

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended January 31, 2021

Commission file number 000-56142

OBITX, Inc.

(Exact name of registrant as specified in its Charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

81-1091922

(I.R.S. Employer
Identification No.)

3027 US Highway 17, Fleming Island, FL 32003

(Address of principal executive offices)

Registrant's telephone number: (321) 802-2474

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

Title of each class

None

Name of each exchange on which registered

None

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

Title of Class

Common Stock

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes

No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes

No

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was \$311,294. For purposes of the above statement only, all directors, executive officers and 10% shareholders are assumed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Shares

Outstanding

6,074,125

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended January 31, 2021).

NONE

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
<u>Item 1. Business</u>	4
<u>Item 1.A. Risk Factors</u>	6
<u>Item 1.B. Unresolved Staff Comments</u>	26
<u>Item 2. Properties</u>	26
<u>Item 3. Legal Proceedings</u>	26
<u>Item 4. Mine Safety Disclosures</u>	26
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	27
<u>Item 6. Selected Financial Data</u>	28
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation</u>	28
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	31
<u>Item 8. Financial Statements and Supplementary Data</u>	32
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	33
<u>Item 9A. Controls and Procedures</u>	33
<u>Item 9B. Other Information</u>	34
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	35
<u>Item 11. Executive Compensation</u>	38
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	39
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	41
<u>Item 14. Principal Accounting Fees and Services</u>	43
<u>PART IV</u>	
<u>Item 15. Exhibits, Financial Statement Schedules</u>	44
<u>Signatures</u>	45
<u>Exhibit</u>	

FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA") regarding management's plans and objectives for future operations including plans and objectives relating to our planned marketing efforts and future economic performance. The forward-looking statements and associated risks set forth in this Annual Report include or relate to, among other things, (a) our growth strategies, (b) anticipated trends and regulations in the our industry, (c) our ability to obtain and retain sufficient capital for future operations, and (d) our anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Business" Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors". In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this report will in fact occur.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions described herein. The assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed in "Risk Factors", there are a number of other risks inherent in our business and operations, which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in the report statement, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Any statement in this report that is not a statement of an historical fact constitutes a "forward-looking statement". Further, when we use the words "may", "expect", "anticipate", "plan", "believe", "seek", "estimate", "internal", and similar words, we intend to identify statements and expressions that may be forward-looking statements. We believe it is important to communicate certain of our expectations to our investors. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements. Important factors that may cause our actual results to differ from such forward-looking statements include, but are not limited to, the risks outlined under "Risk Factors" herein. The reader is cautioned that our Company does not have a policy of updating or revising forward-looking statements and thus the reader should not assume that silence by management of our Company over time means that actual events are bearing out as estimated in such forward-looking statements.

OTHER INFORMATION

Unless specifically set forth to the contrary, when used in this report, the terms "OBITX, Inc.", "OBITX", "we", "our", the "Company" and similar terms refer to OBITX, Inc., a Delaware corporation. In addition, when used herein and unless specifically set forth to the contrary, "2021" refers to the year ended January 31, 2021, and "2020" refers to the year ended January 31, 2020.

PART I

Item 1. Business

HISTORY AND BACKGROUND

We were incorporated in the State of Delaware on March 30, 2017, originally under the name GigeTech, Inc. On October 31, 2017, the Company changed its name to OBITX, Inc., and updated its Articles of Incorporation through unanimous consent of its shareholder, MCIIG. The Company is headquartered in Fleming Island, Florida.

The Company's original business was to provide computer related services. The Company's developed and acquired Internet publishing and broadcasting and web search portals. We published and generate textual, audio, and/or video content on the Internet, and operate websites that use a search engine to generate and maintain extensive databases of internet addresses and content. The Company discontinued this line of operations on April 17, 2020.

The Company is engaged in the business of digital cryptocurrency and blockchain development and consulting.

The Company has incurred significant losses since inception and as of January 31, 2021 has a working capital deficit. The Company's consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through the exercise of warrants, issuance of shares to the public, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue its operations in the normal course of business.

GENERAL OVERVIEW

OBITX is engaged in the business of consulting and developing blockchain technologies. We believe that our services and future products will provide our consumers with an approach to blockchain implementation uniquely designed for them. We provide consulting services in various approaches to cryptocurrencies and blockchain technologies.

Our current website can be found at www.obitx.com, which is not incorporated as part of this Form 10K. In addition, we have acquired the domain www.everythingblockchain.io which is not incorporated as part of this Form 10K, nor currently operational.

Corporate Information

Our principal executive office is located at 3027 US Highway 17, Fleming Island, Florida 32003 and our telephone number is (321) 802-2474. Our fiscal year end is January 31 of each calendar year.

INDUSTRY OVERVIEW

A Blockchain is a decentralized and distributed digital ledger that is used to record transactions across many computers so that the record cannot be altered retroactively without the alteration of all subsequent blocks and the collusion of the network. The blockchain system has been designed to use nodes agreement to order transactions and prevent fraud so that records cannot be altered retroactively. The network orders transaction by putting them together into groups called blocks, each block contains a definite amount of transactions and a link to the previous block. Bitcoin, which is the name of the best-known cryptocurrency, is the one for which blockchain technology was invented. Blockchain is, quite simply, a digital, decentralized ledger that keeps a record of all transactions that take place across a peer-to-peer network.

Bitcoins are not the only type of Digital Assets founded on math-based algorithms and cryptographic security, although it is considered the most prominent as of the date of the filing of this Registration Statement. Over 2,000 other Digital Assets, (commonly referred to as "altcoins", "tokens", "protocol tokens", or "digital assets"), have been developed since the Bitcoin Network's inception, including Ethereum, Ripple, Litecoin, Dash, and HEX.

Blockchain Technologies

Cryptocurrencies

Cryptocurrency is an encrypted decentralized digital currency transferred between peers and confirmed in a public ledger via a process known as mining. As of January 31, 2021, the total value of all cryptocurrencies exceeds one trillion dollars.

Blockchain Value

Cryptocurrencies are Digital Asset that is not a fiat currency (i.e., a currency that is backed by a central bank or a national, supra-national or quasi-national organization) and is not backed by hard assets or other credit. As a result, the value of cryptocurrencies is determined by the value that various market participants place on them through their transactions.

Exchange Valuation

Due to the peer-to-peer framework of cryptocurrencies, transferors and recipients of cryptocurrencies are able to determine the value of the cryptocurrency transferred by mutual agreement or barter with respect to their transactions. As a result, the most common means of determining the value of a cryptocurrency is by surveying one or more Exchanges where the cryptocurrency is publicly bought, sold and traded.

Uses of Cryptocurrencies

Global Cryptocurrency Market

Global trade in cryptocurrencies consists of individual end-user-to-end-user transactions, together with facilitated exchange-based trading. There is currently no reliable data on the total number or demographic composition of users on the global exchanges.

Goods and Services

Cryptocurrencies can be used to purchase goods and services, either online or at physical locations, although reliable data is not readily available about the retail and commercial market penetration of the various cryptocurrencies. To date, the rate of consumer adoption and use of cryptocurrencies for paying merchants has trailed the broad expansion of retail and commercial acceptance of cryptocurrency. Other markets, such as credit card companies and certain financial institutions are not accepting such digital assets. It is likely that there will be a strong correlation between the continued expansion of the Cryptocurrency Network and its retail and commercial market penetration.

Anonymity and Illicit Use

The Blockchain Network was not designed to ensure the anonymity of users, despite a common misperception to the contrary. All transactions are logged on the Blockchain and any individual or government can trace the flow of cryptocurrencies from one address to another. Off-Blockchain transactions occurring off the Network are not recorded and do not represent actual transactions or the transfer of cryptocurrencies from one digital wallet address to another, though information regarding participants in an Off-Blockchain transaction may be recorded by the parties facilitating such Off-Blockchain transactions. Digital wallet addresses are randomized sequences of 27-34 alphanumeric characters that, standing alone, do not provide sufficient information to identify users; however, various methods may be used to connect an address to a particular user's identity, including, among other things, simple Internet searching, electronic surveillance and statistical network analysis and data mining. Anonymity is also reduced to the extent that certain Exchanges and other service providers collect users' personal information, because such Exchanges and service providers may be required to produce users' information in order to comply with legal requirements. In many cases, a user's own activity on the Blockchain Network or on Internet forums may reveal information about the user's identity.

Users may take certain precautions to enhance the likelihood that they and their transactions will remain anonymous. For instance, a user may send its cryptocurrencies to different addresses multiple times to make tracking the cryptocurrencies through the Blockchain more difficult or, more simply, engage a so-called "mixing" or "tumbling" service to switch its cryptocurrencies with those of other users. However, these precautions do not guarantee anonymity and are illegal to the extent that they constitute money laundering or otherwise violate the law.

As with any other asset or medium of exchange, cryptocurrencies can be used to purchase illegal goods or fund illicit activities. The use of cryptocurrencies for illicit purposes, however, is not promoted by the Blockchain Network or the user community as a whole. Furthermore, we do not believe our advertising, marketing, and consulting services has exposure to such uses because the services we provide are curated by our management and team.

DESCRIPTION OF SUBSIDIARIES

There were no subsidiaries consolidated for the year ended January 31, 2021 and three subsidiaries that were incorporated into the financials of OBITX for the year ended January 31, 2020. All three subsidiaries were closed and the operations discontinued. These three subsidiaries include altCUBE, Inc., which was incorporated on June 4, 2018 in the state of Wyoming. altCUBE, Inc. was created to provide services in the arena of promoting individual advertising solutions and enabling access to the financial crypto global market, providing modern, efficient, clean and intuitive user interface. The second was Campaign Pigeon, LLC, which was incorporated on May 10, 2018 in the state of Wyoming. Campaign Pigeon, LLC was created to provide services in the arena of online marketing and generating advertising. The third subsidiary was Haute Jobs, LLC, which was incorporated on May 10, 2018 in the state of Wyoming. Haute Jobs, LLC was created to provide services in the arena of job marketing and matching services, to perform an as an employment center.

EMPLOYEES AND CONSULTANTS

As of January 31, 2021, the Company has 1 employee, the Company's CEO/CFO. There are currently 3 consultants who fulfill a majority of the sales and marketing aspects of the business operations. Current management receives no base salary and is paid 10% of the gross sales earned by the Company.

Available Information

All reports of the Company filed with the SEC are available free of charge through the SEC's Web site at www.sec.gov. In addition, the public may read and copy materials filed by the Company at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. The public may also obtain additional information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the following risk factors as well as other information contained herein, including our financial statements and the related notes. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our securities could decline, and you may lose some or all of your investment.

General Risks

We have a history of operating losses, and we may not be able to achieve or sustain profitability; we have recently shifted our focus to our blockchain and cryptocurrency business, and we may not be successful in this business.

We are not profitable and have incurred losses since our inception. We expect to continue to incur losses for the foreseeable future, and these losses could increase as we continue to work to develop our business. We were previously engaged in internet marketing and social media advertising. In late 2019, we determined to instead pursue a blockchain and cryptocurrency related business. Currently, our primary operations are focused on our cryptocurrency business incubation and general corporate services. This strategy, like our prior ones, may not be successful, and we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

We have a history of operating losses, and we may not be able to achieve or sustain profitability.

We have experienced recurring losses and negative cash flows from operations. As of January 31, 2021, we had approximate balances of cash and cash equivalents of \$35, a total stockholders' equity of \$1,539,182, and an accumulated deficit of \$53,408,035. To date, we have, in large part, relied on equity financings to fund our operations.

Our current strategy will continue to expose us to the numerous risks and volatility associated within this sector.

We expect to continue to incur losses from operations for the near-term and these losses could be significant as we incur costs and expenses associated with recent investments and potential future acquisitions, as well as public company, legal, and administrative related expenses. We are closely monitoring our cash balances, cash needs, and expense levels.

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

We will likely continue to operate at a loss, at least until our business becomes established, and if cryptocurrency prices decline, we expect to need to raise additional capital to expand our operations and pursue our growth strategies, including potential acquisitions of complementary businesses, and to respond to competitive pressures or unanticipated working capital requirements. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, take other actions including terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

We have an evolving business model which is subject to various uncertainties.

As cryptocurrency assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. In order to stay current with the industry, our business model may need to evolve as well. From time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities in this business sector, and we may lose out on those opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

We may acquire other businesses, form joint ventures, or acquire other companies or businesses that could negatively affect our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense; notwithstanding the foregoing, our growth may depend on our success in uncovering and completing such transactions.

We are actively considering strategic opportunities with the support of our external advisors and consultants of various types; however, we cannot offer any assurance that acquisitions of businesses, assets, and/or entering into strategic alliances or joint ventures will be successful. We may not be able to find suitable partners or acquisition candidates and may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into the existing business and could assume unknown or contingent liabilities.

Any future acquisitions also could result in the issuance of stock, incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a negative impact on our cash flows, financial condition and results of operations. Integration of an acquired company may also disrupt ongoing operations and require management resources that otherwise would be focused on developing and expanding our existing business. We may experience losses related to potential investments in other companies, which could harm our financial condition and results of operations. Further, we may not realize the anticipated benefits of any acquisition, strategic alliance, or joint venture if such investments do not materialize.

To finance any acquisitions or joint ventures, we may choose to issue shares of common stock, preferred stock or a combination of debt and equity as consideration, which could significantly dilute the ownership of our existing stockholders or provide rights to such preferred stockholders in priority over our common stockholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common stock is low or volatile, we may not be able to acquire other companies or fund a joint venture project using stock as consideration.

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

We may not be able to compete successfully against present or future competitors. We do not have the resources to compete with larger providers of similar services at this time. The cryptocurrency industry has attracted various high-profile and well-established operators, some of which have substantially greater liquidity and financial resources than we do. With the limited resources we have available, we may experience great difficulties in expanding and improving our network of computers to remain competitive. Competition from existing and future competitors, particularly Facebook, Inc. and the many Canadian companies that have access to more competitively priced energy, could result in our inability to secure acquisitions and partnerships that we may need to expand our business in the future. This competition from other entities with greater resources, experience and reputations may result in our failure to maintain or expand our business, as we may never be able to successfully execute our business plan. If we are unable to expand and remain competitive, our business could be negatively affected which would have an adverse effect on the trading price of our securities, which would harm investors in our Company.

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

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

We incur significant costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies; if we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation.

As a public reporting company, we are required to, among other things, maintain a system of effective internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Substantial work will continue to be required to further implement, document, assess, test and remediate our system of internal controls.

If our internal control over financial reporting is not effective, we may be unable to issue our financial statements in a timely manner, we may be unable to obtain the required audit or review of our financial statements by our independent registered public accounting firm in a timely manner or we may be otherwise unable to comply with the periodic reporting requirements of the SEC, our common stock listing on the OTC markets could be suspended or terminated, and our stock price could materially suffer. In addition, we or members of our management could be subject to investigation and sanction by the SEC and other regulatory authorities and to stockholder lawsuits, which could impose significant additional costs on us and divert management attention.

We identified material weaknesses in our internal control over financial reporting in the prior year and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.

We are required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”). Section 404 requires that we document and test our internal control over financial reporting and issue management’s assessment of our internal control over financial reporting.

Management assessed the effectiveness of our internal control over financial reporting as of January 31, 2021. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. 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 annual or interim financial statements will not be prevented or detected on a timely basis. To remediate any material weaknesses, our management has been implementing, and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. We believe that these actions will remediate the material weakness.

If we fail to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, the accuracy and timeliness of the filing of our annual and quarterly reports may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In addition, a material weakness in the effectiveness of our internal control over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

Because cryptocurrencies may be determined to be investment securities, we may inadvertently violate the Investment Company Act and incur large losses as a result and potentially be required to register as an investment company or terminate operations and we may incur third party liabilities.

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. However, under the Investment Company Act a company may be deemed an investment company under section 3(a)(1)(C) thereof if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis.

As a result of our investments, including investments in which we do not have a controlling interest, the investment securities we hold could exceed 40% of our total assets, exclusive of cash items and, accordingly, we could determine that we have become an inadvertent investment company. The cryptocurrencies we own or have acquired may be deemed an investment security by the SEC, although we do not believe any of the cryptocurrencies we own or have acquired are securities. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer’s total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer’s total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of January 31, 2021, we do not believe we are an inadvertent investment company, however resolution of pending comments received from the SEC have not been concluded and this issue has not been resolved by SEC rules or regulations. For us, any grace period would be unknown until these issues are resolved or the SEC issues rules and regulations concerning cryptocurrency treatment. We may take actions to cause the investment securities held by us to be less than 40% of our total assets, which may include acquiring assets with our cash and cryptocurrency on hand or liquidating our investment securities or cryptocurrency or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

As the Rule 3a-2 exception is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

Classification as an investment company under the Investment Company Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive and would require a restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Further, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the Investment Company Act regime. The cost of such compliance would result in the Company incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations.

Our insurance may be inadequate to cover existing and future claims against the Company and our ability to pay for such claims may be limited, which may adversely affect our business.

If our existing insurance policies expire or are otherwise inadequate to cover liabilities and claims for indemnification, we may be required to pay for liabilities directly, which could negatively affect our liquidity. To the extent we are required to pay for liabilities directly, our available cash reserves will be affected, which may affect our ability to respond to market conditions and to pay for other emergent expenses, which could negatively affect the results of our operations and our business.

We face risks related to the novel Coronavirus (COVID-19) outbreak, which could significantly disrupt our operations and financial results.

Our business will be adversely impacted by the effects of the novel Coronavirus (COVID-19). In addition to global macroeconomic effects, the novel Coronavirus (COVID-19) outbreak and any other related adverse public health developments will cause disruption to the activities of our international suppliers.

The novel Coronavirus (COVID-19) or other disease outbreak will in the short-term, and may over the longer term, adversely affect the economies and financial markets of many countries, resulting in an economic downturn that may adversely affect demand for bitcoin and impact our operating results. Although the magnitude of the impact of the novel Coronavirus (COVID-19) outbreak on our business and operations remains uncertain, the continued spread of the novel Coronavirus (COVID-19) or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions will adversely impact our business, financial condition, operating results and cash flows. In addition, we have experienced and will experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs.

The coronavirus pandemic is an emerging serious threat to health and economic wellbeing affecting our employees, investors and our sources of supply.

On March 11, 2020, the World Health Organization announced that infections of the novel Coronavirus (COVID-19) had become pandemic, and on March 13, the U.S. President announced a National Emergency relating to the disease. There is a possibility of widespread infection in the United States and abroad, with the potential for catastrophic impact. National, state and local authorities have recommended social distancing and imposed or are considering quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures, while intended to protect human life, are expected to have serious adverse impacts on domestic and foreign economies of uncertain severity and duration. The effectiveness of economic stabilization efforts, including proposed government payments to affected citizens and industries, is uncertain. Some economists are predicting the United States will soon enter a recession.

The sweeping nature of the novel Coronavirus (COVID-19) pandemic makes it extremely difficult to predict how the company's business and operations will be affected in the longer run. However, the likely overall economic impact of the pandemic is viewed as highly negative to the general economy. We have not been classified as an essential business in the jurisdictions that have decided that issue to date, and we may not be allowed to access our offices. We may also be forced to close for other reasons such as the health of our associates or because of disruptions in the continued operation of our supply chain and sources of supply.

Any of the foregoing factors, or other cascading effects of the novel Coronavirus (COVID-19) pandemic that are not currently foreseeable, could materially increase our costs, negatively impact our sales and damage the company's results of operations and its liquidity position, possibly to a significant degree. The duration of any such impacts cannot be predicted.

Cryptocurrency-Related Risks

We may lose our private key to our digital wallet, destroying all of our cryptocurrency assets.

Cryptocurrencies are stored in a digital wallet and are controllable by the processor of both the public key and the private key relating to the digital wallet in which the cryptocurrencies are held, both of which are unique. If the private key is lost, destroyed, or otherwise compromised, we may be unable to access our cryptocurrencies held in the related digital wallet which will essentially be lost. If the private key is acquired by a third party, then this third party may be able to gain access to our cryptocurrencies.

