amended and Restated Bylaws, to be in effect immediately prior to the completion of this offering
4.1*	Reference is made to Exhibits 3.1 through 3.4
4.2*	Form of Common Stock Certificate
5.1*	Opinion of Latham & Watkins LLP
10.1*	Amended and Restated Investors' Rights Agreement, dated April 18, 2023 by and among the Registrant and the investors listed therein
10.3*#	Amended and Restated 2017 Stock Incentive Plan, and forms of agreements thereunder
10.4*#	2024 Incentive Award Plan, and forms of agreements thereunder
10.5*#	Employee Stock Purchase Plan
10.6*#	Non-Employee Director Compensation Program
10.7*#	Form of Indemnification Agreement between the Registrant and each of its Directors and Executive Officers
10.8*#	Form of Change in Control and Severance Agreement for Executive Officers
10.9*#	Employment Agreement, dated June 11, 2019, by and between the Registrant and Bram Cohen
10.10*#	Offer Letter, dated December 8, 2019, by and between the Registrant and Gene Hoffman
10.11*#	Employment Agreement dated September 16, 2022, by and between Chia Network Pte. Ltd. and Misha Graboi
10.12*#	Offer Letter, dated November 19, 2021, by and between the Registrant and Thomas Chow
16.1*	Letter of Armanino LLP regarding change to the independent registered public accounting firm of the Registrant
21.1*	List of subsidiaries
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 5.1)
24.1*	Power of Attorney (reference is made to the signature page hereto)
107*	Filing Fee Table

* To be filed by amendment.

Indicates management contract or compensatory plan.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

- (a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the

securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of South San Francisco, State of California, on the day of , 2024.

CHIA NETWORK INC.

By: _____

Name: Gene Hoffman, Jr.

Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gene Hoffman, Jr. and Misha Graboi, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
_____ Gene Hoffman, Jr.	Chief Executive Officer, President, and Director (Principal Executive Officer)	, 2024
_____ Misha Graboi	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2024
_____ Bram Cohen	Chief Technology Officer and Chairman of the Board of Directors	, 2024
_____ Effie Datson	Director	, 2024
_____ David Frazee	Director	, 2024
_____ Noor Menai	Director	, 2024
_____ Chuck Stoops	Director	, 2024

Designing Policy for a Flourishing Blockchain Industry

The logo for the Decentralization Research Center (DRC) is a white square with the letters "DRC" in bold, black, sans-serif font.

Decentralization
Research Center

February 2025

About Decentralization Research Center

The Decentralization Research Center (DRC) is a 501(c)(4) social welfare non-profit that advocates for decentralization as a fundamental characteristic of emerging technologies. This includes the development of blockchain protocols and applications that are immutable, censorship resistant, transparent, secure, and enable data self-sovereignty.

The Decentralization Research Center would like to thank Miles Jennings, Sarah Brennan, and Thomas Chow for their contributions and assistance on this report.

Cover photo: Artem Krapivin

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Introduction

Blockchain technology can provide users with unprecedented levels of transparency, reliability, and security — as long as policy frameworks allow it to flourish.

If properly regulated, blockchain technology facilitates [decentralization](#), giving users greater control over their finances and digital assets, reducing reliance on overreaching institutions. Beyond financial use cases, decentralized blockchain networks function as infrastructure for a variety of applications that provide users with more autonomy over their lives, including, for example: social media platforms that allow users to [own and control](#) their data, community-owned platforms that leverage decentralized governance to [compete with Big Tech](#), and digital identity protocols necessary for users to [protect their identity](#) online from sophisticated [AI-enabled](#) bots.

The policy decisions made in the next two years will shape the trajectory of this technology for decades to come. If policy conflates decentralized and centralized blockchain technology, it will remove the incentives needed for decentralization — an inherently more complex and resource-intensive path — making centralization the default and negating the benefits and risk mitigation that blockchains enable. Without clear regulatory distinctions, builders will have strong incentives to develop centralized blockchains, as they are cheaper to run, easy to control, and allow the founders to build a walled garden to capture and extract value from users. These systems offer little meaningful improvement over legacy systems, continuing the cycle of gatekeeping and limiting user autonomy rather than fostering the open, permissionless innovation that decentralization enables.

The best-case scenario for blockchain policy is one that enables a flourishing ecosystem of digital infrastructure, applications, and businesses which provide significant autonomy and economic opportunity to users. The worst case is a policy framework that fails to incentivize decentralization and innovation, instead creating loopholes that enable opportunists to bypass securities laws and exploit retail investors.

Blockchain technology
can provide users
with unprecedented
levels of transparency,
reliability, and security
— as long as policy
frameworks allow it
to flourish.