We rely on third party service providers to exchange our cryptocurrencies who may be at risks to cyber-security and malicious activity.

Trading platforms and third-party service providers may be vulnerable to hacking or other malicious activities which we cannot control. If one or more malicious actor(s) obtains control of sufficient consensus nodes on the Blockchain, or, other means of alteration, then a Blockchain may be altered. While the Blockchain is decentralized, there is increasing evidence of concentration and techniques that may increase the risk that one or several actors could control the Blockchain on which we conduct business.

Cryptocurrencies may be traded on numerous online platforms, through third party service providers and as peer-to-peer transactions between parties. Many marketplaces simply bring together counterparties without providing any clearing or intermediary services and without being regulated. In such cases, we assume all risks.

Cryptocurrency trading platforms, largely unregulated and providing only limited transparency with respect to their operations, have come under increasing scrutiny due to cases of fraud, business failure or security breaches, where we may not be compensated for losses caused by such activities. Although one does not need a trading platform or an exchange to trade cryptocurrencies, such platforms are often used to convert fiat currency into cryptocurrency or to trade one cryptocurrency for another.

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

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies; certain governments have deemed them illegal, and others have allowed their use and trade without restriction, while in some jurisdictions, such as in the U.S., subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations.

The development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

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

- continued worldwide growth in the adoption and use of cryptocurrencies as a medium to exchange;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the increased consolidation of contributors to the bitcoin blockchain through mining pools;
- the use of the networks supporting cryptocurrencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to cryptocurrencies; and
- negative consumer sentiment and perception of bitcoin specifically and cryptocurrencies generally.

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

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities or that accept cryptocurrencies as payment, including financial institutions of investors in our securities.

A number of companies that engage in bitcoin and/or other cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions. We also may be unable to obtain or maintain these services for our business. The difficulty that many businesses that provide bitcoin and/or derivatives on other cryptocurrency-related activities have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies, and could decrease their usefulness and harm their public perception in the future.

The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks or financial institutions were to close the accounts of businesses engaging in bitcoin and/or other cryptocurrency-related activities. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect our relationships with financial institutions and impede our ability to convert cryptocurrencies to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and harm investors.

We may face risks of Internet disruptions, which could have an adverse effect on the price of cryptocurrencies.

A disruption of the Internet may affect the use of cryptocurrencies and subsequently the value of our securities. Generally, cryptocurrencies are dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of cryptocurrencies.

The impact of geopolitical and economic events on the supply and demand for cryptocurrencies is uncertain.

Geopolitical crises may motivate large-scale purchases of bitcoin and other cryptocurrencies, which could increase the price of bitcoin and other cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in cryptocurrencies as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our common stock. Political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or any other cryptocurrencies we acquire or hold for our own account.

Acceptance and/or widespread use of cryptocurrency is uncertain.

Currently, there is a relatively limited use of any cryptocurrency in the retail and commercial marketplace, thus contributing to price volatility that could adversely affect an investment in our securities. Banks and other established financial institutions may refuse to process funds for cryptocurrency transactions, process wire transfers to or from cryptocurrency exchanges, cryptocurrency-related companies or service providers, or maintain accounts for persons or entities transacting in cryptocurrency. Conversely, a significant portion of cryptocurrency demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines any cryptocurrency's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Market capitalization for a cryptocurrency as a medium of exchange and payment method may always be low.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of bitcoin or any other cryptocurrencies we acquire or hold for our own account.

Transactional fees may decrease demand for bitcoin and prevent expansion.

As the number of bitcoins currency rewards awarded for solving a block in a blockchain decreases, the incentive for miners to continue to contribute to the bitcoin network may transition from a set reward to transaction fees.

In order to incentivize miners to continue to contribute to the bitcoin network, the bitcoin network may either formally or informally transition from a set reward to transaction fees earned upon solving a block. This transition could be accomplished by miners independently electing to record in the blocks they solve only those transactions that include payment of a transaction fee. If transaction fees paid for bitcoin transactions become too high, the marketplace may be reluctant to accept bitcoin as a means of payment and existing users may be motivated to switch from bitcoin to another cryptocurrency or to fiat currency. Either the requirement from miners of higher transaction fees in exchange for recording transactions in a blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for bitcoin and prevent the expansion of the bitcoin network to retail merchants and commercial businesses, resulting in a reduction in the price of bitcoin that could adversely impact an investment in our securities. Decreased use and demand for bitcoin may adversely affect its value and result in a reduction in the price of bitcoin and the value of our common stock.

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

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

It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin, ether, or other cryptocurrencies, participate in blockchains or utilize similar cryptocurrency assets in one or more countries, the ruling of which would adversely affect us.

Although currently cryptocurrencies generally are not regulated or are lightly regulated in most countries, one or more countries such as China and Russia, which have taken harsh regulatory action in recent months, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these cryptocurrency assets or to exchange for fiat currency. In many nations, particularly in China and Russia, it is illegal to accept payment in bitcoin and other cryptocurrencies for consumer transactions and banking institutions are barred from accepting deposits of cryptocurrencies. Such restrictions may adversely affect us as the large-scale use of cryptocurrencies as a means of exchange is presently confined to certain regions globally. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account, and harm investors.

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

Cryptocurrencies that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers; requiring them to be subjected to rigorous listing standards and rules, and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The laxer a distributed ledger platform is about vetting issuers of cryptocurrency assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of the ledger due to a control event. These factors may decrease liquidity or volume or may otherwise increase volatility of investment securities or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account, and harm investors.

Our operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.

We compete with other users and/or companies that acquire and strategically use cryptocurrencies and other potential financial vehicles, including securities backed by or linked to cryptocurrencies through entities similar to us. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly, which could limit the market for our shares and reduce their liquidity. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to us and impact our ability to successfully pursue our new strategy or operate at all, or to establish or maintain a public market for our securities. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account, and harm investors.

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Our business utilizes presently existent digital ledgers and blockchains and we could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto. This may adversely affect us and our exposure to various blockchain technologies and prevent us from realizing the anticipated profits from our investments. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account, and harm investors.

Our cryptocurrencies may be subject to loss, theft or restriction on access.

There is a risk that some or all of our cryptocurrencies could be lost or stolen. Cryptocurrencies are stored in cryptocurrency sites commonly referred to as "wallets" by holders of cryptocurrencies which may be accessed to exchange a holder's cryptocurrency assets. Access to our cryptocurrency assets could also be restricted by cybercrime (such as a denial of service attack) against a service at which we maintain a hosted hot wallet. A hot wallet refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access than wallets in cold storage, but they are also more susceptible to hackers and other technical vulnerabilities. Cold storage refers to any cryptocurrency wallet that is not connected to the Internet. Cold storage is generally more secure than hot storage, but it is not ideal for quick or regular transactions and we may experience lag time in our ability to respond to market fluctuations in the price of our cryptocurrency assets. We hold all of our cryptocurrencies in cold storage to reduce the risk of malfeasance, but the risk of loss of our cryptocurrency assets cannot be wholly eliminated.

Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrencies, such as by attacking the cryptocurrency network source code, exchange miners, third-party platforms, cold and hot storage locations or software, or by other means. We may be in control and possession of one of the more substantial holdings of cryptocurrency. As we increase in size, we may become a more appealing target of hackers, malware, cyber-attacks or other security threats. Any of these events may adversely affect our operations and, consequently, our investments and profitability. The loss or destruction of a private key required to access our digital wallets may be irreversible and we may be denied access for all time to our cryptocurrency holdings or the holdings of others held in those compromised wallets. Our loss of access to our private keys or our experience of a data loss relating to our digital wallets could adversely affect our investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. We will publish the public key relating to digital wallets in use when we verify the receipt of transfers and disseminate such information into the network, but we will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, we will be unable to access our cryptocurrency rewards and such private keys may not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store our cryptocurrencies could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account.

Risks due to hacking or adverse software event.

In order to minimize risk, Riot has established processes to manage wallets that are associated with our cryptocurrency holdings. There can be no assurances that any processes we have adopted or will adopt in the future are or will be secure or effective, and we would suffer significant and immediate adverse effects if we suffered a loss of our cryptocurrency due to an adverse software or cybersecurity event. Riot utilizes several layers of threat reduction techniques, including: (i) the use of hardware wallets to store sensitive private key information; (ii) performance of transactions offline; and (iii) offline generation storage and use of private keys.

At present, the Company is evaluating several third-party custodial wallet alternatives, but there can be no assurance Riot will utilize such services, as other new options may develop in the future, and if a custodial wallet is used there can be no assurance that such services will be more secure than those the Company presently employs. Human error and the constantly evolving state of cybercrime and hacking techniques may render present security protocols and procedures ineffective in ways which we cannot predict. If our security procedures and protocols are ineffectual and our cryptocurrency assets are compromised by cybercriminals, we may not have adequate recourse to recover our losses stemming from such compromise. This would have a negative impact on our business and operations.

Incorrect or fraudulent cryptocurrency transactions may be irreversible.

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrency transactions could adversely affect our investments and assets.

Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the cryptocurrencies from the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network, however, we do not now, nor is it feasible that we could in the future, possess sufficient processing power to effectuate this reversal. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a cryptocurrency or a theft thereof generally will not be reversible, and we may not have sufficient recourse to recover our losses from any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Further, according to the SEC, at this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen cryptocurrency. We are, therefore, presently reliant on existing private investigative entities, such as Chainalysis and Kroll to investigate any potential loss of our cryptocurrency assets. These third-party service providers rely on data analysis and compliance of ISPs with traditional court orders to reveal information such as the IP addresses of any attackers who may have target us. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations of and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account.

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

The Office of Financial Assets Control of the US Department of Treasury requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals ("SDN") list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions with persons named on OFAC's SDN list. Our Company's policy prohibits any transactions with such SDN individuals, but we may not be adequately capable of determining the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Moreover, federal law prohibits any US person from knowingly or unknowingly possessing any visual depiction commonly known as child pornography. Recent media reports have suggested that persons have imbedded such depictions on one or more blockchains. Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such digital ledgers contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our common stock.

Cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times.

Cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times and attempts to increase the volume of transactions may not be effective. Scaling cryptocurrencies is essential to the widespread acceptance of cryptocurrencies as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many cryptocurrency networks face significant scaling challenges. For example, cryptocurrencies are limited with respect to how many transactions can occur per second. Participants in the cryptocurrency ecosystem debate potential approaches to increasing the average number of transactions per second that the network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single miner's or validator's block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of cryptocurrency transactions will be effective, or how long they will take to become effective, which could adversely affect an investment in our securities.

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

The global market for cryptocurrency is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which certain cryptocurrencies are mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in cryptocurrencies or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for cryptocurrencies, large redemptions of the securities of those vehicles and the subsequent sale of cryptocurrencies by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the cryptocurrency inventory we hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we acquire or hold for our own account.

Because there has been limited precedent set for financial accounting of bitcoin and other cryptocurrency assets, the determination that we have made for how to account for cryptocurrency assets transactions may be subject to change.

Because there has been limited precedent set for the financial accounting of cryptocurrencies and related revenue recognition and no official guidance has yet been provided by the Financial Accounting Standards Board or the SEC, it is unclear how companies may in the future be required to account for cryptocurrency transactions and assets and related revenue recognition. A change in regulatory or financial accounting standards could result in the necessity to change our accounting methods and restate our financial statements. Such a restatement could adversely affect the accounting for our newly mined cryptocurrency rewards and more generally negatively impact our business, prospects, financial condition and results of operation. Such circumstances would have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which would have a material adverse effect on our business, prospects or operations as well as and potentially the value of any cryptocurrencies we hold or expects to acquire for our own account and harm investors.

If we are not able to maintain and enhance our brands, or if events occur that damage our reputation and brands, our ability to expand our base of customers may be impaired, and our business and financial results may be harmed.

We believe that our brands have significantly contributed to and will continue to contribute to the success of our business. We also believe that maintaining and enhancing our brands is critical to expanding our customer base. Many of our customers are referred by existing customers. Maintaining and enhancing our brands will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products and services, which we may not do successfully. We may introduce new products or terms of service or policies that customers do not like, which may negatively affect our brands. We will also continue to experience media, legislative, or regulatory scrutiny of our decisions regarding cryptocurrencies, user privacy, and other issues, which may adversely affect our reputation and brands. We also may fail to provide adequate customer service, which could erode confidence in our brands. Our brands may also be negatively affected by the actions of customers that are deemed to be hostile or inappropriate to other customers, by the actions of customers acting under false or inauthentic identities, by the use of our products or services to disseminate information that is deemed to be misleading (or intended to manipulate opinions), by perceived or actual efforts by governments to obtain access to user information for security-related and law enforcement purposes, or by the use of our products or services for illicit, objectionable, or illegal ends. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

We make product, service, and investment decisions that may not prioritize short-term financial results.

We frequently make product, service and investment decisions that may not prioritize short-term financial results if we believe that the decisions are consistent with our mission and improve our financial performance over the long term. We may introduce changes to existing products, or introduce new stand-alone products, that direct our customers away from our current products. We are also investing in new products and services, and we may not successfully monetize such experiences. We also may take steps that result in limiting distribution of products and services in the short term in order to attempt to ensure the availability of our products and services to users over the long term. These decisions may not produce the long-term benefits that we expect, in which case our customer growth and our business results of operations could be harmed.

Our new services and changes to existing services could fail to attract or retain users or generate revenue and profits.

Our ability to retain, increase, and engage our customer base and to increase our revenue depends heavily on our ability to continue to evolve our existing services and to create successful new services, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing products or acquire or introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience. If new or enhanced products fail to engage our customers, or if we are unsuccessful in our monetization efforts, we may fail to attract or retain customers or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We face intense competition and our failure to compete effectively could have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance that we will be able to compete successfully against any of our competitors, some of whom have far greater resources, capital, experience, market penetration, sales and distribution channels than us. If our major competitors were, for example, to significantly increase the level of price discounts offered to consumers, we could respond by offering price discounts, which could have a materially adverse effect on our business, results of operations and financial condition.

In social media, we compete with companies that sell advertising, as well as with companies that provide social and communication products and services that are designed to engage users and capture time spent on mobile devices and online. We face significant competition in every aspect of our business, including from companies that facilitate communication and the sharing of content and information, companies that enable marketers to display advertising, and companies that provide development platforms for applications developers. We compete with companies that offer services across broad platforms that replicate capabilities we provide. We also compete with companies that develop applications, particularly mobile applications, that provide social or other communications functionality, such as messaging, photo and video-sharing, and micro-blogging, as well as companies that provide regional social networks that have strong positions in particular countries. In addition, we face competition from traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

Some of our current and potential competitors may have significantly greater resources or better competitive positions in certain service segments, geographic regions or user demographics than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some of our users are aware of and actively engaging with other products and services similar to, or as a substitute for, our products and services, and we believe that some of our users have reduced their use of and engagement with our service in favor of these other products and services.

In the event that our users increasingly engage with other products and services, we may not experience the anticipated growth, or see a decline, in use and engagement in key user demographics or more broadly, in which case our business would likely be harmed.

Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance, and reliability of our services compared to our competitors' services;
- the size and composition of our user base;
- the engagement of our users with our services and competing services;
- the timing and market acceptance of services, including developments and enhancements to our or our competitors' services;
- our ability to distribute our services to new and existing users;
- our ability to monetize our services;
- the frequency, size, format, quality, and relative prominence of the ads displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts, including our ability to measure the effectiveness of our ads and to provide marketers with a compelling return on their investments;
- our ability to establish and maintain developer's interest in building mobile and web applications that integrate with Facebook and our other services;
- our ability to establish and maintain publisher interest in integrating their content with Facebook and our other services;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers, designers, and service managers;
- our ability to cost-effectively manage and grow our operations; and
- our reputation and brand strength relative to those of our competitors.

If we are not able to compete effectively, our user base and level of user engagement may decrease, we may become less attractive to developers and marketers, and our revenue and results of operations may be materially and adversely affected.

We expect that new products and/or brands we develop will expose us to risks that may be difficult to identify until such products and/or brands are commercially available.

We are currently developing, and in the future, will continue to develop, new products and brands, the risks of which will be difficult to ascertain until these products and/or brands are commercially available. For example, we are developing new formulations, packaging and distribution channels. Any negative events or results that may arise as we develop new products or brands may adversely affect our business, financial condition and results of operations.

Internet security poses a risk to our products and services.

We manage our websites and E-commerce platform internally and as a result, any compromise of our security or misappropriation of proprietary information could have a material adverse effect on our business, financial condition and results of operations. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information.

Internet security poses a risk on business operations and management budgets.

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss and/or litigation. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may result in consumer distrust and may adversely affect our business, results of operations and financial condition.

Currently, we are lacking diversification of revenues.

Our business will depend upon entering into agreements with customers to use our services and software solutions, as well as our consulting services.

User fees from our customers from the use of these services will provide all or substantially all of our revenues. We can give no assurance that our current and potential customers, including data service providers that provide broadband service to end users, government agencies or entities with private data networks, will license or will agree to pay the license fees we will request. The failure to enter into those agreements or realize the anticipated benefits from these agreements on a timely basis, or at all, or to renew any agreements upon expiration or termination would have a material adverse effect on our financial condition and results of operations.

We will need significant additional financing to commercialize our products and services, and we may not be able to obtain such financing on acceptable terms or at all.

To date, we have relied primarily on private placements of our common stock and warrants to purchase common stock to fund our operations. We will require additional financing in the near and long-term to fully execute our business plan. Even if we raise the maximum amount of financing contemplated by this offering, we anticipate that we will need additional financing to complete tests of our systems, as well as to cover our operational costs while we obtain all relevant certifications, negotiate relevant agreements and otherwise fully develop and commercialize them.

In addition, we are currently exploring various options with respect to developing and implementing services in cryptocurrencies and may actively consider from time to time other significant technological, strategic and operational initiatives. In order to execute on any of these initiatives, we may require additional financing. Our success will depend on our ability to raise such additional financing on reasonable terms and on a timely basis.

The market conditions and the macroeconomic conditions that affect the markets in which we operate could have a material adverse effect on our ability to secure financing on acceptable terms, if at all. We may be unable to secure additional financing on favorable terms, or at all, or our operating cash flow may be insufficient to satisfy our financial obligations. The terms of additional financing may limit our financial and operating flexibility. Our ability to satisfy our financial obligations will depend upon our future operating performance, the availability of credit generally, economic conditions and financial, business and other factors, many of which are beyond our control. Furthermore, if financing is not available when needed, or is not available on acceptable terms, we may be unable to take advantage of business opportunities or respond to regulatory pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

We have from time to time evaluated, and we continue to evaluate our potential capital needs. We may utilize one or more types of capital raising in order to fund any initiative in this regard, including the issuance of new equity securities and new debt securities, including debt securities convertible into shares of our common stock. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into shares of our common stock, our existing stockholders could suffer significant dilution in their percentage ownership of our company. In addition, any new securities we issue could have rights, preferences, and privileges senior to those of holders of our common stock, and we may grant holders of such securities rights with respect to the governance and operations of our business. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

In recent years, there has been significant litigation involving intellectual property rights in many technology-based industries. We may face from time to time in the future allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark and other intellectual property rights.

If, with respect to any claim against us for violation of third party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non--infringing intellectual property or otherwise alter our business practices on a timely or cost- efficient basis, our business and competitive position could be materially adversely affected. Many companies may be devoting significant resources to obtaining patents that could potentially cover aspects of our business. We have not exhaustively searched patents relevant to our technologies and business and, therefore, it is possible that we may unknowingly infringe the patents of others.

Any claims of infringement, misappropriation or related allegations, whether or not meritorious, would be time-consuming, divert technical and management personnel and be costly to resolve. We do not presently have funds to defend any such claims without materially impacting funds for the development of our products and services. As a result of any such dispute, we may have to develop non--infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services, adjust our marketing activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. In addition, certain of our potential suppliers may not indemnify us for third party infringement or misappropriation claims arising from our use of supplier technology. As a result, we may be liable in the event of such claims. Any of these events could result in increases in operating expenses and result in a loss of business.

We may not be able to protect our intellectual property rights.

We regard our intellectual property as important to our success. We plan to rely on trademark, copyright and patent law, trade secret protection and confidentiality agreements with our employees, vendors, consultants, and others to protect our proprietary rights. We cannot assure you that the efforts we have taken to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks, and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. Furthermore, the intellectual property laws and enforcement practices of other countries may not protect our products and intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our intellectual property from unauthorized use, our ability to exploit our proprietary technology or our brand may be harmed and, as a result, our business and results of operations may suffer.

Increased costs and other demands associated with our growth could impact our ability to achieve profitability over the long term and could strain our personnel, technology and infrastructure resources.

We expect our costs to increase in future periods as we experience growth in our personnel and operations, which will place significant demands on our management, administrative, technological, operational and financial infrastructure. Our success will depend in part upon our ability to contain costs with respect to growth opportunities. To successfully manage our potential growth, we will need to continue to improve our operational, financial, technological and management controls and our reporting systems and procedures. In addition, as and when we grow, we will need to effectively integrate, develop and motivate new employees. Our failure to successfully manage our growth could adversely affect our business, financial condition and results of operations.

The industry within which we compete is highly competitive, which may hinder our ability to generate revenue and may diminish our margins.

The technology and media focused advertising industry within which we will compete is highly competitive. New developments in technology may negatively affect the development or licensing of proprietary software or make our proprietary software uncompetitive or obsolete. Some of our competitors may be much larger companies with longer operating histories and substantially greater financial, technical, sales, marketing and other resources than we do, as well as greater name recognition. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period of time than we could. Each of these competitors has the potential to capture market share in various markets, which could have a material adverse effect on our position in the industry and our financial results.

The cryptoeconomy is novel and has little to no access to policymakers or lobbying organizations, which may harm our ability to effectively react to proposed legislation and regulation of crypto assets or crypto asset platforms adverse to our business.

As crypto assets have 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 crypto networks, users and platforms, with a focus on how crypto assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold crypto assets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer advisories describing the risks posed by crypto assets to users and investors. For instance, in July 2019, U.S. Treasury Secretary Steven Mnuchin stated that he had “very serious concerns” about crypto assets, and indicated that FinCEN is planning to release new requirements relating to crypto asset activities. Outside the United States, several jurisdictions have banned so-called initial coin offerings, such as China and South Korea, while Canada, Singapore, Hong Kong, have opined that token offerings may constitute securities offerings subject to local securities regulations. In July 2019, the United Kingdom’s Financial Conduct Authority proposed rules to address harm to retail customers arising from the sale of derivatives and exchange-traded notes that reference certain types of cryptocurrencies, contending that they are “ill-suited” to retail investors due to extreme volatility, valuation challenges and association with financial crimes.

The cryptoeconomy is novel and has little to no access to policymakers and lobbying organizations in many jurisdictions. Competitors from other, more established industries, including traditional financial services, may have greater access to lobbyists or governmental officials, and regulators that are concerned about the potential for crypto assets for illicit usage may effect statutory and regulatory changes with minimal or discounted inputs from the cryptoeconomy. 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 the cryptoeconomy or crypto asset platforms, which could adversely impact our business.

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

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board, or the FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies’ accounting policies are being subject to heightened scrutiny by regulators and the public. Further, there has been limited precedents for the financial accounting of crypto assets and related valuation and revenue recognition, and no official guidance has been provided by the FASB or the SEC. As such, there remains significant uncertainty on how companies can account for crypto assets transactions, crypto assets, and related revenue. Uncertainties in or changes to in regulatory or financial accounting standards could result in the need to changing our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

Future developments regarding the treatment of crypto assets for U.S. federal income and foreign tax purposes could adversely impact our business.

Due to the new and evolving nature of crypto assets and the absence of comprehensive legal guidance with respect to crypto asset products and transactions, many significant aspects of the U.S. federal income and foreign tax treatment of transactions involving crypto assets, such as the purchase and sale of Bitcoin and other crypto assets on our platform, as well as the provision of staking rewards and other crypto asset incentives and rewards products, are uncertain, and it is unclear what guidance may be issued in the future on the treatment of crypto asset transactions for U.S. federal income and foreign tax purposes.

In 2014, the IRS released a notice, or IRS Notice, discussing certain aspects of “convertible virtual currency” (that is, digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency) for U.S. federal income tax purposes and, in particular, stating that such digital currency (i) is “property” (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”, or the Ruling & FAQs, that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital currency. However, the IRS Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of crypto assets and related transactions. Moreover, although the Ruling & FAQs address the treatment of forks, there continues to be uncertainty with respect to the timing and amount of income inclusions for various crypto asset transactions including, but not limited to staking rewards and other crypto asset incentives and rewards products that we offer. Although we believe our treatment of crypto asset transactions is consistent with existing guidance provided by the IRS, because of the rapidly evolving nature of crypto asset innovations and the increasing variety and complexity of crypto asset products, it is possible the IRS may disagree with our treatment of certain of our crypto asset offerings for U.S. federal income tax purposes, which could adversely affect our customers and the vitality of our business. Similar uncertainties exist in the foreign markets in which we operate, affecting our non-U.S. customer base, and these uncertainties and potential adverse interpretations of tax law could affect our non-U.S. customers and the vitality of our platforms outside of the United States.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing position with respect to crypto assets in the future or that a court would uphold the treatment set forth in the IRS Notice and the Ruling & FAQs. It is also unclear what additional guidance may be issued in the future on the treatment of existing crypto asset transactions and future crypto asset innovations 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 crypto asset products and transactions could result in adverse tax consequences for holders of crypto assets and could have an adverse effect on the value of crypto assets and the broader crypto assets markets. Future technological and operational developments that may arise with respect to digital currencies may increase the uncertainty with respect to the treatment of digital currencies for U.S. federal income and foreign tax purposes. The uncertainty regarding tax treatment of crypto asset transactions impacts our customers, and could impact our business, both domestically and abroad.

Although we believe we are compliant with U.S. federal income tax reporting and withholding requirements with respect to customer cryptocurrency transactions, the exact scope and application of such requirements, including but not limited to U.S. onboarding requirements through Form W, backup withholding, and Form 1099 reporting obligations, is not entirely clear for all of the crypto asset transactions that we facilitate. It is likely that the IRS will introduce new rules related to our tax reporting and withholding obligations on our customer transactions in the future, possibly in ways that differ from our existing compliance protocols and where there is risk that we do not have proper records to ensure compliance for certain legacy customers. If the IRS determines that we are not in compliance with our tax reporting or withholding requirements with respect to customer crypto asset transactions, we may be exposed to significant penalties, which could adversely affect our financial position. We anticipate additional guidance from the IRS regarding tax reporting and withholding obligations with respect to customer crypto asset transactions that will likely require us to invest substantially in new compliance measures and may require significant retroactive compliance efforts, which could adversely affect our financial position.

Similarly, it is likely that new rules for reporting crypto assets under the “common reporting standard” will be implemented on our international operations, creating new obligations and a need to invest in new onboarding and reporting infrastructure. Such rules are under discussion today by the member and observer states of the “Organization for Economic Cooperation and Development” and may give rise to potential liabilities or disclosure requirements for prior customer arrangements and new rules that affect how we onboard our customers and report their transactions to taxing authorities.

Risk Factors Related To Our Financial Statements, Management, Common Stock, And This Offering

All our officers and directors are working under consulting agreements and have/may have external business opportunities and employment that may be in conflict with us.

Currently, all of our officers and directors are working under consulting agreements and may dedicate time and resources to other functions and personal expenditures, some of which may conflict with our objectives as a company. Any and all conflicts of interest entered into by our officers are brought to the company’s board of director’s attention, with a resolution to the conflict addressed as such, at the time of reveal.

Our business has a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

Our lack of operating history makes it difficult to accurately evaluate our business and predict our future performance. Any assessments of our current business and predictions that we or you make about our future success or viability may not be as accurate as they could be if we had an operating history. We have encountered and will continue to encounter risks and difficulties frequently experienced by emerging growth companies in rapidly changing industries, and the size and nature of our market opportunity may change as we scale our business and begin deployment of new projects. If we do not address any of the foregoing risks, our business could be harmed.

Our independent registered public accounting firms, in their audit reports related to our financial statements for the period ended January 31, 2021, expressed doubt about our ability to continue as a going concern.

Our independent registered public accounting firms have included an explanatory paragraph in the reports on our financial statements included in this prospectus expressing doubt as to our ability to continue as a going concern. The financial statements included in this prospectus have been prepared assuming that we will continue as a going concern. However, we cannot assure you that we will be able to do so. Our lack of cash flow raises substantial doubt about our ability to continue as a going concern, and our financial statements do not include any adjustments that might result from the outcome of this uncertainty. If we are unable to achieve or sustain profitability or to secure additional financing on acceptable terms, our inability to continue as a going concern may result in our stockholders losing their entire investment. There is no guarantee that we will become profitable or secure additional financing on acceptable terms, or at all.

Material weaknesses in our internal controls over financial reporting may limit our ability to prevent or detect financial misstatements or omissions. These material weaknesses could result in our financial statements not being in accordance with generally accepted accounting principles, and such failure could negatively affect the price of our stock.

Our current management has limited experience managing and operating a public company, and we rely in many instances on the professional experience and advice of third parties. As a result, we have in the past experienced, and in future may continue to experience, material weaknesses and potential problems in implementing and maintaining adequate internal controls as required under Section 404 of the Sarbanes-Oxley Act. Such material weakness could also include a deficiency, or combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we fail to achieve and maintain the adequacy of our internal controls, as such requirements are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly.

[Table of Contents](#)

We are required to include in our quarterly and annual reports the conclusion of our principal executive and principal financial officers regarding the effectiveness of our disclosure controls and procedures as of the end of the period covered by the report. In addition, in connection with our annual report, we are required to provide management's assessment of the effectiveness of our internal controls over financial reporting as of the end of the fiscal year. Management has concluded that our internal control over financial reporting was not effective because of material weaknesses that included:

- lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures;
- inadequate segregation of duties consistent with control objectives;
- insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of U.S. GAAP and SEC disclosure requirements; and
- ineffective controls over period end financial disclosure and reporting processes.

We expect to incur additional expenses and diversion of management's time as a result of performing the system and process evaluation, testing and remediation required in order to comply with the management certification.

Currently we have agreements with our key personnel that allow for a 30-day termination notice by either party. The loss of one or more of our key personnel could harm our business.

We depend on the continued service and performance of our key personnel. Some of these individuals have acquired specialized knowledge and skills with respect to our operations. As a result, if any of these individuals were to stop providing services to us, we could face substantial difficulty in hiring qualified successors and could experience a loss of productivity while any such successor obtains the necessary training and expertise. We do not maintain key man insurance on any of our officers or key employees. In addition, much of our key technology and systems are custom-made by our personnel. The loss of key personnel, including key members of our management team, as well as certain of our key technical personnel, could disrupt our operations and have an adverse effect on our ability to grow our business. We intend to enter into long term contracts with our key personnel but there is no guarantee we will be successful.

We may fail to recruit, train and retain the highly skilled employees that are necessary to execute our growth strategy.

Competition for key technical personnel in highly- technical industries such as ours is intense. We believe that our future success depends in large part on our ability to hire, train, retain and leverage the skills of qualified software engineers, programmers and other highly skilled personnel needed to maintain and grow our network and related technology and develop and successfully implement our products and technology. We may not be as successful as our competitors at recruiting, training, retaining and utilizing this highly skilled personnel. In particular, we may have more difficulty attracting or retaining highly skilled personnel during periods of poor operating performance. Any failure to recruit, train and retain highly skilled employees could negatively impact our business and results of operations.

The warrants are speculative in nature.

The warrants to be issued to investors in this offering do not confer any rights of common stock ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to purchase shares of common stock at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the warrants may exercise their right to acquire shares of common stock at an exercise price of \$1.00 per share, prior to five years from the date of issuance, after which date any unexercised warrants will expire and have no further value. There can be no assurance that the market price of our common stock will ever equal or exceed the exercise price of the warrants, and consequently, whether it will ever be profitable for holders of the warrants to exercise the warrants.

Our articles of incorporation allow for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors has the authority to issue up to 200,000,000 shares of our preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of additional series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders. Although we have no present intention to issue any additional shares of preferred stock or to create any additional series of preferred stock, we may issue such shares in the future.

Future stock issuances could cause substantial dilution and a decline in our stock price.

We expect to issue additional shares of common stock or other equity or debt securities convertible into shares of our common stock in connection with future financings and compensatory arrangements and may issue additional shares of common stock or other equity securities in connection with acquisitions, litigation settlements or otherwise. In addition, a certain number of shares of our common stock are reserved for issuance upon the exercise of stock options and other equity incentives. We may reserve additional shares of our common stock for issuance upon the exercise of stock options or other similar forms of equity incentives. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. Any of these issuances could result in substantial dilution to our existing stockholders and could cause the trading price of our common stock to decline.

Our significant stockholder could exert influence over our company, and if the ownership of our common stock continues to be concentrated, or becomes more concentrated in the future, it could prevent our other stockholders from influencing significant corporate decisions.

Epic Industry Corp. and Overwatch Partners, Inc. own, collectively, 100% of the issued and outstanding Series A Preferred shares of the Company, as of the date of this report. As a result, these two companies, both which are primarily managed by Michael Hawkins, will be able to exercise influence over all matters requiring stockholder approval for the foreseeable future, including approval of significant corporate transactions, which may reduce the market price of our common stock. As the Series A Preferred Stock votes on a 1,000:1 basis of common stock, Michael Hawkins essentially has 66.0% voting control of the Company.

The interests of the dominant stockholders may conflict with the interests of our other stockholders.

Our corporate governance guidelines address potential conflicts between a director's interests and our interests, and requires our employees and directors to avoid actions or relationships that might conflict or appear to conflict with their job responsibilities or our interests and to disclose their outside activities, financial interests or relationships that may present a possible conflict of interest or the appearance of a conflict to management or corporate counsel. These corporate governance guidelines and code of business ethics do not, by themselves, prohibit transactions with BOTS, Inc.

We are an "emerging growth company," and any decision on our part to comply with certain reduced disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors. When we lose that status, there will be an increase in the costs and demands placed upon management.

We are an "emerging growth company," as defined in the JOBS Act, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote regarding executive compensation, and stockholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act") for complying with new or revised accounting standards.

An emerging growth company can, therefore, delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may, therefore, not be comparable to those of companies that comply with such new or revised accounting standards. We could be an emerging growth company until our fiscal year ending on January 31, 2023, although, if the market value of our common stock that is held by non-affiliates exceeds \$700 million prior to that or we issue more than \$1 billion of non-convertible debt during a 3-year period, we would cease to be an "emerging growth company" earlier. We cannot predict if investors will determine that our common stock is less desirable if we choose to rely on these exemptions. If some investors determine that our common stock is less desirable as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

When we lose emerging growth company status, we expect the costs and demands placed upon management to increase, as we would have to comply with additional disclosure and accounting requirements, particularly if our public float should exceed \$75 Million, in which case we would also be ineligible to utilize certain scaled disclosure requirements available to smaller reporting companies.

Certain provisions of Delaware law provide for indemnification of our officers and directors at our expense and limit their liability, which may result in a major cost to us and damage the interests of our stockholders, because our resources may be expended for the benefit of our officers and/or directors.

Applicable Delaware law provides for the indemnification of our directors, officers, employees, and agents, under certain circumstances, for attorney's fees and other expenses incurred by them in any litigation to which they become a party resulting from their association with us or activities on our behalf. We are also obligated to pay the expenses of such litigation for any of our directors, officers, employees, or agents, upon such person's promise to repay us, if it is ultimately determined that any such person shall not have been entitled to indemnification. These indemnity obligations are set forth more fully in indemnification agreements that we have entered into with our officers and directors. This indemnification policy could result in substantial expenditures by us, which we would be unable to recover.

We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under the federal securities laws is against public policy as expressed in the Securities Act and, therefore, unenforceable. In the event that a claim for indemnification against these types of liabilities, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, lawsuit or proceeding, is asserted by a director, officer or controlling person in connection with our securities being registered, we will (unless in the opinion of our counsel, the matter has been settled by controlling precedent) submit to a court of appropriate jurisdiction, the issue of whether such indemnification by us is against public policy as expressed in the Securities Act, and we will be governed by the final adjudication of such issue. The legal process relating to this matter, if it were to occur, probably will be very costly and may result in us receiving negative publicity, either of which factors would probably materially reduce the market and price for our common stock.

The market for our common stock may be subject to the penny stock restrictions, which may result in lack of liquidity and make trading difficult or impossible.

SEC Rule 15c-9 establishes the definition of a “penny stock,” for purposes relevant to us, as an equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to a limited number of exceptions. Our common stock is currently subject to the penny stock rules, and it is probable that our common stock will continue to be considered to be a penny stock for the immediately foreseeable future. This classification materially and adversely affects the market liquidity for our common stock. For any transaction involving a penny stock, unless exempt, the penny stock rules require that a broker-dealer approve a person’s account for transactions in penny stocks, and the broker-dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased.

To approve a person’s account for transactions in penny stocks, the broker-dealer must obtain financial information, investment experience and objectives of that person and make a reasonable determination that transactions in penny stocks are suitable for that person and that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker-dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form, sets forth:

- the basis on which the broker-dealer made the suitability determination, and
- that the broker-dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stock in both public offerings and in secondary trading and commissions payable to, both, the broker-dealer and the registered representative, current quotations for the securities, and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because of these regulations, broker-dealers may desire to not engage in the necessary paperwork and disclosures required to sell our common stock, and broker-dealers may encounter difficulties in their attempt to sell our common stock, which may affect the ability of holders to sell our common stock in the secondary market and have the effect of reducing trading activity in the secondary market of our common stock. These additional sales practice and disclosure requirements could impede the sale of our common stock. In addition, the liquidity of our common stock may decrease, with a corresponding decrease in the price of our common stock. Our common stock, in all probability, will continue to be subject to such penny stock rules for the foreseeable future and our stockholders will, quite probably, have difficulty selling our common stock.

Sales of our common stock in reliance on Rule 144 may reduce prices in that market by a material amount.

A significant number of the outstanding shares of our common stock are “restricted securities” within the meaning of Rule 144 under the Securities Act. As restricted securities, those shares may be resold only pursuant to an effective registration statement or pursuant to the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. Rule 144 provides in essence that an affiliate (*i.e.*, an officer, director, or control person) who has held restricted securities for a prescribed period may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed 1.0% of the issuer’s outstanding common stock. The alternative limitation on the number of shares that may be sold by an affiliate, which is related to the average weekly trading volume during the four calendar weeks prior to the sale is not available to stockholders of companies whose securities are not traded on an “automated quotation system”; because the OTCQB is not such a system, market-based volume limitations are not available for holders of our securities selling under Rule 144.

Pursuant to the provisions of Rule 144, there is no limit on the number of restricted securities that may be sold by a non-affiliate (*i.e.*, a stockholder who has not been an officer, director or control person for at least 90 consecutive days before the date of the proposed sale) after the restricted securities have been held by the owner for a prescribed period, although there may be other limitations and/or criteria to satisfy. A sale pursuant to Rule 144 or pursuant to any other exemption from the Securities Act, if available, or pursuant to registration of shares of our common stock held by our stockholders, may reduce the price of our common stock in any market that may develop.

The trading market for our common stock may be restricted, because of state securities “Blue Sky” laws which prohibit trading absent compliance with individual state laws.