A key challenge for policymakers is that there is no universally accepted definition for a decentralized blockchain or digital asset, but over the past several years, academic research and industry experience have helped us to better understand where to draw the line. Based on our review of relevant literature and work in the industry, we believe that [focusing on control](#) is the most effective option for defining decentralization. We propose eight criteria below that, if met, would significantly reduce information asymmetries stemming from the control of a blockchain's token, justifying lower regulatory burdens or exemptions under securities laws. We would greatly appreciate any feedback from the community on these criteria.

These criteria, or a subset thereof, could be used as standards to meet a decentralization test in regulatory safe harbors, like the [Safe Harbor 2.0](#) proposed by SEC Commissioner Hester Peirce, or legislation that classifies different types of digital assets, like the [Financial Innovation and Technology for the 21st Century Act](#) (FIT 21). We believe these criteria provide an objective basis for measuring control, rather than relying solely on a subjective, principles-based approach, which has proven to be too ambiguous for builders to rely upon and could be weaponized by future SEC leadership.

We believe that it is not necessary to use all of these criteria in all cases, as there should be a path to compliance for all types of blockchain projects. However, these criteria would be particularly relevant when considering the securities treatment of layer-one blockchains, which provide foundational infrastructure upon which applications and businesses are built.

The criteria are designed to be objective and rules-based, rather than principles-based, to ensure greater certainty and scalability. They are also technology-neutral across distributed ledger technologies and evergreen, meaning any current or future blockchain network can meet the standard. The criteria were designed such that verification would rely primarily on the network's source code, with additional transparency provided through mandatory disclosures when necessary. A blanket carveout/exception for decentralized governance should also be included.

The SEC is emerging as the first mover in developing blockchain rules and, conveniently, decentralization complements their mission to

**The most effective way
for policymakers to
understand and define
decentralization
is to focus on control.**

protect investors and maintain fair markets. Commissioner Peirce's proposed [Safe Harbor 2.0](#) provides a strong foundation for a framework that distinguishes between different types of blockchain networks while promoting the transparency and accountability the industry needs. In the coming weeks, the Decentralization Research Center, alongside aligned organizations, will publish in-depth recommendations for regulators and policymakers, aiming to help them craft policies that enable the industry to reach its potential.

Control Criteria for Decentralization

1. Open Blockchain Network

The blockchain network is either: (a) a blockchain whose source code is freely and publicly available open-source code; or (b) a blockchain protocol whose source code is freely and publicly available open-source code and is recorded for execution by clients on a blockchain of the kind described in clause (a).

Closed software systems operated by centralized companies subject their users to a number of risks – the source code is not made available to users, and users cannot operate the code themselves. Securitizing ownership of such software should remain subject to securities laws.

These risks can be reduced through open blockchain networks that make their source code freely and publicly available. Open-source requirements are an essential factor in establishing a standard for reducing control and ensuring that intellectual property rights do not provide indirect mechanisms of control that enable value extraction from token holders. Additionally, they enable participants to fork the underlying blockchain, and the transparency of the source code enables anyone to verify how it functions, including that the system can operate without human intervention and that no person has inherent authority to make unilateral decisions impacting the functioning of the source code.

The criteria for Open Blockchain Networks was originally proposed in [Defining Decentralization for Law](#) in 2020.

2. Functional Blockchain Network

The blockchain network is functional, enabling participants to transact through the updating of the state of the blockchain network, including, but not limited to, by: (a) transmitting and storing value; (b) participating in staking or other method of securing the blockchain network; (c) participating in services provided by or an application running on the blockchain network; or (d) participating in any decentralized governance system.

When a blockchain network is not functional (or not yet functional), it and any token related thereto are inherently controlled by any person whose efforts are required to make it functional, thereby exposing network tokenholders to significant control-related risks, including those stemming from the manual performance of operations and the risks of potential mistakes in calculation or data storage. Additionally, a nonfunctional system requires the substantial efforts of others to maintain current and future operations – subjecting any such system to significant risks of information asymmetry.

Accordingly, functionality should be a prerequisite for any control-based decentralization threshold. A functionality requirement does not need to rise to the level of requiring a project’s entire development roadmap be achieved, but does require baseline functionality as described above, which every project should be capable of satisfying.

This criterion was originally proposed in the [Financial Innovation and Technology for the 21st Century Act](#) in 2023, and can be traced back to the SEC’s 2019 [Framework for Digital Assets](#)’ criteria focused on systems being “fully developed and operational” and that network tokens be usable inline with their “intended functionality.”

3. Autonomous Blockchain Network

The blockchain network operates, executes and enforces its operations and transactions without human intervention,

Functionality should be a prerequisite for any control-based decentralization threshold.

functioning solely on pre-established, transparent rules encoded directly within the source code of the blockchain network.