Transfers of our common stock may be restricted pursuant to the securities and state laws promulgated by various states and foreign jurisdictions, commonly referred to as “Blue Sky” laws. Absent compliance with such laws, our common stock may not be traded in such jurisdictions. Because the shares of our common stock registered hereunder have not been registered for resale under the “Blue Sky” laws of any state, the holders of such shares and persons who desire to purchase such shares in any trading market that might develop in the future, should be aware that there may be significant state “Blue Sky” law restrictions upon the ability of investors to sell and purchasers to purchase such shares. These restrictions prohibit the secondary trading of our common stock. We currently do not intend and may not be able to qualify securities for resale in those states which do not offer manual exemptions and require securities to be qualified before they can be resold by our stockholders. Accordingly, investors should consider the secondary market for our securities to be limited.

The price of our common stock may be volatile, and the value of our common stock could decline.

The trading price of our common stock may be volatile. The trading price of our common stock may fluctuate widely in response to various factors, many of which are beyond our control.

In addition, the stock markets have experienced extreme price and volume fluctuations in recent years that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many such companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations may adversely affect the trading price of our common stock. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been instituted against such company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management's attention and resources, which would harm our business, operating results and financial condition.

Credit card payment processors and merchant account pose a risk.

We accept credit cards as a means of payment for the sale of our products. If we are unable to find suitable providers or an alternative method of payment for our customers, our cash-flow will be constrained, and our sales may be affected which may have a material adverse effect on our performance, financial condition and results of operations.

Services exchanges, returns, warranty claims, defect and recalls may adversely affect our business.

All our services are subject to customer claims, which may subject us to requests for refunds and chargebacks. If we are unable to maintain a certain degree of quality control of our services, we will incur costs of replacing and or refunding our services to our customers.

We cannot assure you that we will effectively manage our expected growth.

The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relations with customers and other third parties. In the event of continued growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our employee base. As our organization continues to grow, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. This could negatively affect our business performance.

We intend to have significant international operations expanding our operations abroad where we have limited operating experience, and this may subject us to increased business and economic risks that could affect our financial results.

We intend to expand our business operations into international markets. We may enter new international markets where we have limited or no experience in marketing, selling, and deploying our services. Our services are generally available globally through the web and on mobile, but some or all of our services or functionality may not be available in certain markets due to legal and regulatory complexities. We may also outsource certain operational functions to third-party vendors globally. If we fail to deploy, manage, or oversee our international operations successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, many of which are beyond our control.

The Company intends to enter into indemnification agreements with the officers and directors and we may be required to indemnify our Directors and Officers, and if the claim is greater than \$1,000,000, it may create significant losses for the Company.

We are authorized, under Delaware law, to indemnify our directors and officers to the extent provided in that statute. Our Articles of Incorporation require the Company to indemnify each of our directors and officers against liabilities imposed upon them (including reasonable amounts paid in settlement) and expenses incurred by them regarding any claim made against them or any action, suit or proceeding to which they may be a party by reason of their being or having been a director or officer of the company. We currently do not maintain officer's and director's liability insurance coverage. Consequently, any judgment against our Officers and Directors, the Company will be forced to pay. We have entered into indemnification agreements with each of our officers and directors containing provisions that may require us, among other things, to indemnify our officers and directors against certain liabilities that may arise because of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred because of any proceeding against them as to which they could be indemnified. Management believes that such indemnification provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. We are subject to claims arising from disputes with employees, vendors and other third parties in the normal course of business. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. If the plaintiffs in any suits against us were to successfully prosecute their claims, or if we were to settle such suits by making significant payments to the plaintiffs, our operating results and financial condition would be harmed. In addition, our organizational documents require us to indemnify our senior executives to the maximum extent permitted by Delaware law. If our senior executives were named in any lawsuit, our indemnification obligations could magnify the costs of these suits.

Risk Factors Associated With Our Common Stock

The market price of our common stock may be volatile or may decline regardless of the Company's operating performance, and you may not be able to resell your shares at or above the initial public offering price and the price of our common stock may fluctuate significantly.

We intend to file for initial placement on the OTC Markets for our stock. There is no guarantee that FINRA shall approve the listing of our stock. The commencement of trading of our common stock on the OTC Markets, the market price of our common stock may be volatile and fluctuates widely in price in response to various factors, which are beyond our control.

Furthermore, we must note that the price of our common stock may not necessarily be indicative of our operating performance or long-term business prospects. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially.

Volatility in our common stock price may subject us to securities litigation.

The market for our common stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We could, in the future, be the target of similar litigation. Any such litigation could result in substantial costs and liabilities to us and could divert our management's attention and resources from managing our operations and business.

The Company may issue more shares in connection with future mergers or acquisitions, which could result in substantial dilution to existing shareholders.

Our Certificate of Incorporation authorizes the issuance of 200,000,000 shares of common stock and 100,000,000 blank check preferred stock. Any future merger or acquisition effected by us may result in the issuance of additional securities without stockholder approval and may result in substantial dilution in the percentage of our common stock held by our then-current stockholders. Moreover, the common stock issued in any such merger or acquisition transaction may be valued on an arbitrary or non-arm's-length basis by our management, resulting in an additional reduction in the percentage of common stock held by our then existing stockholders. Our Board of Directors has the power to issue any or all of such authorized but unissued shares without stockholder approval. To the extent that additional shares of common stock or preferred stock are issued in connection with a future business combination or otherwise, dilution to the interests of our stockholders will occur, and the rights of the holders of common stock could be materially and adversely affected.

We do not anticipate paying cash dividends for the foreseeable future, and therefore investors should not buy our stock if they wish to receive cash dividends.

We have not paid dividends in the past and do not expect to pay dividends for the foreseeable future, and any return on investment may be limited to potential future appreciation on the value of our common stock.

We currently intend to retain any future earnings to support the development and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including without limitation, our financial condition, operating results, cash needs, growth plans, and the terms of any credit agreements that we may be party to at the time. To the extent we do not pay dividends, our stock may be less valuable because a return on investment will only occur if and to the extent our stock price increases, which may never occur. In addition, investors must rely on sales of their common stock after price appreciation as the only way to realize their investment, and if the price of our stock does not appreciate, then there will be no return on investment. Investors seeking cash dividends should not purchase our common stock.

The Company has deeply centralized management that is vested a small number of shareholders, officers, and directors, which will limit the rights of the common shareholder.

Our officers, directors, and principal stockholders (greater than 5% stockholders) collectively control approximately 50% of our outstanding common stock. As a result, these stockholders will be able to affect the outcome of, or exert significant influence over, all matters requiring stockholder approval, including the election and removal of directors and any change in control. In particular, this concentration of ownership of our common stock could have the effect of delaying or preventing a change in control of us or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of us. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our stockholders from realizing a premium over the market prices for their shares of common stock. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and accordingly, they could cause us to enter into transactions or agreements that we would not otherwise consider.

Our common stock is considered to be a “penny stock,” and thereby be subject to additional sale and trading regulations that may make it more difficult to sell.

Our common stock is considered to be a “penny stock.” It does not qualify for one of the exemptions from the definition of “penny stock” under Section 3a51-1 of the Exchange Act. Our common stock is a “penny stock” because it meets one or more of the following conditions:

- the stock trades at a price less than \$5.00 per share;
- it is not traded on a “recognized” national exchange; or
- it is not quoted on the NASDAQ Global Market, or has a price less than \$5.00 per share. The principal result or effect of being designated a “penny stock” is that securities broker-dealers participating in sales of our common stock are subject to the “penny stock” regulations set forth in Rules 15-2 through 15g-9 promulgated under the Securities Exchange Act.

For example, Rule 15g-2 requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document at least two business days before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience, and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience, and investment objectives. Compliance with these requirements may make it more difficult and time-consuming for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

FINRA sales practice requirements may limit a shareholder's ability to buy and sell our common shares.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Rule 144 sales in the future may have a depressive effect on the company's stock price as an increase in supply of shares for sale, with no corresponding increase in demand will cause prices to fall.

All of the outstanding shares of common stock held by the present officers, directors, and affiliate stockholders are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, as amended. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act of 1933 and as required under applicable state securities laws. Rule 144 provides in essence that a person who is an affiliate or officer or director who has held restricted securities for six months may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of a Company's issued and outstanding common stock. There is no limit on the amount of restricted securities that may be sold by a non-affiliate after the owner has held the restricted securities for a period of six months if the Company is a current reporting company under the Securities Exchange Act of 1934. A sale under Rule 144 or under any other exemption from the Securities Act of 1933, if available, or pursuant to subsequent registration of shares of common stock of present stockholders, may have a depressive effect upon the price of the common stock in any market that may develop.

Future issuances of shares for various considerations including working capital and operating expenses will increase the number of shares outstanding which will dilute existing investors and may have a depressive effect on the company's stock price.

There may be substantial dilution to our shareholders purchasing in future offerings as a result of future decisions of the Board to issue shares without shareholder approval for cash, services, payment of debt or acquisitions.

There may in all likelihood be little demand for shares of our common stock and as a result, investors may be unable to sell at or near ask prices or at all if they need to liquidate their investment.

There may be little demand for shares of our common stock on the OTC Bulletin Board, or OTC Markets.com, meaning that the number of persons interested in purchasing our common shares at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that it is a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if the Company came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven, early-stage company such as ours or purchase or recommend the purchase of any of our Securities until such time as it became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in the Company's securities is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on the securities price. We cannot give investors any assurance that a broader or more active public trading market for the Company's common securities will develop or be sustained, or that any trading levels will be sustained. Due to these conditions, we can give investors no assurance that they will be able to sell their shares at or near ask prices or at all if they need money or otherwise desire to liquidate their securities of the Company.

Public disclosure requirements and compliance with changing regulation of corporate governance pose challenges for our management team and result in additional expenses and costs which may reduce the focus on management and the profitability of our company.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated thereunder, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team will need to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

None

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth below we are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

Our common stock is quoted on the OTC Markets under the symbol OBTX. The following table sets forth for the periods indicated the range of high and low bid quotations per share as reported by the OTCQB since the company began trading in March 2020. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

Period	High	Low
March 13, 2020 through April 30, 2020	\$ 0.50	\$ 14.10
May 1, 2020 through July 31, 2020	\$ 0.75	\$ 4.45
August 1, 2020 through October 31, 2020	\$ 0.27	\$ 1.03
November 1, 2020 through January 31, 2021	\$ 0.36	\$ 3.50

The closing price of our common stock as reported on the OTCQB Marketplace was \$2.99 on April 30, 2021.

(b) Holders

As of January 31, 2020, and 2021, there were approximately 69 owners of record for our common stock. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

Transfer Agent and Registrar

Our independent stock transfer agent is Colonial Stock Transfer company, Inc., 66 Exchange Place, 1st Floor, Salt Lake City, UT 84111 Telephone: (801) 355-5740.

(c) Dividends

We have never paid or declared any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the expansion of our business, and we do not anticipate paying any cash dividends for the foreseeable future following this offering. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant. In addition, the terms of any future debt or credit facility may preclude us from paying dividends.

(d) Securities Authorized for Issuance under Equity Compensation Plans

None

(e) Recent Sales of Unregistered Securities

On April 22, 2020 the Company converted the following accounts payable into shares of common stock at the rate of \$0.75 per share. Based upon the stock price of \$6.75 on April 22, 2020 the Company recorded the following stock-based compensation as part of the accounts payable conversion action:

Name	AP Balance	Shares Issued	FMV	Stock Based Compensation
Paul Rosenberg	\$ 104,988	130,128	\$ 878,364	\$ 773,377
Brandy Craig	\$ 68,995	88,455	\$ 597,071	\$ 528,076
Law Offices of Carl G Hawkins	\$ 6,333	8,504	\$ 57,402	\$ 51,069
Thomas G Amon	\$ 15,000	19,230	\$ 129,803	\$ 114,803
Total	\$ 195,316	246,317	\$ 1,662,640	\$ 1,467,325

On April 17, 2020 the Company issued 153,846 shares of common stock to Andrus Nomm in settlement of any potential liabilities the Company had due to the termination of his employment agreement. The common stock was booked as stock-based compensation in the amount of \$1,038,446.

In April 2020 the Company sold 150,000 shares of Series A Preferred Stock to Epic Industry Corp at par value for a total payment of \$15. Epic Industry Corp, through its sole shareholder directed the Company to issue 100,000 shares of Series A Preferred stock to Overwatch Partners, Inc., with the remaining 50,000 shares to Epic Industry Corp. The Company recorded the transaction at FMV of \$40,137,788 with the difference assigned as stock-based compensation. The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control.

In May 2020 the Company issued 150,000 shares of Series B Preferred stock to Paul Rosenberg in exchange for 60 cryptocurrency ATM machines. Par value of \$15 was recorded as inventory with the FMV of \$6,548,188 minus the par value being recorded as stock-based compensation. The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control.

(f) Issuer Purchases of Equity Securities

None

ITEM 6. SELECTED FINANCIAL DATA.

We are a smaller reporting company and therefore, we are not required to provide information required by this Item of Form 10-K.

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

Management's Discussion and Analysis of Results of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the financial statements included herein. Further, this MD&A should be read in conjunction with the Company's Financial Statements and Notes to Financial Statements included in this Annual Report on Form 10-K for the years ended January 31, 2021 and 2020, as well as the "Business" and "Risk Factors" sections within this Annual Report on Form 10-K. The Company's financial statements have been prepared in accordance with United States generally accepted accounting principles.

Management's Discussion and Analysis may contain various "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding future events or the future financial performance of the Company that involve risks and uncertainties. Certain statements included in this Form 10-K, including, without limitation, statements related to anticipated cash flow sources and uses, and words including but not limited to "anticipates", "believes", "plans", "expects", "future" and similar statements or expressions, identify forward looking statements. Any forward-looking statements herein are subject to certain risks and uncertainties in the Company's business and any changes in current accounting rules, all of which may be beyond the control of the Company. The Company has adopted the most conservative recognition of revenue based on the most stringent guidelines of the SEC. Management will elect additional changes to revenue recognition to comply with the most conservative SEC recognition on a forward going accrual basis as the model is replicated with other similar markets (i.e. SBDC). The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth therein. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

Any future equity financing will cause existing shareholders to experience dilution of their interest in our Company. In the event we are not successful in raising additional financing, we anticipate that we will not be able to proceed with our business plan. In such a case, we may decide to discontinue our current business plan and seek other business opportunities in the resource sector. Any business opportunity would require our management to perform diligence on possible acquisitions.

During this period, we will need to maintain our periodic filings with the appropriate regulatory authorities and will incur legal and accounting costs. In the event no other such opportunities are available and we cannot raise additional capital to sustain operations, we may be forced to discontinue business. We do not have any specific alternative business opportunities in mind and have not planned for any such contingency.

The Company's MD&A is comprised of significant accounting estimates made in the normal course of its operations, overview of the Company's business conditions, results of operations, liquidity and capital resources and contractual obligations.

The discussion and analysis of the Company's financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with generally accepted accounting principles generally accepted in the United States (or "GAAP"). The preparation of those financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Overview

We were incorporated in the State of Delaware on March 30, 2017, originally under the name GigeTech, Inc. On October 31, 2017, the Company changed its name to OBITX, Inc., and updated its Articles of Incorporation through unanimous consent of its shareholder, MCIIG. The Company is headquartered in Fleming Island, Florida.

The Company's original business was to provide computer related services. The Company's developed and acquired Internet publishing and broadcasting and web search portals. We published and generate textual, audio, and/or video content on the Internet, and operate websites that use a search engine to generate and maintain extensive databases of internet addresses and content. The Company discontinued this line of operations on April 17, 2020.

The Company is engaged in the business of digital cryptocurrency and blockchain development and consulting.

Results of Operations

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, deferred compensation and contingencies.

We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances. These estimates allow us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following accounting policies are our critical accounting policies because they are important to the portrayal of our financial condition and results of operations and they require critical management judgments and estimates about matters that may be uncertain. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Revenue Recognition Policies

Our revenue is derived from the subscription, non-software related hosted services, term-based and perpetual licensing of software products, associated software maintenance and support plans, consulting services, training, and technical support. Most of our customer arrangements involve multiple solutions and various license rights, bundled with post-contract customer support and other meaningful rights that together provide a complete end-to-end solution to the customer.

We recognize revenue when all guidelines establish through the five-step process to govern contract revenue reporting are met. This 5 step process consists of:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as you satisfy a performance obligation (rather than on final delivery, as in the past)

Components of Revenue

Services revenue. We generate substantially all our services revenue via consulting services and software development. The transaction fee earned is based on the price and quantity of any crypto asset that is used as part of payment.

Subscription revenue. We primarily generate revenue from subscriptions is through mining and staking of our current and non-current crypto assets. We derive staking revenue from transaction validation on a proof-of-stake blockchain when one of our nodes successfully creates or validates a block. Revenues are recognized at the point when the block creation or validation is complete, and the rewards are available for transfer. Staking revenue is driven by quantity, price, and rewards rate of the staked crypto asset. Mining is the process by which new blocks are created, and thus new transactions are added to the blockchain.

Other revenue. Other revenue includes the sale of crypto assets. We record the total value of the sale as revenue and the cost of the crypto asset in operating expense. Other revenue also includes interest income earned primarily on our cash and cash equivalents. Interest income is calculated using the interest method and depends on the balance of cash and cash equivalents as well as the prevailing interest rate environment. It also includes the gain or loss of our crypto assets at fair market value, as adjusted.

[Table of Contents](#)

Our operating results for the years ended January 31, 2021 and 2020 are summarized as follows:

	For the year ended January 31,	
	2021	2020
Revenue	\$ 927,514	\$ -
Cost of Sales	423,145	-
Gross Profit (Loss)	504,369	-
Expenses	49,975,217	168,028
Net Income (Loss) from operations	\$ (49,470,848)	\$ (168,028)

Revenue

The company recognized \$927,514 in revenue from operations for the year ended January 31, 2021 as compared to \$0 revenue for the year ended January 31, 2020. The revenue consisted of \$61,918 in consulting services and \$865,596 in cryptocurrency sales/transfers.

Cost of Goods Sold

The company recognized \$423,145 as a cost basis for the cryptocurrency assets sold for the year ended January 31, 2021 and \$0 for the year ended January 31, 2020.

Gross Profit/Loss

The company recognized \$694,357 in gross profit from operations for the year ended January 31, 2021 as compared to \$0 gross profit for the year ended January 31, 2020.

Operating Expenses

Our operating expenses for the year ended January 31, 2021, was \$49,975,217 compared to \$168,028 for the year ended January 31, 2020. Our total operating expenses for the year ended January 31, 2021, of \$49,975,217 consisted of \$47,699,361 of selling, general and administrative [which consisted of \$47,697,719 of Series A and Series B Preferred stock issued at FMV] expenses, professional fees of \$87,728, stock based compensation of \$1,506,789, and consulting expense of \$681,339. Our general and administrative expenses consist of bank charges, marketing and advertising, rent, telephone expenses, meals and entertainments, travel, computer and internet expenses, postage and delivery, office supplies and other expenses.

Our total operating expenses for the period ended January 31, 2020, of \$168,028 consisted of \$5,271 of selling, general and administrative expenses, professional fees of \$5,257, and consulting expense of \$157,500. Our general and administrative expenses consist of bank charges, telephone expenses, meals and entertainments, travel, computer and internet expenses, postage and delivery, office supplies and other expenses.

Net Loss from Operations

There was a net loss from operations of \$49,470,848 for the year ended January 31, 2021 compared with a loss from operations of \$168,028 and a net loss of \$191,718 for the year ended January 31, 2020. Our sales increased by \$1,117,502 for the year ending January 31, 2021 compared to the year ended January 31, 2020. There was an increase in our operating expenses of \$49,807,189.

Liquidity and Capital Resources

Introduction

During the period ended January 31, 2021, we had a net cash increase of \$35. Our cash on hand as of January 31, 2021 was \$35.

Cash Requirements

We had cash available of \$35 as of January 31, 2021. We currently use approximately \$4,000 per month of cash in the operations of our business. The company has relied upon related parties to fund the company along with the raising of capital. The company will require \$30,000 to maintain operations for the next 12-month period at its current rate of spending.

Sources and Uses of Cash

Operations

We gained \$62,838 in cash by operating activities for the year ended January 31, 2021 as compared to using \$16,558 for the year ended January 31, 2020. Net cash used by operations consisted primarily of the net loss of (\$49,298,590) offset by non-cash activities of \$49,204,508 in stock-based compensation, \$69,443 of imputed interest and \$114,125 in realized gain in cryptocurrency, net. Changes in assets and liabilities consisted of an increase of \$830 in prepaid expenses, accrued interest of \$90,435, current cryptocurrencies of \$40,083 and accounts payable of \$3,290, offset by a decrease in accounts payable to related parties of \$107,990.

Investing

We expended \$97,803 in cash in investing activities for the year ended January 31, 2021 as compared to \$0 for the year ended January 31, 2020. Cash expended through investing activities consisted of the acquisition of non-current cryptocurrencies of \$97,803 for the year ended January 31, 2021.

Financing

We had net cash provided in financing activities of \$35,000 for the year ended January 31, 2021 and \$16,558 for the year ended January 31, 2020. Our financing activities consisted solely net proceeds from the issuance of stock of \$35,000 for the year ended January 31, 2021 and of \$16,558 from borrowing from related parties for the year ended January 31, 2020.

Off-Balance Sheet Arrangements

None

Going Concern

Our financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is relatively new and has a short history and relatively few sales, no certainty of continuation can be stated. The accompanying consolidated financial statements for the years ended January 31, 2021 and 2020 have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company and therefore, we are not required to provide information required by this Item of Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Operations</u>	F-4
<u>Statements of Changes in Stockholders' Equity (Deficit)</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to Financial Statements</u>	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of OBITX, Inc.

Opinion on the Financial Statements

We have audited the accompanying the consolidated balance sheets of OBITX Inc. and its subsidiaries ("the Company") as of January 31, 2021 and the related statements of operations, changes in stockholders' deficit and cash flows, for the year then ended, and the related notes and schedules (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 January 31, 2021, and the results of its operations and its cash flows for the year ended January 31, 2021, in conformity with generally accepted accounting principles in the United States of America.

Basis for Opinion

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

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

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

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, as of January 31, 2021, the Company suffered losses from operations in all years since inception and has a nominal working capital deficit. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan regarding these matters is also described in Note 3 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Critical Audit Matters

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

Going concern- refer to note 3 of the financial statements

Critical audit matter description

The Company raised a substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The financial statements for the years under audit have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. See the explanatory paragraph of the opinion paragraph.

How the Critical Audit Matter was addressed in the Audit

- We evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.
- We obtained information about management's plans that are intended to mitigate the effect of such conditions or events, and assess the likelihood that such plans can be effectively implemented.
- We added explanatory paragraph to the audit report.

/s/ Weinstein International CPA

We have served as the Company's auditor since 2021.

Tel Aviv, Israel

May 13, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of OBITX, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OBITX, Inc. (the Company) as of January 31, 2020 and the related consolidated statement of operations, shareholder' equity (deficit), and cash flow for the years ended January 31, 2020 and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2020 and the results of its operations and its cash flows for the years ended January 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

We served as the Company's auditor for the fiscal year ending January 31, 2019.

Houston, TX
June 2, 2020

OBITX, Inc.
and SUBSIDIARIES
Consolidated Balance Sheets
ASSETS

	for the year ending	
	January 31,	
	2021	2020
Current Assets		
Cash	\$ 35	\$ -
Interest receivable	90,435	-
Inventory	15	-
Current cryptocurrencies, net	122,883	-
Prepaid expenses	830	-
Total current assets	<u>\$ 214,198</u>	<u>\$ -</u>
Cryptocurrency, net	97,803	-
Loan Receivable	1,400,000	-
Total assets	<u>\$ 1,712,001</u>	<u>\$ -</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued expenses	\$ 5,650	\$ 48,940
Accounts payable related party	12,862	254,495
Due to Related Party	-	304,072
Reserve for legal settlements	154,307	-
Total current liabilities	<u>\$ 172,819</u>	<u>\$ 607,507</u>
Total Liabilities	<u>\$ 172,819</u>	<u>\$ 607,507</u>
Stockholders' equity		
Series A Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; 150,000 and 0 shares issued and outstanding, as of January 31, 2021 and 2020, respectively.	15	-
Series B Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; 150,000 and 0 shares issued and outstanding, as of January 31, 2021 and 2020, respectively.	65	-
Common stock, \$0.0001 par value, voting; 200,000,000 shares authorized; 5,974,125 and 10,460,000 shares issued and outstanding, as of January 31, 2021 and 2020, respectively.	597	1,046
Imputed interest	69,443	-
Additional paid in capital	54,877,097	3,500,892
Accumulated deficit	(53,408,035)	(4,109,445)
Total stockholders' equity	<u>\$ 1,539,182</u>	<u>\$ (607,507)</u>
Total liabilities and stockholders' equity	<u>\$ 1,712,001</u>	<u>\$ -</u>

See accompanying notes to audited consolidated financial statements.

OBITX, Inc.
and SUBSIDIARIES
Consolidated Statements of Operations

	For the year ended	
	January 31,	
	2021	2020
Revenue from services	\$ 927,514	\$ -
Total cost of sales	423,145	-
Gross Loss	<u>\$ 504,369</u>	<u>\$ -</u>
Selling, general, and administrative	47,699,361	5,271
Professional fees	87,728	5,257
Stock based compensation	1,506,789	-
Consultant fees	681,339	157,500
Total operating expenses	<u>\$ 49,975,217</u>	<u>\$ 168,028</u>
Net loss from operations	(49,470,848)	(168,028)
Other income (expense)	172,257	(23,690)
Net(loss) before discontinued operations	<u>\$ (49,298,591)</u>	<u>\$ (191,718)</u>
Income(expense) from discontinued operations	\$ -	\$ 3,526
Net (loss)	<u>\$ (49,298,591)</u>	<u>\$ (188,192)</u>
Basic and diluted (loss) per share:		
Income(Loss) per share from continuing operations	\$ (7.20)	\$ (0.02)
Income(Loss) per share	<u>\$ (7.20)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding - basic	<u>6,842,909</u>	<u>9,227,123</u>

See accompanying notes to audited consolidated financial statements.

OBITX, INC
and SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Income (Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance – January 31, 2019	100,000	10	5,460,000	546	3,486,104	(3,921,253)	(434,593)
Conversion of preferred to common	(100,000)	(10)	5,000,000	500	(490)	-	-
Imputed Interest					15,278		15,278
Net loss	-	-	-	-	-	(188,192)	(188,192)
Balance – January 31, 2020	-	\$ -	10,460,000	\$ 1,046	\$ 3,500,892	\$ (4,109,445)	\$ (607,507)
Conversion of common to series B preferred	500,000	50	(5,000,000)	(500)	450	-	-
Conversion of accounts payable	-	-	246,317	25	1,663,510	-	1,663,535
Issuance of Series A preferred	150,000	15	-	-	41,068,419	-	41,068,434
Issuance of series B preferred	150,000	15	-	-	6,629,300	-	6,629,315
Stock issued in warrant exercise	-	-	75,000	7	74,993	-	75,000
Stock issued for services	-	-	192,808	19	1,954,811	-	1,954,830
Imputed Interest	-	-	-	-	54,165	-	54,165
Net loss	-	-	-	-	-	(49,298,591)	(49,298,591)
Balance – January 31, 2021	800,000	\$ 80	5,974,125	\$ 597	\$54,946,540	\$ (53,408,035)	\$ 1,539,182

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

OBITX, Inc.
and SUBSIDIARIES
Statements of Cash Flows
For the year ended January 31,

	2021	2020
Cash flows from operating activities:		
Net (Loss)	\$ (49,298,590)	\$ (188,192)
<i>Adjustments to reconcile net loss to net</i>		
<i>Cash provided by (used in) operating activities:</i>		
Stock based compensation	49,204,508	-
Realized gain from cryptocurrency, net	114,125	-
Imputed interest	69,443	15,278
<i>Decrease (Increase) in:</i>		
Accrued interest	(90,435)	-
Prepaid expenses and other current assets	(830)	149
Current portion of intangible assets (cryptocurrencies)	(40,083)	-
Accounts payable to related parties	107,990	-
Accounts payable	(3,290)	156,207
Net cash gained in operating activities	\$ 62,838	\$ (16,558)
Cash flows from investing activities:		
<i>Increase (Decrease) in:</i>		
Acquisition of intangible assets (cryptocurrencies)	(97,803)	-
Net cash used in investing activities	(97,803)	-
Cash flows from financing activities:		
Borrowing from (payment to) related party	-	16,558
Proceeds from issuance of stock, net	35,000	-
Net cash provided by financing activities	\$ 35,000	\$ 16,558
Net Change in Cash	35	-
Cash at Beginning of Year	-	-
Cash at End of Year	\$ 35	\$ -
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash Investing and Financing Activities:		
Reduction of debt in exchange for assets held for sale	\$ -	\$ 408,166
Conversion of preferred stock to common stock	\$ -	\$ 500
Conversion of accounts payable to related party to common stock	\$ 195,316	\$ -
Conversion of common stock to preferred stock	\$ 500	\$ -
Issuance of preferred stock for inventory	\$ 15	\$ -
Warrant exercise through conversion of accounts payable	\$ 40,000	\$ -
Conversion of debt with stock	\$ 97,404	\$ -
Conversion of debt through sale of cryptocurrencies	\$ 218,256	\$ -

See accompanying notes to audited consolidated financial statements.

OBITX, INC.
Notes to Condensed Consolidated Financial Statements

Note 1. Organization and Basis of Presentation

The accompanying audited financial statements of OBITX, Inc., (the “Company”, “we”, “our”), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”).

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All significant intercompany accounts and transactions have been eliminated.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Haute Jobs, LLC, (“HAUTE”), Campaign Pigeon, LLC, (“CAMP”), and altCUBE, Inc., (“altCUBE”). altCUBE was closed on December 31, 2018. HAUTE and CAMP were closed in fiscal year ending January 31, 2020.

Description of Business

The Company was incorporated in the State of Delaware on March 30, 2017 originally under the name GigeTech, Inc. On October 31, 2017 the Company changed its name to OBITX, Inc., and updated its Articles of Incorporation through unanimous consent of its shareholder, MCIG. The Company is headquartered in Fleming Island, Florida.

The Company earned revenue through social media advertising, fees, and services. Under its plan, the Company developed its white label software solution for MCIG under the 420 Cloud brand in support of the cannabis industry. The Company discontinued this operation during the fiscal year ended January 31, 2020.

The company is expanding its services and solutions in software development and internet advertising and promotion into the industry of blockchain technologies.

On December 10, 2018 OBITX, Inc became a publicly reporting company. The Company began trading under the stock symbol “OBTX” on March 24, 2020.

Subsidiaries of the Company

The company had three subsidiaries which have all been discontinued. We incorporated Haute Jobs, LLC on May 10, 2018 in the state of Wyoming. We incorporated Campaign Pigeon, LLC on May 10, 2018 in the state of Wyoming. We incorporated altCUBE, Inc., on June 4, 2018 in the state of Wyoming. The subsidiaries were consolidated for the fiscal year ending January 31, 2019. None of the subsidiaries conducted business in fiscal year ending January 31, 2020.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the wholly owned subsidiaries of HAUTE, CAMP, and altCUBE.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates include: revenue recognition; sales returns and other allowances; allowance for doubtful accounts; valuation of inventory; valuation and recoverability of long-lived assets; property and equipment; contingencies; and income taxes.

On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Revenue Recognition Policies

We intend to earn revenue from the subscription, non-software related hosted services, term-based and perpetual licensing of software products, associated software maintenance and support plans, consulting services, training, and technical support.

On February 1, 2018, we adopted Topic 606, using the modified retrospective transition method applied to those contracts which were not completed as of February 1, 2018. Results for reporting periods beginning after February 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting. The impact of adopting the new revenue standard was not material to our financial statements and there was no adjustment to beginning retained earnings on February 1, 2018.

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Research and Development

Research and Development Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. The Company has recognized \$0 as a capital asset for the year ended January 31, 2021 and 2020.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments with financial institutions insured by the FDIC.

Concentrations of credit risk with respect to trade receivables and commodities are limited due to the diverse group of customers to whom the Company provides services to. The Company establishes an allowance for doubtful accounts when events and circumstances regarding the collectability of its receivables or the selling of its commodities warrant based upon factors such as the credit risk of specific customers, historical trends, other information and past bad debt history. The outstanding balances are stated net of an allowance for doubtful accounts.

Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company may occasionally maintain amounts on deposit with a financial institution that are in excess of the federally insured limit of \$250,000. The risk is managed by maintaining all deposits in high-quality financial institutions. The Company had \$0 in excess of federally insured limits on January 31, 2021, and January 31, 2020.

Cost of Services Provided

Cost of services provided includes: programs licensed; cost incurred to drive traffic to our websites and products, and to acquire online advertising space; costs incurred to support and maintain Internet-based products and services, including data center costs and royalties; warranty costs; costs associated with the delivery of consulting services; and the amortization of capitalized software development costs. Capitalized software development costs are amortized over the estimated lives of the products, which the Company rates at three years.

Cash and Cash Equivalents

The Company includes in cash and cash equivalents all short-term, highly liquid investments that mature within three months of the date of purchase. Cash equivalents consist principally of investments in interest-bearing demand deposit accounts and liquidity funds with financial institutions and are stated at cost, which approximates fair value. The Company had no cash equivalents as of January 31, 2021, or January 31, 2020.

[Table of Contents](#)

Property, Plant, and Equipment

Property, plant, and equipment (“PPE”) are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense as incurred. Additions, improvements and major replacements that extend the life of the asset are capitalized.

Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of depreciable assets, which are generally three years.

The Company classified its software under the *Financial Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software, and the Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting of Costs of Computer Software Developed or Obtained for Internal Use. When software is used in providing goods and services it is classified as PPE.* The Company considered its acquired proprietary software as a major part of the Company’s operations that were intended to provide profits. The Company has determined that the software does not function and operate as it was designed to. As such, the Company discontinued this operation (See Discontinued Operations) and wrote off the asset in its entirety on January 31, 2019.

Advertising Costs and Expense

The advertising costs are expensed as incurred. Advertising costs were \$0 for the year ended January 31, 2021 and \$0 for the year ended January 31, 2020.

Foreign Currency Translation

The Company’s functional currency and its reporting currency is the United States Dollar.

Basic and Diluted Net Earnings (Loss) Per Share

The Company follows *ASC Topic 260 – Earnings Per Share*, and *FASB 2015-06, Earnings Per Share* to account for earnings per share. Basic earnings per share (“EPS”) calculations are determined by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

Commitments and Contingencies

The Company reports and accounts for its commitments and contingencies in accordance with *ASC 440 – Commitments* and *ASC 450 – Contingencies*. We recognize a loss on a contingency when it is probable a loss will incur and that the amount of the loss can be reasonably estimated.

Fair Value Measurements

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Quoted prices in active markets for identical instruments;
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments);
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments).

The carrying values for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities, and deferred revenue approximate their fair value due to their short maturities.

Recent Accounting Pronouncements

The Company evaluated all recent accounting pronouncements issued and determined that the adoption of these pronouncements would not have a material effect on the financial position, results of operations, or cash flows of the Company.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (ASC 842)*. Under its core principle, a lessee will recognize right-of-use (“ROU”) assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease’s classification. We have adopted this standard and determined that it would have no material effect on our financial statements.

On February 1, 2018, we adopted Topic 606, using the modified retrospective transition method applied to those contracts which were not completed as of February 1, 2018. Results for reporting periods beginning after February 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting. The impact of adopting the new revenue standard was not material to our financial statements and there was no adjustment to beginning retained earnings on February 1, 2018.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new standard further requires new disclosures about contracts with customers, including the significant judgments the company has made when applying the guidance. We adopted the new standard effective February 1, 2018, using the modified retrospective transition method. We finalized our analysis and the adoption of this guidance will not have a material impact on our financial statements and our internal controls over financial reporting.

In June 2014, the FASB issued ASU No. 2014-10, which eliminated certain financial reporting requirements of companies previously identified as “*Development Stage Entities*” (Topic 915). The amendments in this ASU simplify accounting guidance by removing all incremental financial reporting requirements for development stage entities. The amendments also reduce data maintenance and, for those entities subject to audit, audit costs by eliminating the requirement for development stage entities to present inception-to-date information in the statements of income, cash flows, and shareholder equity. Early application of each of the amendments is permitted for any annual reporting period or interim period for which the entity’s financial statements have not yet been issued (public business entities) or made available for issuance (other entities). Upon adoption, entities will no longer present or disclose any information required by Topic 915. The Company has adopted this standard and will not report inception-to-date information.

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, “*Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.*” ASU 2014-15, which is effective for annual reporting periods ending after December 15, 2015, extends the responsibility for performing the going-concern assessment to management and contains guidance on how to perform a going-concern assessment and when going-concern disclosures would be required under GAAP. We do not anticipate that the adoption of ASU 2014-15 will have a material impact on our financial condition or results from operations. Management’s evaluations regarding the events and conditions that raise substantial doubt regarding our ability to continue as a going concern as discussed in the notes to our financial statements included elsewhere.

We have implemented all other new accounting pronouncements that are in effect and that may impact our financial statements and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Note 3. Going Concern

The Company's financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is new and has a limited history, no certainty of continuation can be stated. The accompanying financial statements for the year ended January 31, 2021 and 2020, has been prepared to assume that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has negative cash flow and there are no assurances the Company will generate a profit or obtain positive cash flow. The Company has sustained its solvency through the support of its shareholders, Overwatch Partners, Inc., for 2020-21 and MCIG and APO Holdings, LLC for 2020, which raise substantial doubt about its ability to continue as a going concern.

Management is taking steps to raise additional funds to address its operating and financial cash requirements to continue operations in the next twelve months. Management has devoted a significant amount of time to the raising of capital from additional debt and equity financing. However, the Company’s ability to continue as a going concern is dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the necessary funding or generate the revenue necessary to fund operations. The financial statements contain no adjustments for the outcome of this uncertainty.

Note 4. Related Party Transactions

The following individuals/entities have been identified as related parties in accordance with the guidelines of *ASC 850 – Related Party Disclosures*:

Related Parties

Name/Entity	Position	Became	Ended
Eric Jaffe	CEO	March 11, 2021	Current
Robert Adams	CTO/Director	February 1, 2021	Current
Michael Hawkins	CFO/Director	April 17, 2020	Current
Alex Mardikian	CEO	November 1, 2017	April 17, 2020
Brandy Craig	CFO	November 1, 2017	December 3, 2019
Mark Gilroy	Director	February 1, 2011	Current
Paul Rosenberg	Director	Inception	Current
MCIG, Inc.	Greater than 10% owner	Inception	Current
APO Holdings, LLC	Greater than 10% owner	November 1, 2017	Current

Related Party Transactions

On November 1, 2017, the Company entered into a consulting agreement with Alex Mardikian, the Chief Executive Officer at that time. The agreements call for \$7,000 per month for a period of one year. The payments may be booked as a note due, which may be converted into shares of the company at a then-current price per share. The Company and consultant may elect to convert into equity of the company. Mr. Mardikian was authorized to purchase 50,000 shares of common stock at par value (\$0.0001 per share) through a warrant, which was subsequently exercised, and he was issued a five-year warrant to acquire 250,000 shares of the Company Stock at \$1.00. The Company terminated Mr. Mardikian on April 17, 2020 citing several causes for action. The Company currently has \$105,000 in outstanding invoices from Mr. Mardikian, which the Company has preserved its rights to dispute.