By operating autonomously, a blockchain network removes the need for a central authority, thereby eliminating single points of control and failure with respect to both the network and its token. For blockchains, if one node or participant goes offline or is compromised, the system continues to function because the control is distributed across numerous nodes — autonomous functioning reduces the risk of systemic failure or attack, as there's no central target for malicious actors. Further, autonomous functioning ensures that the systems operate based on rules that are transparent and enforced through code, meaning that participants can trust the system without the need to trust one another or any central authority. As a result, control-related risks for all participants are substantially reduced.

The ability to operate without human intervention is not, itself, a prohibition on human intervention if the potential for human intervention is limited to the transparent rules encoded within the source code and compliant with the other factors in this analysis, as well as other practical limitations stemming from other areas of the law like informational reporting obligations.

4. Permissionless Blockchain Network

The blockchain network does not empower any person or group of persons under common control with unilateral authority to restrict or prohibit lawful use of the blockchain network, including, without limitation: (a) deploying software that uses or integrates with the blockchain network; (b) operating any client, node, validator, or other form of computational infrastructure with respect to the blockchain network; or (c) participating in any decentralized governance system.

If a tokenholder's use or participation in a blockchain network can be unilaterally restricted, then the tokenholder is subject to significant control-related risks stemming from the lack of transparency, potential for collusion and censorship. Any third party with restricting authority could utilize that power indiscriminately against an individual tokenholder or all tokenholders, to harm their property rights and extract value. If no such control exists, then tokenholders

are free to use and participate in the blockchain network as they see fit and may exit the system at any time, thereby insulating against risks of information asymmetries, conflicts of interest, and value extraction. Further, permissionlessness is the foundation upon which greater decentralization can be achieved through organic system growth over time. By enabling any third party to interact and build on top of the system, trust dependencies on the original development team are greatly reduced and should naturally reduce further over time, thereby continuing to mitigate risks associated with information asymmetries. While some projects will be able to start out permissionless, for many projects permissionlessness at early stages would introduce security risks and is therefore better introduced when the project is more mature. It could therefore be counterproductive to require such criteria at the launch of a project, but reasonable to apply it prior to insiders selling.

This criteria was originally proposed in the [Financial Innovation and Technology for the 21st Century Act](#) in 2023.

5. Non-Custodial Blockchain Network

The source code of the blockchain network enables participants in the blockchain network to maintain total independent control of network tokens and other digital assets owned by them, with access and management governed solely by their private keys.

Total independent control is a longstanding concept in regulations relating primarily to money transmission. For example, the [FinCEN 2019 guidance](#) includes a “total independent control” test with respect to multiple signature wallet providers, but the test is also applicable on a broader basis for assessing non-custodial networks for purposes of market structure regulation. With respect to a non-custodial network, the factors should be: (a) the value belongs to the owner; (b) the owner interacts with software or other technology to initiate a transaction, supplying the necessary credentials required to access the value; and (c) any other person or group that provides software tools, additional validation, or other non-essential services in a transaction at the request of the user never has total independent control over the value.

Thus, technologies that are non-custodial ensure that only the user can make decisions and take actions such as the movement or transfer of crypto assets. This criteria is well-informed by the above-mentioned

guidance and codified at [31 CFR § 1010.100\(ff\)](#), stating that technology simply providing “the delivery, communication, or network access services” used to support a user’s activity is not a financial intermediary but rather such suppliers of these tools (communications, hardware, or software) are engaged in trade. Authorities exclude such non-custodial products and technology from Bank Secrecy Act obligations because there is no control over activities in situations where the software or network does not have an account relationship with the user or access to an owner’s crypto assets. The same reasoning applies to decentralization goals — the control test offers objective and easily measurable criteria to determine the degree to which third parties provide essential network services.

6. Distributed Blockchain Network

No person or group of persons under common control: (a) have the unilateral authority, directly or indirectly, to alter the functionality, operation, or rules of consensus or agreement of the blockchain network; or (b) beneficially own, in the aggregate, [10-20]% or more of the total amount of units of a network token or had the unilateral authority to direct the voting, in the aggregate, of [10-20]% or more of the outstanding voting power of such network token.

If a network can be unilaterally altered by a person or group under common control, the potential for information asymmetries, conflicts of interest, insufficient disaffiliation and value extraction is significant. Beyond ensuring that no person can unilaterally change the functionality or operation of a network, decentralized blockchain networks should seek to incentivize participants to contribute value to the ecosystem and correspondingly distribute that value more equitably among system stakeholders according to their contributions.

To achieve this, blockchain networks need to vest meaningful power, control, and ownership with system stakeholders. As a consequence, the value of the ecosystem as a whole accrues to a broader array of participants rather than one central entity and its shareholders. This helps to transform networks from proprietary technologies to public infrastructure, thereby reducing control-related risks to tokenholders.

The broadly distributed threshold of 10-20% is meant to drive the distribution of tokens among stakeholders (i.e., developers,

If a tokenholder’s use or participation in a blockchain network can be unilaterally restricted, then the tokenholder is subject to significant control-related risks.

contributors, and consumers) to incentivize contributions to the network for the benefit of all. In other words: facilitating the benefits of [modern network effects](#), without the pitfalls of centralized control and captive economies. We have not yet settled on a specific percentage but have included that range as it represents the outer limits of what is generally discussed.