On November 1, 2017, the Company entered into a consulting agreement with Brandy Craig, the Chief Financial Officer. The agreements call for \$3,500 per month for a period of one year. The payments may be booked as a note due, which may be converted into shares of the company at a then-current price per share. The Company and consultant may elect to convert a portion of this into equity of the company. In addition, Mrs. Craig was authorized to purchase 50,000 shares of common stock at par value (\$0.0001 per share) through a warrant, which was subsequently exercised, and she was issued a five-year warrant to acquire 250,000 shares of the Company Stock at \$1.00 per share. Mrs. Craig resigned her position on December 3, 2019. Mrs. Craig elected to convert her outstanding balance owed of \$68,995 into 88,455 common shares of OBITX stock.

[Table of Contents](#)

On June 14, 2018 the Company entered a Line of Credit with APO Holdings, LLC for up to \$100,000 at any one time. The Line of Credit may be cancelled at any time by either party providing 30 days written notice of cancellation. It was given at a 0.6% monthly interest rate (7.2% annualized interest rate) and may be paid at any time with no definitive payoff date. As of January 31, 2021, and January 31, 2020 the outstanding balance owed on the line of credit was \$0 and \$85,814, respectively. The accrued interest for the years ended January 31, 2021 and 2020 was \$4,451 and \$8,412, respectively. On December 9, 2020 APO Holdings, LLC converted the outstanding balance owed into 38,962 shares of the Company's common stock.

On April 17, 2020 the Company terminated the employment of Alex Mardikian as the CEO of the Company. On April 17, 2020 Paul Rosenberg resigned as the CFO of the Company. On April 17, 2020 the Company entered into an agreement with Michael Hawkins as the CEO and CFO of the business and elected him to the Board of Directors. Under terms of the agreement he receives 10% of all revenue generated by the Company for the initial 12-month period. His agreement is at will and may be terminated with 30 days written notice.

On April 17, 2020 the Company, issued 50,000 shares of Series A Preferred Stock to Epic Industry Corp and 100,000 shares of Series A Preferred Stock to Overwatch Partners, Inc for par value (\$0.0001) for a total receipt of \$15 paid by Epic Industry Corp. The Agreement was originally between the Company and Epic Industry Corp. The 100,000 shares of Series A Preferred was issued to Overwatch Partners at the discretion of Michael Hawkins, the sole owner of Epic Industry Corp. The Company's CEO is 50% owner of Overwatch Partners. The issuance represents 33% of the Company's stock on a fully diluted basis and 68% of voting control of the Company. (See Note 5 – Stockholder's Equity – Preferred Stock). The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control. The issuance of stock's recorded value was \$40,137,788.

On April 17, 2020 the Company issued 150,000 shares of Series B Preferred Stock to Paul Rosenberg in exchange for 60 cryptocurrency ATM machines, which the Company believes has no retail or book value. The issuance represents 7% of the Company's stock on a fully diluted basis. (See Note 5 – Stockholder's Equity – Preferred Stock). The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control. The issuance of stock's recorded value was \$6,548,188.

During the year ended January 31, 2021, Overwatch Partners paid multiple different expenses on behalf of the Company, which the Company treats as an account payable to related party. The total amount owed by the Company to Overwatch Partners as of January 31, 2021 was \$12,862.

On April 22, 2020 the Company converted \$104,988 outstanding accounts payable to Paul Rosenberg into 130,128 shares of common stock of the company at \$0.75 per share. (See Note 5. Stockholder's Equity).

On April 29, 2020 the Company converted 5,000,000 shares of common stock owned by BOTS, Inc., into 500,000 shares of Series B Preferred stock. BOTS is restricted from converting the Series B Preferred stock into common stock for a period of 24 months from the conversion. There was no gain or loss on conversion due to conversion terms (see Note 5).

On May 13, 2020 the Company sold its 420 Cloud Software to First Bitcoin Capital, Corp, for the purchase price of \$1,900,000. The \$1,900,000 was paid through the transfer of \$500,000 in BIT cryptocurrency and a \$1,400,000 convertible promissory note. The Company is to receive 122,968,776.18 BIT tokens at the price of \$0.00406607 per token. The convertible promissory note has a simple interest fee of 9% per year and may be converted into First Bitcoin Capital Corp stock at a 10% discount to market or in additional BIT cryptocurrency tokens. The Note has no expiration date. The convertible note receivable is currently convertible into stock that is thinly traded on an exchange, and since the software assets had a \$0 basis, and were sold to a related party, any subsequent conversions would be included in equity. The interest receivable by this note through January 31, 2021 is \$90,435.

The Company has reclassified \$154,307 of accounts payable – related party as a reserve for settlement – related party. The Company has reclassified this debt as management believes the fees represented by this amount that are due to the former CEO and several employees who worked directly for the former CEO in other projects are not due. Furthermore, if the fees were due, we believe we have offsetting transactions owed the Company by the former CEO. The Company has not proceeded with any legal actions at this time against the former CEO.

Note 5. Stockholders' Equity

Common Stock

As of January 31, 2021, and January 31, 2020, the Company had 200,000,000 common shares authorized, with 5,974,125 and 10,460,000 common shares at a par value of \$0.0001 issued and outstanding, respectively.

On April 22, 2020 the Company converted the following accounts payable into shares of common stock at the rate of \$0.75 per share. Based upon the stock price of \$6.75 on April 22, 2020 the Company recorded the following stock-based compensation as part of the accounts payable conversion action:

Name	AP Balance	Shares Issued	FMV	Stock Based Compensation
Paul Rosenberg	\$ 104,988	130,128	\$ 878,364	\$ 773,377
Brandy Craig	\$ 68,995	88,455	\$ 597,071	\$ 528,076
Law Offices of Carl G Hawkins	\$ 6,333	8,504	\$ 57,402	\$ 51,069
Thomas G Amon	\$ 15,000	19,230	\$ 129,803	\$ 114,803
Total	\$ 195,316	246,317	\$ 1,662,640	\$ 1,467,325

Table of Contents

On April 17, 2020 the Company issued 153,846 shares of common stock to Andrus Nomm in settlement of any potential liabilities the Company had due to the termination of his employment agreement. The common stock was booked as stock-based compensation in the amount of \$1,038,446.

On September 1, 2020 the Law Offices of Carl G. Hawkins elected to exercise 20,000 common shares under its warrant at the price of \$1.00 per share. The payment was offset by accounts payable.

On December 9, 2020 the Company issued 38,962 shares of common stock to APO Holdings, LLC in exchange for conversion of its Convertible Promissory Note.

On December 9, 2020 the Law Offices of Carl G. Hawkins elected to exercise 20,000 common shares under its warrant at the price of \$1.00 per share. The payment was offset by accounts payable.

On December 9, 2020 Epic Industry Corp assign 35,000 warrants to Overwatch Partners, Inc. Subsequently, Overwatch Partners, Inc., elected to exercise the warrants 35,000 through the reduction of \$35,000 in outstanding payables due to Overwatch Partners, Inc.

Preferred Stock

Series A Preferred

As of January 31, 2021 and January 31, 2020, the company had 1,000,000 Series A Preferred shares, par value \$0.0001, authorized, with 150,000 and 0 Series A Preferred shares issued and outstanding, respectively. The Series A Preferred stock converts into common stock after 2 years since its issuance. The conversion rate for every 1 share of Series A Preferred stock is 50 shares of common stock. The Series A Preferred stock votes 1,000 shares of common stock for every 1 share. Each share of Series A Preferred stock votes 1,000 shares of common stock, has no redemption rights, receives no dividends and has preference in dissolution over Common Stock.

Series B Preferred

As of January 31, 2021 and January 31, 2020, the company had 1,000,000 Series B Preferred shares, par value \$0.0001, authorized, with 650,000 and 0 Series B Preferred shares issued and outstanding, respectively. The conversion rate for every 1 share of Series B Preferred stock is 10 shares of common stock. Each share of Series B Preferred stock votes 50 shares of common stock, has no redemption rights, receives no dividends and has preference in dissolution over Common Stock and Series A Preferred.

During the quarter ending April 30, 2020, the Company issued 150,000 shares of Series B Preferred stock to Paul Rosenberg in exchange for 60 cryptocurrency ATM machines. Par value of \$15 was recorded as inventory with the FMV of \$6,548,188 minus the par value being recorded as stock-based compensation. The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control.

On April 29, 2020 BOTS, Inc., converted 5,000,000 of its common shares into 500,000 shares of Series B Preferred stock.

Note 6. Basic Income per Share before Non-Controlling Interest

Basic Income Per Share - The computation of basic and diluted loss per common share is based on the weighted average number of shares outstanding during each period.

The computation of basic loss per common share is based on the weighted average number of common shares outstanding during the period.

Note 7. Warrants

On November 1, 2017 the Company issued 7 warrants to officers, directors, and investors for the purchase of up to 3,000,000 shares of common stock at \$1.00 per share. The warrants expire on November 1, 2022 at 5:00 PM Eastern Standard Time. The warrants were registered with the SEC on December 10, 2018.

On April 21, 2020 the Company cancelled the warrant issued to one previous officer of the Company for the purchase of up to 250,000 shares of common stock at \$1.00 per share.

On December 9, 2020 the Law Offices of Carl G. Hawkins elected to exercise 20,000 common shares under its warrant at the price of \$1.00 per share. The payment was offset by accounts payable.

[Table of Contents](#)

On December 9, 2020 Epic Industry Corp assign 35,000 warrants to Overwatch Partners, Inc. Subsequently, Overwatch Partners, Inc., elected to exercise the warrants 35,000 through the reduction of \$35,000 in outstanding payables due to Overwatch Partners, Inc.

A summary of warrant activity for years ended January 31, 2021 and January 31, 2020 are as follows:

	<u>Shares</u>	<u>Weighted Average Conversion Price</u>
Warrants outstanding at January 31, 2019	3,000,000	\$ 1.00
Exercised in fiscal year 2020	-	-
Granted in fiscal year 2020	-	-
Warrants outstanding at January 31, 2020	3,000,000	\$ 1.00
Cancelled in fiscal year 2021	250,000	1.00
Exercised in fiscal year 2021	75,000	1.00
Granted in fiscal year 2021	-	-
Warrants outstanding at January 31, 2021	2,675,000	\$ 1.00

Note 8. Income Taxes

The Company's income tax expense for the periods presented in the statements of operations represents minimum Delaware franchise taxes. The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes were as follows:

	<u>2021</u>	<u>2020</u>
Statutory federal income tax rate	21.0%	21.0%
State income taxes, net of federal taxes	0.0%	0.0%
Effective income tax rate	0.0%	0.0%

In accordance with *SAB Topic 1: Financial Statements, Subsidiary's or Division's Separate Financial Statements and Segments*, income taxes are consolidated with BOTS, Inc., (BOTS) the controlling entity of the Company for the year ended January 31, 2019 and for a portion of its fiscal year ending January 31, 2020. The Company will not consolidate its tax return with BOTS, effective November 21, 2019, the date in which BOTS was no longer a controlling interest in the Company. There are currently no tax implications should the Company not consolidate with BOTS. With only losses showing for the periods shown there would be no taxes payable for any periods presented. If there were tax expenses, they would be based on the IRS published corporate tax rate of 21% for 2021 and 2020.

The Company may not be able to utilize the net operating loss carry forwards for its U.S. income taxes in future periods should it experience a change in ownership as defined in Section 382 of the Internal Revenue Code ("IRC"). Under section 382, should the Company experience a more than 50% change in its ownership over a 3-year period, the Company would be limited based on a formula as defined in the IRC to the amount per year it could utilize in that year of the net operating loss carry forwards. Section 382 of the Internal Revenue Code ("IRC") imposes limitations on the use of NOL's and credits following changes in ownership as defined in the IRC. The limitation could reduce the amount of benefits that would be available to offset future taxable income each year, starting with the year of an ownership change. The Company has not completed the complex analysis required by the IRC to determine if an ownership change has occurred.

At the end of the fiscal year ending January 31, 2021 and January 31, 2020, the Company had net operating loss carry forwards available to offset future taxable income of approximately \$53,408,035 and \$4,109,445, respectively. These carry forwards will begin to expire in the year ending December 31, 2034. Utilization of the net operating loss carry forwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions.

The Company has not performed a change in ownership analysis, accordingly, some or all of its net operating loss carry forwards may not be available to offset future taxable income. Even if the loss carry forwards are available, they may be subject to substantial annual limitations resulting from ownership changes occurring after January 31, 2021, that could result in the expiration of the loss carry forwards before they are utilized.

The nature of the components of the deferred tax asset is entirely attributable to the Net operating loss carry-forwards incurred by the Company less any permanent differences that maybe used in future years to offset future tax liabilities. We believe that it is more likely than not that the benefit from certain NOL carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance to offset the deferred tax assets relating to these NOL carryforwards

Note 9. Commitments and Contingencies

The Company reports and accounts for its commitments and contingencies in accordance with ASC 440 – Commitments and ASC 450 – Contingencies. We recognize a loss on a contingency when it is probable a loss will incur and that the amount of the loss can be reasonably estimated. The Company recognized \$0 as a loss on contingencies in the years ending January 31, 2021 and January 31, 2020.

Note 10. Legal Proceedings

The Company may be subject to legal proceedings and claims arising from contracts or other matters from time to time in the ordinary course of business. Management is not aware of any pending or threatened litigation where the ultimate disposition or resolution could have a material adverse effect on its financial position, results of operations or liquidity.

Note 11. Discontinued Operations

On April 20, 2020 the company impaired the 420Cloud software, which was made effective on January 31, 2018. The Company recognized the following revenue from its discontinued operations.

	<u>2021</u>	<u>2020</u>
Other income	\$ -	\$ 3,526
Total income from discontinued operations	<u>\$ -</u>	<u>\$ 3,526</u>

Note 12: Sale of Assets to Related Party

On May 13, 2020 the Company sold its 420 Cloud Software to First Bitcoin Capital, Inc., for the purchase price of \$1,900,000. The \$1,900,000 was paid through the transfer of \$500,000 in BIT cryptocurrency and a \$1,400,000 convertible promissory note. The Company received 122,968,776.18 BIT tokens at the price of \$0.004066098 per token. The convertible promissory note has a simple interest fee of 9% per year and may be converted into First Bitcoin Capital Corp stock at a 10% discount to market or in additional BIT cryptocurrency tokens. The Note has no expiration date. The convertible note receivable is currently convertible into stock that is thinly traded on the OTC Markets and since it was related party the credit is to equity.

Note 13. Cryptocurrency Assets

During the year ended January 31, 2021 the Company started transacting business with cryptocurrency assets. The Company records the asset as an Intangible Asset with Infinite Life. We classify cryptocurrency that have a market value and substantial liquidity as Current Intangible Assets, which we value at fair market value in accordance with Statement No. 157. Cryptocurrency that do not trade on a market or have limited liquidity as classified as Non-current Intangible Assets and are recorded on a cost basis. The following chart shows our cryptocurrency assets held for the year ended January 31, 2021 (the Company held no cryptocurrency assets on January 31, 2020):

OBITX Cryptocurrency Holdings

Current Assets			
Coin Symbol	<u>Quantity</u>	<u>Cost Basis</u>	<u>FMV</u>
HEX	15,681,861	40,083	122,883
Total for period ending 1/31/21	<u> </u>	<u>40,083</u>	<u>122,883</u>
Non-Current Assets			
Coin Symbol	<u>Quantity</u>	<u>Cost Basis</u>	<u>FMV</u>
PRES	2,000,000	14,917	49,832
BIT	20,720,420	82,886	115,846
Total for period ending 1/31/21	<u> </u>	<u>97,803</u>	<u>254,935</u>

During the three months ended October 31, 2020 the Company expended the following cryptocurrency. We recognized revenue for the amount of the transaction above the cost basis in which we had a definitive agreement. Additionally, in accordance with IRS policies and standards for transacting with cryptocurrencies, we allocated the price of the cryptocurrency on the date the transaction occurred. Where the transferred amount exceeded the cost basis, we recognized revenue and when the cost basis was below the cost basis we recorded a reduction to revenue.

OBITX Cryptocurrency Issuances

From/TO	Quantity (BIT)	Cost Basis	Fair Value	Gains
Overwatch	700,000	\$ (2,111)	\$ 5,921	\$ 3,810
Overwatch	43,038,800	(175,000)	364,065	189,065
Paul Rosenberg	30,742,000	(125,000)	254,452	129,452
Andrus Nomm	2,766,780	(11,250)	22,901	11,651
BOTS	27,000,000	(109,785)	223,479	113,694
Total for period ending 1/31/21				\$ 447,673

Note 14. Subsequent Events

On February 1, 2021 the Company issued 4 warrants to the Directors (Mark Gilroy, Michael Hawkins, Paul Rosenberg, and Robert Adams) for the purchase of up to 500,000 shares of common stock at \$2.21 per share. The warrants expire on January 31, 2026 at 5:00 PM Eastern Standard Time.

On March 11, 2021 the Company issued 3 warrants to the Officers (Robert Adams, Eric Jaffe, and Michael Hawkins) for the purchase of up to 600,000 shares of common stock at \$2.21 per share. The warrants expire on January 31, 2026 at 5:00 PM Eastern Standard Time.

On March 17, 2021 the Company entered into a loan agreement for \$500,000 with Epic Industry Corp, a wholly owned company of Michael Hawkins, the Company's CFO. The interest rate is 3% per annum. The loan is due in full on April 1, 2022.

On April 12, 2021 Epic Industry Corp, wholly owned by Michael Hawkins, the Company's CFO, exercised the warrant it has and purchased 100,000 shares of common stock in exchange for \$100,000. Epic Industry Corp elected to issue the shares in the name of Timothy R Schucker and Anastasia Hawkins JTWROS, the daughter and son-in-law of Michael Hawkins.

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

None

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

We carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2021. In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report because we did not document our Sarbanes-Oxley Act Section 404 internal controls and procedures.

As funds become available to us, we expect to implement additional measures to improve disclosure controls and procedures such as implementing and documenting our internal controls procedures.

Scope of Management's Report on Internal Control Over Financial Reporting

N/A

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that our receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our Chief Executive Officer and Chief Financial Officer have performed an evaluation of our internal control over financial reporting under the framework in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at January 31, 2021 and 2020.

Based on the results of its assessment, our management concluded that our internal control over financial reporting was not effective as of January 31, 2021 and 2020 based on such criteria. The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were:

Risk Assessment – We did not have an effective risk assessment process. From a governance perspective, we historically did not have a formal process to identify, update and assess risks, including changes in our business practices that could significantly impact our consolidated financial statements as well as the system of internal control over financial reporting.

Control Environment – We did not maintain an effective control environment as evidenced by:

- Lack of majority independent board members.
- An insufficient number of personnel to adequately exercise appropriate oversight of accounting judgements and estimates.

Control Activities – We did not have control activities that were designed and operating effectively to identify and address all likely sources of material misstatements, including non-standard transactions. In addition, management review controls were not sufficient or in place to identify all potential accounting errors.

Information and Communications – We did not implement appropriate information technology controls related to access rights for certain financial spreadsheets that are relevant to the preparation of the consolidated financial statements and our system of internal control over financial reporting. In addition, we did not implement the appropriate information technology disaster recovery controls in place to ensure the completeness of financial information surrounding Terra Tech revenues and inventory.

Monitoring – We did not maintain effective monitoring of controls related to the financial close and reporting process. In addition, we did not maintain the appropriate level of review and remediation of internal control over financial reporting deficiencies throughout interim and annual financial periods.

We have not had sufficient time to fully remediate the aforementioned deficiencies and/or there was insufficient passage of time to evidence that the controls that were implemented during 2020 were effective. Therefore, the aforementioned control deficiencies continued to exist as of January 31, 2021. We believe the control deficiencies described herein, individually and when aggregated, represent material weaknesses in our internal control over financial reporting at January 31, 2020 since such deficiencies result in a reasonable possibility that a material misstatement in our annual or interim consolidated financial statements may not be prevented or detected on a timely basis by our internal controls. As a result of our assessment, we have therefore concluded that our internal control over financial reporting was not effective at January 31, 2021.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only the management's report in this annual report

Material Weakness Discussion and Remediation

We believe that the consolidated financial statements included in this Annual Report on Form 10-K for the year ended January 31, 2021 fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

We were not able to fully implement and/or test the design and the operating effectiveness of our control procedures as of January 31, 2021. This required us to design new processes and controls concurrently, and thus did not allow us sufficient time to fully implement and/or test the design and operating effectiveness of the new controls.

We intend to continue to take appropriate and reasonable steps to make necessary improvements to our internal control over financial reporting, including:

- Continuing to improve the control environment through (i) being staffed with sufficient number of personnel to address segregation of duties issues, ineffective controls and to perform control monitoring activities, (ii) increasing the level of GAAP knowledge through retaining of a technical accountant, (iii) implementing formal process to account for non-standard transactions, and (iv) implementing and formalizing management oversight of financial reporting at regular intervals;
- Continuing to update the documentation of our internal control processes, including implementing formal risk assessment processes;
- Implementing control activities that address relevant risks and assure that all transactions are subject to such control activities;
- Ensure systems that impact financial information and disclosures have effective information technology controls;
- Executing plan to increase number of independent directors to enhance corporate governance and Board composition;
- Implementing plan to increase oversight and review of ad hoc spreadsheets while also working to reduce their use.

We believe that the remediation measures described above will strengthen our internal control over financial reporting and remediate the material weaknesses we have identified. We expect that our remediation efforts, including design, implementation and testing will continue throughout fiscal year 2021.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the year ended January 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

All of our directors hold office until the next annual meeting of stockholders and until their successors have been elected and qualified or until their earlier resignation or removal unless his or her office is earlier vacated in accordance with our bylaws or he or she becomes disqualified to act as a director. Our officers shall hold office until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor has been elected and qualified or until his earlier resignation or removal. The Board of Directors may remove any officer for cause or without cause.

Our executive officers and directors and their respective ages as of the date of this Annual Report are as follows:

Name	Director or Officer Since	Age	Positions
Eric Jaffe	2021		CEO
Michael Hawkins	2020	58	CFO/Chairman
Robert Adams	2020		CTO/Director
Paul Rosenberg	2017	50	Director
Mark Gilroy	2021	59	Independent Director

Eric Jaffe was appointed as the CEO of the Company on March 15, 2021. Mr. Jaffe is an industry leading technology professional, CEO and serial entrepreneur, bringing a wealth and expertise to OBITX in business management. In his career he has had the opportunity to lead or be a part of many great teams that have leveraged vision, strategy, technology and great people to create great companies. His experience has focused on the manufacturing, legal, non-profit, blockchain and technology industries. Eric Jaffe has grown companies from start-up to successful acquisition that have grown into national leaders in their space. He has been a part of no less than 11 technology company acquisitions and has continually been on the forefront of emerging technologies. Mr. Jaffe was an early adopter of Bitcoin and blockchain having championed it and created companies around it since 2015. Through his consulting practice he has helped no less than 35 major companies set their technology strategy and accelerate their business growth. He couldn't be more excited than to have this opportunity to lead a great team in fulfilling Obitix's incredible vision. He is a graduate of Florida International University with a degree in Business Management and carries multiple technological certifications.

Michael Hawkins was appointed as the CEO/CFO/Director on April 17, 2020. Mr. Hawkins stepped down as CEO of the Company on March 11, 2021 but remained as the Company's CFO. Prior to this, he has served as the Chief Financial Officer of MCIG, Inc., since April 8, 2016 through August 2019. Prior to fulfilling this role, Mr. Hawkins was the Managing Member of Epic Industry, LLC and the Chief Financial Officer for ICA Solutions, Inc. Mr. Hawkins has worked in the hospitality and entertainment industry, blockchain, satellite, retail, manufacturing, distribution, and construction industry, providing executive level services as CEO, CFO, and COO to multiple nanotech public and privately held companies. Mr. Hawkins earned his B.S. in Computer Science and Business Administration from University of Maryland, University College.

Robert Adams was appointed as a Director of the Company on February 1, 2021. On March 11, 2021 he was appointed as the Company's CTO. Mr. Adams has been a member of the OBITX Board of Directors since 2020 where he served on the audit and compensation committees. He had been working in the blockchain and cryptocurrency markets since 2015. He was an early adopter of Bitcoin and Ethereum. Mr. Adams recently served as the Technology Director for Blue Cross/Blue Shield of Florida with its headquarters in Jacksonville, Florida. While employed there he managed a budget more than \$100 million per year with more than 45,000 employees. He left his employment with Blue Cross/Blue Shield of Florida to further his entrepreneurial spirit within the blockchain and cryptocurrency markets.

Paul Rosenberg has served as a Director of the Company since inception. He was appointed as the Chief Executive Officer, Treasurer, Secretary, and Director of mCig, Inc. on May 23, 2013. For the past 5 years Mr. Rosenberg has been a private investor focusing on the technology space where he has over two decades of experience as a software engineer specializing in complex distributed systems in C++, Delphi, VB, Java, and Oracle DB projects via his consulting company: PR Data Consulting. Since 1997, Mr. Rosenberg has worked as an independent consultant with both private and public enterprises including: The Federal Deposit Insurance Company (FDIC), The Zennstrom/Friis Group (Kazaa/Skype/Atomico Ventures), and Trust Digital (later sold to McAfee in 2010), Dell, Inc., Boeing, and Microsoft Inc. as well as several other notable companies.

Mark Gilroy was appointed as an independent Director of the Company on February 1, 2021. Mr. Gilroy brings 25 years of international experience in growth markets across Latin America, Asia-Pacific, India, Africa, and North America. He is the CEO of Fortinex, a blockchain security development company with offices in the USA, Singapore, and Paris. Mr. Gilroy also brings a vibrant background of telecommunications, cellular, and media experience to the Company. Earlier in his career he served as president of First Pacific Global's investment procurement efforts in the South East Asian markets and worked with Texas based Ames Venture Group, a privately held venture fund.

Family Relationships

There are no family relationships between or among the above directors, executive officers or persons nominated or charged by us to become directors or executive officers.

Board Leadership Structure

Mr. Hawkins currently serves as our chairman of our Board of Directors.

Conflicts of Interest

Members of our management are associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the officers and directors are engaged in other business activities, we anticipate they will devote an important amount of time to our affairs.

Our officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to ours. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, we do not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

Our officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies with which the officers and directors are affiliated both desire to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy with respect to such transactions.

Involvement in Certain Legal Proceedings

Except as noted below, none of the following events have occurred during the past five years and are material to an evaluation of the ability or integrity of any director or officer of the Company:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - a. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - b. Engaging in any type of business practice; or
 - c. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

Table of Contents

4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;
5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - a. Any Federal or State securities or commodities law or regulation; or
 - b. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - c. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Committees

As a small reporting company we do not have a fully functional audit committee. As the Company begins the process of adding additional directors who would be considered independent board members, the Audit Committee would begin functioning. Currently we use one member, Robert Adams, who is not an independent board member to fulfill typical functions that will be managed by the Audit Committee once fully functional. The Charter of the Audit Committee is filed with the Annual Report for the year ended January 31, 2021.

The Compensation Committee currently has one member, Mark Gilroy. The Charter of the Compensation Committee is filed with the Annual Report for the year ended January 31, 2021.

Code of Ethics

We adopted a code of ethics that applies to our officers and directors that has been previously filed.

Indemnification of Directors and Officers.

Under the Delaware General Corporation Law, we can indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Our amended and restated articles of incorporation provide that, pursuant to Nevada law, our directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision in the articles of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Nevada law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us or our stockholders, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for any transaction from which the director directly or indirectly derived an improper personal benefit, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Nevada law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

Our bylaws, as amended, provide for the indemnification of our directors and officers to the fullest extent permitted by the Nevada General Corporation Law. We are not, however, required to indemnify any director or officer in connection with any (a) willful misconduct, (b) willful neglect, or (c) gross negligence toward or on behalf of us in the performance of his or her duties as a director or officer. We are required to advance, prior to the final disposition of any proceeding, promptly on request, all expenses incurred by any director or officer in connection with that proceeding on receipt of any undertaking by or on behalf of that director or officer to repay those amounts if it should be determined ultimately that he or she is not entitled to be indemnified under our bylaws or otherwise.

We have been advised that, in the opinion of the SEC, any indemnification for liabilities arising under the Securities Act of 1933 is against public policy, as expressed in the Securities Act, and is, therefore, unenforceable.

ITEM 11. EXECUTIVE COMPENSATION.

In November 2017, we entered into employment agreements with our CEO and CFO. The CEO was terminated for cause on April 17, 2020. The CFO resigned her position in December 2019. Mr. Rosenberg assumed the duties of CFO effective on the resignation of Mrs. Craig. On April 17, 2020 Mr. Rosenberg resigned as the CFO of the Company. On April 17, 2020 the Company entered into an employment agreement with Michael Hawkins to serve as CEO/CFO of the Company. On March 15, 2021 Michael Hawkins resigned as CEO but has remained the CFO of the Company. Eric Jaffe was appointed as the CEO on March 15, 2021. On March 11, 2021 Robert Adams was appointed as the Company’s CTO.

The Company does have a standing compensation committee and audit committee.

The following table sets forth certain compensation information for: (i) the person who served as the Chief Executive Officer of OBITX, Inc., during the years ended January 31, 2021 and 2020, regardless of the compensation level, and (ii) each of our other executive officers, serving as an executive officer at any time during 2021 and 2020. The foregoing persons are collectively referred to in this prospectus as the “Named Executive Officers.” Compensation information is shown for the year ended January 31, 2021 and January 31, 2020:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Comp (\$)	Non-Qualified Deferred Comp Earnings (\$)	All Other Comp (\$)	Totals (\$)
Eric Jaffe ¹ CEO	2021	0	0	0	0	0	0	0	0
Michael Hawkins ^{1,2,3} CFO, Director	2021	0	0	41,068,434	0	0	0	50,959	41,119,393
Robert Adams ^{1,2} CTO, Director	2021	0	0	0	0	0	0	0	0
Paul Rosenberg ^{2,4} Director	2021	0	0	7,518,164	0	0	0	0	7,518,164
	2020	0	0	42,000	0	0	0	0	42,000
Mark Gilroy ² Director	2021	0	0	0	0	0	0	0	0
Alex Mardikian ⁵ CEO	2021	21,000	0	0	0	0	0	0	84,000
	2020	84,000	0	0	0	0	0	0	84,000
Brandy Craig CFO	2020	0	0	129,803	0	0	0	0	129,803

1. All Officers of the Company were issued a warrant to purchase 200,000 shares at \$2.21 per share on March 11, 2021. The warrants expire on March 10, 2026. 50,000 shares vested upon execution of the Stock Warrant Agreement with 50,000 additional shares vesting on the anniversary date (March 10) of each year for three consecutive years.
2. All Directors of the Company were issued a warrant to purchase 125,000 shares at \$2.21 per share on February 1, 2021. The warrants expire on January 31, 2026. 50,000 shares vested upon execution of the Stock Warrant Agreement with 25,000 additional shares vesting on the anniversary date (January 31) of each year for three consecutive years.
3. Overwatch Partners, Inc., received 100,000 shares of Series A Preferred of which Mr. Hawkins is a 50% owner and Epic Industry received 50,000 shares of Series A Preferred in which Mr. Hawkins is the sole owner on April 17, 2020 when he became the CEO/CFO of the Company. The shares were valued at the time at \$41,068,434. In addition, Mr. Hawkins received \$50,959 in BIT tokens which represents 10% of the earnings through revenue generated.
4. On April 17, 2020 the Company entered into an agreement with Paul Rosenberg in which he was issued 130,128 shares of common stock converting the outstanding balance owed him of \$105,000 for services provided through April 2020.
5. The Company terminated Mr. Mardikian on April 17, 2020. While the Company acknowledges it has an outstanding balance owed to Mr. Mardikian of \$112,000 we believe that this amount would be offset should the Company proceed to legal actions against Mr. Mardikian.
6. On April 17, 2020 the Company entered into an agreement with Brandy Craig in which she was issued 88,465 shares of common stock converting the outstanding balance owed her of \$68,995 for services provided until her resignation.

Agreements

On April 17, 2020 the Company entered into an employment agreement with Michael Hawkins to serve as CEO/CFO of the Company. Mr. Hawkins is to receive 10% of the total revenue derived for the Company during the initial 12 month period, at which time the board of directors will negotiate an employment package with Mr. Hawkins. The Agreement is at will and may be terminated given 30-day written notice.

On February 1, 2021 the Company entered into a Stock Warrant Agreement with each of the Directors of the Company. The Stock Warrant Agreement corresponds with the issuance of a warrant to serve as a Director of the Company for a period of 3 years.

On March 11, 2021 the Company entered into a Stock Warrant Agreement with each of the Officers of the Company. The Stock Warrant Agreement corresponds with the issuance of a warrant to serve as an Officer of the Company for a period of 3 years.

Outstanding Equity Awards as of January 31, 2021

None

Options Exercises and Stocks Vested

None

Grants of Plan-Based Awards

None

Non-Qualified Deferred Compensation

None

Golden Parachute Compensation

None

Director Compensation

Paul Rosenberg receives \$3,500 per month for his services as the sole Director and Chairman of the Board. This agreement was terminated on April 17, 2020. At this point, there is no compensation for members of the Board of Directors.

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

Under Rule 13d-3 under the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights.

The following table indicates beneficial ownership of OBITX's common stock, as of January 31, 2021 by:

- Each person or entity known by OBITX to beneficially own more than 5% of the outstanding shares of OBITX's common stock;
 - Each executive officer and director of OBITX; and,
 - All executive officers and directors of OBITX as a group.
- Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Percentage of beneficial ownership is based on 5,974,125 shares of common stock outstanding as of January 31, 2021.

Unless other indicated, the address of each beneficial owner listed below is c/o OBITX, Inc., 3027 US Highway 17, Fleming Island, FL 32003.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class ⁽¹⁾
Paul Rosenberg	3,025,528 common shares	50.6%
APO Holdings, LLC	1,330,762 common shares	22.3%
Michael Hawkins ¹	285,000 common shares	4.8%
BOTS, INC	211,798 common shares	3.5%
Total as a group ²	4,853,088 common shares	81.2%

1. Epic Industry Corp owns 250,000 shares of common stock of which Michael Hawkins is the sole owner, and Overwatch Partners, Inc., owns 35,000 shares in which Michael Hawkins is a 50% owner.

[Table of Contents](#)

2. Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock outstanding on January 31, 2021. As of January 31, 2021, there were 5,974,125 shares of our company's common stock issued and outstanding.

The following table indicates beneficial ownership of OBITX's Series A preferred stock, as of January 31, 2021 by:

- Each person or entity known by OBITX to beneficially own more than 5% of the outstanding shares of OBITX's common stock;
- Each executive officer and director of OBITX; and,
- All executive officers and directors of OBITX as a group.
- Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Percentage of beneficial ownership is based on 150,000 shares of Series A preferred stock outstanding as of January 31, 2021.

Unless other indicated, the address of each beneficial owner listed below is c/o OBITX, Inc., 3027 US Highway 17, Fleming Island, FL 32003.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class⁽¹⁾
Overwatch Partners, Inc.	100,000 Series A preferred shares	66.7%
Epic Industry Corp	50,000 Series A preferred shares	33.3%
Total as a group ¹	150,000 Series A preferred shares	100.0%

1. Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of Series A preferred stock outstanding on January 31, 2021. As of January 31, 2021, there were 150,000 shares of our company's Series A preferred stock issued and outstanding.

The following table indicates beneficial ownership of OBITX's Series B preferred stock, as of January 31, 2021 by:

- Each person or entity known by OBITX to beneficially own more than 5% of the outstanding shares of OBITX's common stock;
- Each executive officer and director of OBITX; and,
- All executive officers and directors of OBITX as a group.
- Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Percentage of beneficial ownership is based on 650,000 shares of Series B preferred stock outstanding as of January 31, 2021.

Unless other indicated, the address of each beneficial owner listed below is c/o OBITX, Inc., 3027 US Highway 17, Fleming Island, FL 32003.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class⁽¹⁾
BOTS, Inc.	500,000 Series B preferred shares	76.9%
Paul Rosenberg	150,000 Series B preferred shares	23.1%
Total as a group ¹	650,000 Series B preferred shares	100.0%

Table of Contents

1. Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of Series B preferred stock outstanding on January 31, 2021. As of January 31, 2021, there were 650,000 shares of our company's Series A preferred stock issued and outstanding.

Review, Approval or Ratification of Transactions with Related Persons.

All future related party transactions will be approved, if possible, by a majority of our directors who do not have an interest in the transaction and who will have access, at our expense, to our independent legal counsel.

Description of Capital Structure

General

Our authorized capital stock consists of 200,000,000 shares of common stock, par value \$ 0.0001.

Common Stock

The shares of our common stock presently outstanding, and any shares of our common stock issues upon exercise of common stock purchase options and/or warrants, will be fully paid and non-assessable. Each holder of common stock is entitled to one vote for each share owned on all matters voted upon by shareholders, and a majority vote is required for all actions to be taken by shareholders. In the event we liquidate, dissolve or wind-up our operations, the holders of the common stock are entitled to share equally and ratably in our assets, if any, remaining after the payment of all our debts and liabilities and the liquidation preference of any shares of preferred stock that may then be outstanding. The common stock has no preemptive rights, no cumulative voting rights, and no redemption, sinking fund, or conversion provisions. Holders of common stock are entitled to receive dividends, if and when declared by the Board of Directors, out of funds legally available for such purpose, subject to the dividend and liquidation rights of any preferred stock that may then be outstanding.

Preferred Stock

Our authorized capital stock consists of 1,500,000 shares of Series A Preferred stock, par value \$ 0.0001 and 1,500,000 shares of Series B Preferred stock. In addition, we have 50,000,000 blank check preferred stock authorized.

Voting Rights

Each holder of Common Stock is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders. Each holder of Series A Preferred Stock is entitled to one thousand (1,000) votes for each share of Series A Preferred Stock held on all matters submitted to a vote of stockholders. Each holder of Series B Preferred Stock is entitled to one hundred (100) votes for each share of Series B Preferred Stock held on all matters submitted to a vote of stockholders.

Dividends

Subject to preferences that may be applicable to any then-outstanding securities with greater rights, if any, and any other restrictions, holders of Common Stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the Company's board of directors out of legally available funds. The Company and its predecessors have not declared any dividends in the past and does not presently contemplate that there will be any future payment of any dividends on Common Stock.

Indemnification of Officers and Directors

As permitted by Delaware Statutes, our Articles of Incorporation provide that we will indemnify our directors and officers against expenses and liabilities they incur to defend, settle, or satisfy any civil or criminal action brought against them on account of their being or having been Company directors or officers unless, in any such action, they are adjudged to have acted with gross negligence or willful misconduct.

Pursuant to the foregoing provisions, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable.

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

Certain Relationships and Related Transactions

On November 1, 2017, the Company entered into a consulting agreement with Alex Mardikian, the Chief Executive Officer at that time. The agreements call for \$7,000 per month for a period of one year. The payments may be booked as a note due, which may be converted into shares of the company at a then-current price per share. The Company and consultant may elect to convert into equity of the company. Mr. Mardikian was authorized to purchase 50,000 shares of common stock at par value (\$0.0001 per share) through a warrant, which was subsequently exercised, and he was issued a five-year warrant to acquire 250,000 shares of the Company Stock at \$1.00. The Company terminated Mr. Mardikian on April 17, 2020 citing several causes for action. The Company currently has \$105,000 in outstanding invoices from Mr. Mardikian, which the Company has preserved its rights to dispute.