This criterion was originally proposed in the [Financial Innovation and Technology for the 21st Century Act](#) in 2023, which specified a threshold of 20%, and can be traced back to the 2019 Framework's criteria and Hester Peirce's [Token Safe Harbour Proposal 2.0](#). Further, definitions of "control" under securities laws have long focused on ownership thresholds in the 10% to 20% range.

7. Credibly Neutral Blockchain Network

The source code of the blockchain network does not empower specific persons with private permissions, hard-coded privileges, or similar rights over other similarly situated persons.

[Credible neutrality](#) is one of the key benefits of open blockchain networks over closed corporate networks. Inherently, because blockchain networks can make guarantees about how they will function, they can remove the possibility of unfair discrimination against particular users and use cases, thereby ensuring that the system remains open and available to all. Meanwhile, a lack of credible neutrality inherently pits one user/use case against others, thereby creating incentives for information asymmetries and value extraction to arise. By creating a level playing field, credible neutrality fosters competition and enables all persons to benefit from participating in the system, thereby maximizing the potential value of the system for all users.

Credible neutrality is one of the key benefits of open blockchain networks over closed corporate networks.

8. Economically Independent Blockchain Network

The primary programmatic mechanisms of the blockchain network that are intended to facilitate substantial value accrual to its network tokens through the functioning of such system are functional, including, without limitation, mechanisms

that: (a) enable the use, consumption or redemption of such network tokens for the digital products or services offered via the blockchain network; (b) automatically adjust the supply of the network token; or (c) programmatically distribute proceeds from the functioning of the blockchain network.

Given that network tokens derive their value from the operation of an underlying blockchain network, it is critical that such value-driving mechanisms be deployed to reduce control-related risks to network tokenholders.

A blockchain enabling the redemption of network tokens for digital products or services (e.g., paying for gas fees on a layer-1 blockchain) is the simplest example of economic independence. Though simple, in execution its impact is exceedingly effective — this step alone can embed supply and demand drivers into the system's network token.

While providing an economic model may make it easier to demonstrate that tokenholders have a “reasonable expectation of profits” when they acquire a network token, an economic model reduces risks associated with such expectations — where a centralized team with control of the system has yet to deploy such mechanisms, the economic functioning of the system will be entirely speculative, and the network token's value will be much more susceptible to information asymmetries, market manipulation and value extraction driven by incentive misalignment among network participants. Where an economic model has been deployed, such control-related risks are greatly reduced.

Ultimately, the implementation of a token economic model is a fundamental step to squarely anchoring profit expectations to the functioning of the blockchain network, as opposed to a company — it makes the network token economically independent of any operating company, thereby reducing control-related risks, including information asymmetries. In addition, economic independence will help to reduce the risk that a given network token may be deemed a “[convertible virtual currency](#)” and that its issuer may be deemed to be a money transmitter.

Using Chia Blockchain Technology for Department of Defense Systems

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Abstract: The United States faces an escalating cybersecurity challenge, with national assets increasingly vulnerable to sophisticated attacks. The ever-reducing barriers to entry in the cyber realm, coupled with advanced persistent threats, underscore the critical imperative to fortify the defense of U.S. assets. Blockchain technology, pioneered by Satoshi Nakamoto over a decade ago, emerges as a resilient cryptographic solution capable of safeguarding data and assets from threats both within and outside a network. This paper delves into the potential of the Chia blockchain as a strategic ally for the Department of Defense (DoD) in bolstering its cybersecurity measures. Beyond a theoretical exploration, the paper provides tangible use cases that illustrate the practical application of Chia within the DoD framework. Notably, the examination extends to crucial areas such as financial auditing, identification management, and supply chain oversight, showcasing the versatility and efficacy of Chia in addressing multifaceted challenges faced by the DoD.

Keywords: Blockchain, Government, Defense, Chia, Security, Applications

Disclaimer: The views expressed are those of the author and do not reflect the official policy or position of the US Air Force, Department of Defense or the US Government.

1. Introduction

Cyberspace today is a warfighting domain where actors from around the globe converge. Battles in cyberspace have few barriers to entry, allowing adversaries and threats, ranging from near-peer competitors to economically disadvantaged ones, to harm the United States and its resources. This necessitates the United States and the Department of Defense (DoD) to safeguard its assets with the latest advancements in cryptography and cybersecurity. Blockchain technology, as one of the latest cryptographic techniques, will be explored in this paper. It will delve into the basics of blockchain technology and argue why the Chia blockchain should be a strong candidate for adoption by the DoD. This is due to its ability to leverage the advantages of both public and private blockchains through Virtual Private Blockchains, and its capability to repurpose old Department of Defense data storage into new technological assets. The paper will also present a use case of Chia for DoD supply chain management.

The blockchain was first introduced in 2008 by Satoshi Nakamoto when he published the Bitcoin paper, 'Bitcoin: A Peer-to-Peer Electronic Cash System.' This paper outlines how cryptographic techniques on a peer-to-peer network can create an immutable, decentralized, and secure storage of data (Nakamoto, 2008). This creates data storage that has greater integrity than a traditional database, which after updating could have little to no evidence of any change. An analogy that illustrates how a blockchain works compares it to a small village where villagers traded frequently with one another (Khan, 2021). However, with how much trade was happening, they required a bookkeeper to keep track of all the trades and promises made between parties. After some time, the bookkeeper became corrupt and started accepting bribes to change what was owed. When the village discovered that the bookkeeper was corrupt, they implemented a new way to keep track of all the trades and promises between parties. The proposed solution was for every villager to keep a record. Throughout the day, villagers would meet in the town square to trade and write down what prices were agreed upon. Then, once a week the villagers would meet to check for discrepancies amongst the ledgers. If there were any, all ledgers would be crosschecked and the most frequently entered record would be assumed correct. The blockchain works similarly to every villager keeping a ledger. Every computer or node that is a part of the network keeps a record of what was sent, received, and stored on the blockchain. Generally, every node on the network can see what is on the blockchain but cannot change it without approval from the majority of nodes on the chain.

2. Blockchain Technology Overview

Every blockchain has three layers: consensus, smart contracts, and application. Consensus is how all the nodes on the blockchain decide to agree on the order of transactions submitted by clients in the form of requests (Clavin et al, 2020). In essence, it ensures that only one sequence of transactions is deemed correct. In cases of disagreement among nodes, the consensus method is referenced, and the correct sequence of transactions is

selected based on the accumulated information. Next, smart contracts serve as the interface between consensus protocols and application layer-level implementations. This enables developers to create applications to run on the blockchain. Lastly, applications represent the user-facing aspects of the blockchain. Examples of application layers include the Philippine banking system, the Walmart/IBM supply chain initiative, and Malaysia's blockchain city.

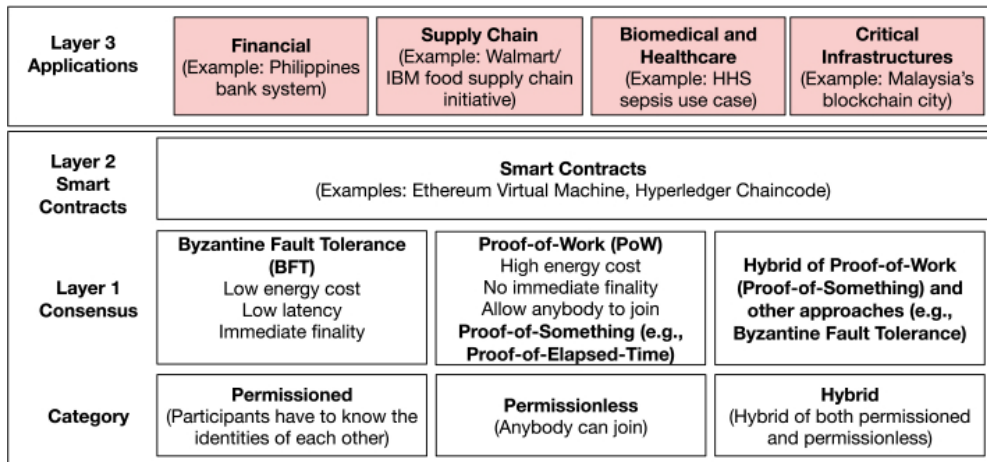


Figure. 1: Overview of Blockchain Technology with Potential Examples (Clavin et al., 2020)

2.1 Consensus Methods

Consensus or proof methods are how nodes on the blockchain verify that the newly added block is correct. There are various methods of proving that the next block should be added, each with unique attributes, such as power requirements, time to find the next block, and resource intensity. The two most prominent proof methods are proof of work and proof of stake.

The proof of work method is a computationally intensive operation where computer processing time is used to prove the next block on the chain. As explained by Satoshi Nakamoto, "The proof of work involves scanning for a value that when hashed, such as with SHA-256, the hash begins with a number of zero bits" (Nakamoto, 2008). While each blockchain has a specific algorithm that determines valid hash values, the underlying principle remains consistent. The computed value is quick to verify by other nodes as it can be verified by executing a single hash. Upon verification, nodes add the new block to their copy of the blockchain. Rival blockchains are addressed by this proof method, as the copy of the blockchain that is longer and verified by more nodes becomes the accepted or 'master' copy.

Proof of stake is an alternative method of proofing designed to address the 51 percent attack vulnerability inherent in proof of work and reduce overhead energy costs. The 51 percent attack occurs when an attacker gains control of the majority of nodes in a proof of work network, granting them complete control over the acceptance of transactions as correct. Proof of stake mitigates this risk by introducing the concept of 'coin age' (King & Nadal, 2012).

Coin age represents the financial investment in the blockchain and is calculated based on the time a coin is held and the amount held. For instance, if Bob possesses 50 coins held for 100 days, he accumulates 5000 coin-days of coin age. This concept is integral to proof of stake, as it limits the search space for the next hash. Specifically, the search space is constrained to "one hash per unspent walletoutput per second." (King & Nadal, 2012) In other words it is one hash per unit coin age. This is much more efficient than the unlimited search space of proof of work. Consequently, individuals with more coin age possess greater decision-making power, aligning decision influence with investment levels in the blockchain. This strategic integration of coin age in the proofing process enhances the security and efficiency of the proof of stake consensus mechanism.

2.2 Public, Private and Hybrid Blockchains

Public and private blockchains, also known as permissionless and permissioned blockchains, dictate access levels for reading, writing, and editing data on the blockchain. Public blockchains typically allow public access to both read and write data (Lewis, 2015). This openness promotes decentralization, immutability, and a diverse and

large participant base. Consensus methods for public blockchains typically take the form of "proof of" models, like proof of work or proof of stake. These consensus methods are ideal for solving disputes on a trustless network and creating confidence in the transactions made on the network. However, challenges for public blockchains such as scalability and transaction speed may arise due to the extensive participation and competition among nodes for block validation.

In a private or permissioned blockchain, every participant on the network must receive approval from a central authority, enabling control over who can view, edit, or publish to the blockchain. For example, specific nodes may have publishing privileges, others may be limited to read-only access, or perhaps only designated nodes can access the blockchain (Yaga et al., 2018). Because all nodes require authorization to participate in the blockchain, a level of trust is established between them. Any misconduct can lead to the revocation of membership in the blockchain. Various consensus models can be employed in a permissioned network, depending on the level of trust among nodes. While both permissioned and permissionless blockchains implement smart contracts and the application layer similarly, the addition of a central authority in private blockchains sacrifices decentralization and immutability in order to ensure only authorized individuals have access to data on the chain.

Hybrid blockchains aim to combine the strengths of both public and private blockchains, seeking to strike a balance between the openness of public networks and the controlled access of private ones. To achieve this, they adopt specific measures to avoid shortcomings and enhance their capabilities. Hybrid blockchains strive to overcome the limitations of both public and private models by implementing a nuanced approach. They often involve integrating public and private elements selectively, tailoring the blockchain to meet specific use cases. Typically hybrid blockchains aim to harness the benefits of public blockchains, like decentralization, while also implementing features like controlled access from private chains for increased efficiency. For example, a hybrid blockchain might employ a public network for broader data access while using private channels for specific transactions or confidential information. Hybrid blockchains are tailored for specific use cases to take advantage of specific traits from public or private chains.

3. Smart Contracts

Smart contracts are coded instructions written into the blockchain, automatically executing when nodes reach consensus. The term "smart contracts" is derived from their resemblance to traditional business contracts, as they fulfill agreements made by multiple parties. The "smart" aspect refers to their seamless execution without disrupting blockchain operations. Developers can write a new smart contract that includes a set of functions. Once the contract is deployed on the blockchain, authorized users can call the contract to use those functions without interrupting other ongoing blockchain services. (Clavin et al, 2020)

However, the introduction of smart contracts also introduces potential vulnerabilities to the blockchain. As noted by J. Clavin, "Since all blockchain transactions are included in the hash chain, and therefore unchangeable, having a bug in the contract, or a flaw that can be exploited, introduces risk into the system. It is also worth noting that the use of smart contracts will likely degrade the performance of the system." (Clavin et al, 2020)

Smart contracts, while powerful and versatile, demand careful consideration and thorough testing to minimize the risk of introducing vulnerabilities to the blockchain system. The immutability of blockchain transactions amplifies the importance of ensuring that smart contracts are error-free and secure before deployment. Researchers have observed that the utilization of smart contracts may impact system performance, underscoring the need for ongoing research and optimization in this critical aspect of blockchain technology (Gueta et al., 2019).

4. Blockchain Applications

Blockchain applications represent the uppermost layer of the blockchain, encapsulating the tangible outcomes and functionalities that the blockchain system aims to achieve. All the underlying layers of consensus, smart contracts, and data structures converge to fulfill these applications. The scope of blockchain applications is broad, spanning critical infrastructure, healthcare, online gaming, and various other domains. Many large-scale blockchain applications are still in their early stages of development. For instance, the Chinese-funded tourist city in Malaysia's Melaka Straits (Property Report, 2019) and Canada's pilot on blockchain digital credentials are notable examples (Leal, 2022). In the Malaysian project, blockchain is employed to enhance the tourism

experience and infrastructure, showcasing the versatility of blockchain in real-world applications. Canada's pilot program, on the other hand, explores the use of blockchain for maintaining permanent, independently owned copies of identification credentials by employees. These examples illustrate the diverse range of applications where blockchain technology is being explored and implemented.

5. Chia Blockchain

Chia, founded by Bram Cohen, is a blockchain platform that shares similarities with Bitcoin but distinguishes itself through its consensus model. Chia's consensus mechanism is known as "proof of space and time," a departure from Bitcoin's proof-of-work. This model leverages excess disk space, repurposing old hard drives from data centers to solve proofs for the blockchain (Cohen & Pietrzak, 2019).

While decentralization is a core principle of the Bitcoin blockchain, unintended centralization occurred, with a few large mining companies, such as NiceHash, controlling the majority of block mining on the network (Chia Network, 2021). This concentration of control poses challenges to the trustworthiness of a decentralized network, as increased influence by a single entity can impact decision-making on the blockchain. Proof of space in Chia resembles proof of work but with a new approach to finding the next hash value. Instead of processing various hashes, it involves storing cryptographic hash values on unused disk space. When the blockchain signals the need for a new block, it issues a challenge. Farmers, participants in the network, scan their disks to find the hash closest to the challenge. The probability of a farmer possessing the correct hash is proportional to their share of disk space in the entire network.

Proof of time is coupled with proof of space to enhance security. As proof of space is relatively quick to solve compared to proof of work, there is a risk of attackers with substantial storage creating competing long transaction chains. In most consensus models if there is a discrepancy between two chains the longer of the two is accepted as the correct history and the other is discarded. To address this, proof of time ensures consistent block additions over time, so parties that want to verify their own elections cannot.

Verifiable Delay Functions, (VDFs), are crucial for proof of time and are executed by servers known as "Timelords." These functions prevent fast completion and add assurance that the next block's validator will be chosen unpredictably. The blockchain only requires one trustworthy Timelord because the fastest Timelord will always execute the proof first. In order to help keep Timelord servers trustworthy Chia partnered with Supranational to produce an open-source proof of time VDF. Proof of time further adds confidence that the selection of the next block's validator will be highly unpredictable, reducing the likelihood of a party interested in a specific transaction becoming the next validator (Chia Network, 2021). This combination of proof of space and time establishes a robust and secure consensus mechanism in the Chia blockchain.

6. Why Chia for the DoD

Chia presents itself as a robust candidate for blockchain implementation by the DoD due to several compelling reasons. First, Chia offers a Virtual Private Blockchain. A unique technology native to Chia which combines the strengths of both public and private blockchains. This includes the decentralization of the entire Chia chain, but also allows to be uniquely programmable for the DoD's applications, have central governance over DoD operations and have permissioned access onto DoD applications. The flexibility to have the decentralization offered by a public blockchain, but the central governance and privacy of information of a private blockchain is crucial for DoD applications.

Chia's consensus layer, proof of space and time, is particularly conducive to the DoD. Given the DoD's possession of large quantities of old storage devices, repurposing these devices to support the blockchain is a sustainable and resourceefficient approach. Instead of discarding outdated hardware, the DoD can leverage its existing infrastructure to contribute to the blockchain's functionality.

Decentralization is a key aspect as to why Chia would be so powerful for the DoD. Decentralization offers strong reliability and trust in the information kept on the blockchain, and the applications executed on top of it. With a higher number of participating nodes, it becomes more challenging for malicious actors to gain control over the network and alter data. At the time Chia published their business whitepaper they claimed that they had "already become the most decentralized blockchain by node count ever." (Chia Network, 2021) This strong decentralization would create a trustworthy platform by ensuring data integrity and immutability.

The combination of decentralization and the Virtual Private Blockchain provides a secure and reliable environment for the DoD. Transactions within the Virtual Private Blockchain are verified by nodes on the entire Chia chain, enhancing security and integrity. Additionally, the permissioned access control further safeguards sensitive DoD applications. This unique combination of public and private chains is exactly what the DoD would need to have for blockchain adaption.

Some may suggest that public blockchains like Ethereum or Cardano may be a better choice for DoD use. However, there are several issues with both of these chains for use by the DoD. First, both are proof of stake, this is not ideal for DoD use because an adversary would only need to buy up a large share of the asset to have substantial voting power on the network. An adversary having control over decisions that affect DoD assets would not be secure. Next, Ethereum's smart contract language and programming environment makes it very difficult for projects to scale. (Chia Network, 2021) Projects launched on their network suffer the same security issues all around, making it a familiar attack surface. Finally, Cardano's network consists of only about 6000 nodes, this is relatively small compared to other public chains. For activities involving national security this is not enough decentralization for a blockchain.

Others may suggest that if public blockchains are not ideal, then the DoD should use a private blockchain like Ripple or Stellar. The primary issue around using a private blockchain is it would remove benefits from public blockchains, with the most important being decentralization. If the blockchain is not decentralized, then it is almost the same as storing data and doing transactions on a standard database. Switching from a standard database that is in use today, to a private blockchain would not be worth the taxpayer money, or the time to implement for such a marginal gain.

7. DoD Chia Use Cases

The existing auditing and funding procedures within the DoD, including the Army Financial System, involve multiple stages such as contract awardation, invoices, receipts, and payment requests. This intricate process introduces several vulnerabilities, including the potential for incorrect accounting, embezzlement, or mismanagement of funds. Transitioning to a blockchain-based system offers a transformative solution. By migrating the current system onto a blockchain, the DoD can publish and maintain contracts with the confidence that the data recorded at the contract's inception remains immutable. The blockchain's inherent immutability ensures that once the contract data is stored, it cannot be altered in the future, providing a secure and transparent foundation for auditing and funding processes. This shift holds the promise of minimizing errors, enhancing accountability, and mitigating the risks associated with financial mismanagement within the DoD.

In a thesis exploring blockchain use to track DoD auditing and funding it was determined that a private permissioned blockchain would be the best use for the DoD and its vendors (Prasanna, 2022). Permissionless public blockchains were not ideal because anyone, including foreign adversaries could join and read, write, and edit data. Next, permissioned public blockchains were not chosen over permissioned private blockchains because the Freedom of Information Act Exemption 4 states that trade secrets and financial information between contractor and government agency can be made confidential (Congress, 2016). If all vendors and contractors are added to the same permissioned public chain then all vendors could see contracts between the DoD and other vendors.

Chia's Virtual Private Blockchain can address the challenge posed by the Freedom of Information Act Exemption 4, allowing trade secrets and financial information between the DoD and contractors to remain confidential. By setting up individual virtual private blockchains between each vendor and the DoD, sensitive information can be protected without compromising transparency within the network. This would enable the decentralization benefits of the Chia blockchain at the cost of additional setup.

The implementation of Chia's Virtual Private Blockchain holds significant potential for managing independently owned identification within the Department of Defense (DoD). By incorporating all DoD members into the virtual private blockchain, a robust and verifiable platform for identification verification can be established. This strategic use case not only enhances security measures but also ensures the integrity of identification information by rendering it tamper-proof. Shifting DoD identification onto the blockchain introduces a powerful deterrent against malicious actors attempting to spoof or steal DoD identification cards. The utilization of unique private keys for each individual on the blockchain becomes a crucial security feature. Without possessing the designated private key, unauthorized individuals would be unable to impersonate someone else. This innovative approach not only bolsters the security of military bases but also enhances protection for areas requiring security

clearance access. The adoption of Chia's Virtual Private Blockchain in this context reflects a proactive measure to elevate the overall security posture of DoD identification systems.

Supply chain management within the Department of Defense (DoD) can leverage Chia effectively. In addressing concerns raised by the Government Accountability Office in its report to Congress, which highlighted vulnerabilities to counterfeit parts within the DoD supply chain (United States Government Accountability Office, 2016), the implementation of a Chia-powered blockchain becomes crucial. Establishing a virtual private blockchain that involves all relevant vendors enables comprehensive tracking of parts, their conditions, and shipping information. Not only would this blockchain solution allow the DoD to monitor the entire supply chain but it also facilitates accountability, transparency, and honesty on part of the vendors providing what was agreed upon. Specifics that could be monitored by the DoD include, monitoring parts modifications en route, identifying potential breakages during transportation, and ensuring product authenticity (Pun et al., 2018). Chia's blockchain technology emerges as a robust tool to effectively address these challenges and fortify the integrity of the DoD's supply chain.

8. Conclusion

The examination of Chia's applicability in key DoD use cases, such as financial auditing, identification management, and supply chain oversight, underscores its versatility and effectiveness. The Virtual Private Blockchain's integration into these scenarios not only aligns with the DoD's security requirements but also introduces a higher level of transparency and reliability in critical processes. Chia's decentralized architecture, combined with the tailored approach of the Virtual Private Blockchain, positions it as a strong candidate for securing and managing sensitive information within the DoD. While this paper provides insights into the potential applications of Chia's Virtual Private Blockchain, future research could delve deeper into the nuances of its implementation across various use cases. Exploring the intricacies of financial auditing, identification management, and supply chain oversight with Chia's blockchain technology would contribute valuable insights into its real-world efficacy. Understanding how the Virtual Private Blockchain enhances security benefits compared to traditional blockchains and private permissioned blockchains could pave the way for more informed decisionmaking within the DoD. Future investigations can illuminate the specific advantages and considerations of adopting Chia in different DoD contexts, and providing a comprehensive roadmap for its successful integration into the nation's cybersecurity framework.

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