[Table of Contents](#)

On November 1, 2017, the Company entered into a consulting agreement with Brandy Craig, the Chief Financial Officer. The agreements call for \$3,500 per month for a period of one year. The payments may be booked as a note due, which may be converted into shares of the company at a then-current price per share. The Company and consultant may elect to convert a portion of this into equity of the company. In addition, Mrs. Craig was authorized to purchase 50,000 shares of common stock at par value (\$0.0001 per share) through a warrant, which was subsequently exercised, and she was issued a five-year warrant to acquire 250,000 shares of the Company Stock at \$1.00 per share. Mrs. Craig resigned her position on December 3, 2019. Subsequently to this reporting period, Mrs. Craig has elected to convert her outstanding balance owed of \$68,995 into 88,455 common shares of OBITX stock.

On June 14, 2018 the Company entered a Line of Credit with APO Holdings, LLC for up to \$100,000 at any one time. The Line of Credit may be cancelled at any time by either party providing 30 days written notice of cancellation. It was given at a 0.6% monthly interest rate (7.2% annualized interest rate) and may be paid at any time with no definitive payoff date. As of January 31, 2021, and January 31, 2020 the outstanding balance owed on the line of credit was \$0 and \$85,814, respectively. The accrued interest for the years ended January 31, 2021 and 2020 was \$4,451 and \$8,412, respectively. On December 9, 2020 APO Holdings, LLC converted the outstanding balance owed into 38,962 shares of the Company's common stock.

On April 17, 2020 the Company terminated the employment of Alex Mardikian as the CEO of the Company. On April 17, 2020 Paul Rosenberg resigned as the CFO of the Company. On April 17, 2020 the Company entered into an agreement with Michael Hawkins as the CEO and CFO of the business and elected him to the Board of Directors. Under terms of the agreement he receives 10% of all revenue generated by the Company for the initial 12-month period. His agreement is at will and may be terminated with 30 days written notice.

On April 17, 2020 the Company, issued 50,000 shares of Series A Preferred Stock to Epic Industry Corp and 100,000 shares of Series A Preferred Stock to Overwatch Partners, Inc for par value (\$0.0001) for a total receipt of \$15 paid by Epic Industry Corp. The Agreement was originally between the Company and Epic Industry Corp. The 100,000 shares of Series A Preferred was issued to Overwatch Partners at the discretion of Michael Hawkins, the sole owner of Epic Industry Corp. The Company's CEO is 50% owner of Overwatch Partners. The issuance represents 33% of the Company's stock on a fully diluted basis and 68% of voting control of the Company. (See Note 5 – Stockholder's Equity – Preferred Stock). The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control. The issuance of stock's recorded value was \$40,137,788.

On April 17, 2020 the Company issued 150,000 shares of Series B Preferred Stock to Paul Rosenberg in exchange for 60 cryptocurrency ATM machines, which the Company believes has no retail or book value. The issuance represents 7% of the Company's stock on a fully diluted basis. (See Note 5 – Stockholder's Equity – Preferred Stock). The Company valued the stock under ASC 820 utilizing the Option Pricing Method to value conversion rights, and the Market Approach to value the voting control. The issuance of stock's recorded value was \$6,548,188.

During the year ended January 31, 2021, Overwatch Partners paid multiple different expenses on behalf of the Company, which the Company treats as an account payable to related party. The total amount owed by the Company to Overwatch Partners as of January 31, 2021 was \$12,862.

On April 22, 2020 the Company converted \$104,988 outstanding accounts payable to Paul Rosenberg into 130,128 shares of common stock of the company at \$0.75 per share. (See Note 5. Stockholder's Equity).

On April 29, 2020 the Company converted 5,000,000 shares of common stock owned by BOTS, Inc., into 500,000 shares of Series B Preferred stock. BOTS is restricted from converting the Series B Preferred stock into common stock for a period of 24 months from the conversion. There was no gain or loss on conversion due to conversion terms (see Note 5).

On May 13, 2020 the Company sold its 420 Cloud Software to First Bitcoin Capital, Corp, for the purchase price of \$1,900,000. The \$1,900,000 was paid through the transfer of \$500,000 in BIT cryptocurrency and a \$1,400,000 convertible promissory note. The Company is to receive 122,968,776.18 BIT tokens at the price of \$0.00406607 per token. The convertible promissory note has a simple interest fee of 9% per year and may be converted into First Bitcoin Capital Corp stock at a 10% discount to market or in additional BIT cryptocurrency tokens. The Note has no expiration date. The convertible note receivable is currently convertible into stock that is not currently traded on an exchange, and since the software assets had a \$0 basis, and were sold to a related party, any subsequent conversions would be included in equity. The interest receivable by this note through January 31, 2021 is \$82,848.

The Company has reclassified \$154,307 of accounts payable – related party as a reserve for settlement – related party. The Company has reclassified this debt as management believes the fees represented by this amount that are due to the former CEO and several employees who worked directly for the former CEO in other projects are not due. Furthermore, if the fees were due, we believe we have offsetting transactions owed the Company by the former CEO. The Company has not proceeded with any legal actions at this time against the former CEO.

On December 9, 2020 the Company issued 38,962 shares of common stock to APO Holdings, LLC in exchange for conversion of its Convertible Promissory Note.

On December 9, 2020 Epic Industry Corp assign 35,000 warrants to Overwatch Partners, Inc. Subsequently, Overwatch Partners, Inc., elected to exercise the warrants 35,000 through the reduction of \$35,000 in outstanding payables due to Overwatch Partners, Inc.

[Table of Contents](#)

On February 1, 2021 the Company issued 4 warrants to the Directors (Mark Gilroy, Michael Hawkins, Paul Rosenberg, and Robert Adams) for the purchase of up to 500,000 shares of common stock at \$2.21 per share. The warrants expire on January 31, 2026 at 5:00 PM Eastern Standard Time.

On March 11, 2021 the Company issued 3 warrants to the Officers (Robert Adams, Eric Jaffe, and Michael Hawkins) for the purchase of up to 600,000 shares of common stock at \$2.21 per share. The warrants expire on January 31, 2026 at 5:00 PM Eastern Standard Time.

On March 17, 2021 the Company entered into a loan agreement for \$500,000 with Epic Industry Corp, a wholly owned company of Michael Hawkins, the Company's CFO. The interest rate is 3% per annum. The loan is due in full on April 1, 2022.

On April 12, 2021 Epic Industry Corp, wholly owned by Michael Hawkins, the Company's CFO, exercised the warrant it has and purchased 100,000 shares of common stock in exchange for \$100,000. Epic Industry Corp elected to issue the shares in the name of Timothy R Schucker and Anastasia Hawkins JTWROS, the daughter and son-in-law of Michael Hawkins.

Director Independence

Our Board of Directors is comprised of four members, of which one member is an "independent" within the meaning of Marketplace Rule 5605 of the NASDAQ Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

On April 20, 2020, we engaged, M&K CPAS, PLLC to serve as our independent registered public accounting firm for the year ending January 31, 2020. On December 10, 2020 M&K CPAS, PLLC resigned as the independent auditors. On December 10, 2020 the Company appointed Weinstein International CPA to serve as our independent registered public accounting firm for the year ending January 31, 2021. The following table shows the fees that were billed for the audit and other services provided for 2021 and 2020.

	2021	2020
Audit Fees	\$ 12,000	\$ 14,000
Tax Fees	-	-
Total	\$ 12,000	\$ 14,000

Audit Fees — This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Our Board of Directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the Board, or, in the period between meetings, by a designated member of Board. The audit fees paid to the auditors with respect to 2021 and 2020 were pre-approved by the Board of Directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibits	Description
10.1	Audit Committee Charter
10.2	Compensation Committee Charter
10.3	Form of Stock Warrant Agreement
31	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act*
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act
	XBRL Instance Document
	XBRL Taxonomy Extension Schema Document
	XBRL Taxonomy Calculation Linkbase Document
	XBRL Taxonomy Labels Linkbase Document
	XBRL Taxonomy Presentation Linkbase Document
	XBRL Definition Linkbase Document

SIGNATURES

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

OBITX, Inc.

May 17, 2021

By: /s/ Eric Jaffe
Eric Jaffe
Chief Executive Officer (Principal Executive Officer)

May 17, 2021

By: /s/ Michael W Hawkins
Michael W. Hawkins
Chief Financial Officer (Principal Executive Officer)

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

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Eric Jaffe</u> Eric Jaffe	Chief Executive Officer (Principal Executive Officer)	May 17, 2021
<u>/s/ Michael W Hawkins</u> Michael W. Hawkins	Chief Financial Officer	May 17, 2021

OBITX, INC.

Charter for Audit Committee

ROLE

The Audit Committee of the Board of Directors assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Committee's purpose is to oversee the accounting and financial reporting processes of the Company, the audits of the Company's financial statements, the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company and internal control over financial reporting, and the performance of the Company's internal audit function and independent auditor. The Committee reviews and assesses the qualitative aspects of financial reporting to shareholders, the Company's processes to manage business and financial risk, and compliance with significant applicable legal, ethical, and regulatory requirements. The Committee is directly responsible for the appointment (subject to shareholder ratification), compensation, retention, and oversight of the independent auditor.

MEMBERSHIP

The membership of the Committee consists of at least two directors, all of whom shall meet the independence requirements established by the Board and applicable laws, regulations, and listing requirements. Each member shall in the judgment of the Board have the ability to read and understand fundamental financial statements and otherwise meet the financial sophistication standard established by the requirements of the NASDAQ Stock Market, LLC. At least one member of the Committee shall in the judgment of the Board be an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission. The Board appoints the members of the Committee and the chairperson. The Board may remove any member from the Committee at any time with or without cause.

Generally, no member of the Committee may serve on more than three audit committees of publicly traded companies (including the Audit Committee of the Company) at the same time. For this purpose, service on the audit committees of a parent and its substantially owned subsidiaries counts as service on a single audit committee.

OPERATIONS

The Committee meets at least six times a year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of its proceedings, and will report on its actions and activities at the next quarterly meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the state of Florida.

The Committee meets at least two times a year. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of its proceedings and will report on its actions and activities at the next quarterly meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the state of Florida.

COMMUNICATIONS

The independent auditor reports directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor, the internal auditors, and management. This communication will include periodic private executive sessions with each of these parties.

EDUCATION

The Company is responsible for providing new members with appropriate orientation briefings and educational opportunities, and the full Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested by the Committee. The Company will assist the Committee in maintaining appropriate financial literacy.

AUTHORITY

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. The Company will provide the Committee with appropriate funding, as the Committee determines, for the payment of compensation to the Company's independent auditor, outside counsel, and other advisors as it deems appropriate, and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have access to the Company's books, records, facilities, and personnel. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

RESPONSIBILITIES

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Calendar. The Responsibilities Calendar will be updated annually as necessary to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. The most recently updated Responsibilities Calendar will be considered to be an addendum to this Charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, and the independent auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles and establishing satisfactory internal control over financial reporting. The independent auditor is responsible for auditing the Company's financial statements and the effectiveness of the Company's internal control over financial reporting. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's standards of business conduct, codes of ethics, internal policies, procedures, and controls.

OBITX Audit Committee Responsibilities Calendar

RESPONSIBILITY	Q1	Q2	Q3	Q4	As Req'd
1. The agenda for Committee meetings will be prepared in consultation between the Committee chair (with input from the Committee members), Finance management, the senior internal audit employee designated by the Committee to act as its direct liaison (the "Internal Audit Executive"), and the independent auditor.	•	•	•	•	•
2. Review and update the Audit Committee Charter and Responsibilities Calendar annually.				•	
3. Complete an annual evaluation of the Committee's performance.		•			
4. Provide a report in the annual proxy that includes the Committee's review and discussion of matters with management and the independent auditor.	•				
5. Include a copy of the Committee charter as an appendix to the proxy statement at least once every three years.					•
6. Appoint or replace the independent auditor and approve the terms on which the independent auditor is engaged for the ensuing fiscal year.	•			•	
7. At least annually, evaluate the independent auditor's qualifications, performance, and independence, including that of the lead partner. The evaluation will include obtaining a written report from the independent auditor describing the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or PCAOB review, of the firm or by any inquiry or investigation by governmental or professional authorities within the past five years, concerning an independent audit or audits carried out by the firm, and any steps taken to deal with those issues; and all relationships between the independent auditor and the Company.				•	•
8. Resolve any disagreements between management and the independent auditor about financial reporting.					•
9. Establish and oversee a policy designating permissible services that the independent auditor may perform for the Company, providing for preapproval of those services by the Committee subject to the de minimis exceptions permitted under applicable rules, and quarterly review of any services approved by the designated member under the policy and the firm's non-audit services and related fees.	•	•	•	•	•
10. Review the responsibilities, functions, and performance of the Company's internal audit department.			•		
11. Review and approve the appointment or change in the Internal Audit Executive.					•
12. Ensure receipt from the independent auditor of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard No. 1, and actively engage in a dialogue with the auditor about any disclosed relationships or services that may impact the objectivity and independence of the auditor, and take appropriate action to oversee the independence of the independent auditor.	•				

OBITX Audit Committee Responsibilities Calendar

- 13. Advise the Board about the Committee's determination whether the Committee consists of three or more members who are financially literate, including at least one member who has financial sophistication and is a financial expert. •
- 14. Inquire of management, the Internal Audit Executive, and the independent auditor about significant risks or exposures, review the Company's policies for risk assessment and risk management, and assess the steps management has taken to control such risk to the Company. • •
- 15. Review with Finance management, the independent auditor, and the Internal Audit Executive the audit scope and plan, and coordination of audit efforts to ensure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Company. • • •
- 16. Consider and review with Finance management, the independent auditor, and the Internal Audit Executive:
 - a. The Company's annual assessment of the effectiveness of its internal controls and the independent auditor's attestation. •
 - b. The adequacy of the Company's internal controls, including computerized information system controls and security. • • • •
 - c. Any "material weakness" or "significant deficiency" in the design or operation of internal control over financial reporting, and any steps taken to resolve the issue. • • • •
 - d. Any related significant findings and recommendations of the independent auditor and internal audit together with management's responses. • • • •
- 17. Review with Finance management any significant changes to GAAP and/or MAP policies or standards. • • • •

OBITX Audit Committee Responsibilities Calendar

- 18. Review with Finance management and the independent auditor at the completion of the annual audit: • •
 - a. The Company's annual financial statements and related footnotes, and recommend that the audited financial statements be included in the Form 10-K.
 - b. The independent auditor's audit of the financial statements and its report thereon, including any matters to be communicated by the independent auditor pursuant to Section 10A of the Securities Exchange Act of 1934.
 - c. Any significant changes required in the independent auditor's audit plan.
 - d. Any serious difficulties or disputes with management encountered during the course of the audit, and management's response.
 - e. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- 19. Review with Finance management and the independent auditor at least annually the Company's critical accounting policies. • •
- 20. Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Company's business, and review and approve those related-party transactions that would be disclosed pursuant to SEC Regulation S-K, Item 404. • •
- 21. Consider and review with Finance management and the Internal Audit Executive: • • • • •
 - a. Significant findings by the independent auditor or the Internal Audit Executive during the year and management's responses.
 - b. Any difficulties encountered in the course of their audit work, including any restrictions on the scope of their work or access to required information.
 - c. Any changes required in planned scope of their audit plan.
- 22. Participate in a telephonic meeting among Finance management, the Internal Audit Executive and the independent auditor before each earnings release to discuss the earnings release, financial information, use of any non-GAAP information, and earnings guidance. • • • •
- 23. Review and discuss with Finance management and the independent auditor the Company's quarterly financial statements. • • • •

OBITX Audit Committee Responsibilities Calendar

- 24. Review the periodic reports of the Company with Finance management, the Internal Audit Executive, and the independent auditor prior to filing of the reports with the SEC, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." • • • •
- 25. In connection with each periodic report of the Company, review:
 - a. Management's disclosure to the Committee and the independent auditor under Section 302 of the Sarbanes-Oxley Act, including identified changes in internal control over financial reporting. • • • •
 - b. The contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act and the process conducted to support the certifications.
- 26. Monitor the appropriate standards adopted as a code of conduct for the Company. • • • •
- 27. Review with the Compliance Officer legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies and programs, and reports received from regulators. • • • •
- 28. Develop, review, and oversee procedures for (i) receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, and auditing matters and (ii) the confidential, anonymous submission of employee concerns regarding accounting or auditing matters. • • • •
- 29. Meet with the independent auditor in executive session to discuss any matters the Committee or the independent auditor believes should be discussed privately with the Audit Committee. • • • •
- 30. Meet with the Internal Audit Executive in executive session to discuss any matters the Committee or the Internal Audit Executive believes should be discussed privately with the Audit Committee. • • • •
- 31. Meet with Finance management in executive session to discuss any matters the Committee or Finance management believes should be discussed privately with the Audit Committee. • • • •
- 32. Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor who were engaged in the Company's account, and ensure the policies comply with any regulations applicable to the Company. • • • •

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF OBITX, INC.**
AS ADOPTED BY THE BOARD
ON MAY 11, 2020

I. PURPOSE

The Compensation Committee (the “Committee”) of the Board of Directors of OBITX, Inc., (the “Company”) is appointed by the Board of Directors (the “Board”) to discharge the Board’s responsibilities with respect to all forms of compensation for the Company’s executive officers and to administer the Company’s equity incentive plans for employees. This Charter sets forth the authority and responsibility of the Committee for evaluating and approving executive officer compensation arrangements, plans, policies and programs of the Company, and for administering the Company’s equity incentive plans for employees whether adopted prior to or after the date of adoption of this charter (the “Stock Plans”).

II. MEMBERSHIP

The Committee will consist of one or more members, with the exact number to be determined by the Board. Each of the members of the Committee will be (i) an “independent director” as defined under the rules of the New York Stock Exchange, as amended (the “Rules”), except as may otherwise be permitted by such Rules, (ii) a “Non-Employee Director,” as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (iii) an “outside director” under Regulation Section 1.162-27 promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended. All members of the Committee will be appointed by, and shall serve at the discretion of, the Board.

The Board will select members of the Committee who will be approved by a majority vote of the Board. Committee members will serve during their respective term as a director, subject to earlier removal by a majority vote of the Board. Unless a chair is elected by the full Board, the members of the Committee may designate a chair by majority vote of the Committee membership.

III. MEETINGS

Meetings of the Committee will be held from time to time and in any event at least twice per fiscal year, in response to the needs of the Board or as otherwise determined by the Chairman of such Committee, and the Committee shall provide reports to the Board. In lieu of a meeting, the Committee may also act by unanimous written consent resolution. The Committee will maintain written minutes of its meetings and will file such minutes with the books and records of the Company.

IV. AUTHORITY AND RESPONSIBILITIES

The principal processes of the Committee in carrying out its oversight responsibilities are set forth below. These processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate and may establish policies and procedures from time to time that it deems necessary or advisable in fulfilling its responsibilities.

1. The Committee will have the authority to review and oversee the Company's overall compensation philosophy, and to oversee the development and implementation of compensation programs aligned with the Company's business strategy.
2. The Committee will have the sole authority to determine the form and amount of compensation to be paid or awarded to the Chief Executive Officer ("CEO") and all other executive officers of the Company.
3. The Committee will annually review and approve all matters related to CEO compensation and determine (i) the salary paid to the CEO, (ii) the grant of all cash-based bonuses and equity compensation to the CEO, (iii) the entering into or amendment or extension of any employment contract or similar arrangement with the CEO, (iv) any CEO severance or change in control arrangement, (v) material perquisites provided to the CEO and (vi) any other CEO compensation matter that may arise from time to time as directed by the Board. The compensation decisions with regard to CEO compensation matters shall incorporate the review of the CEO's performance against pre-established business and individual objectives conducted annually by the Board. In determining the long-term incentive component of the CEO's compensation, the Committee may consider among other things: the Company's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at companies the Committee determines comparable based on factors it selects and the incentive awards given to the Company's CEO in prior years.
4. For all executive officers other than the CEO, the Committee, in consultation with the CEO, will annually review and approve the corporate goals and objectives relevant to executive officers' compensation. In light of these goals and objectives, the Committee, in consultation with the CEO, will determine (i) the salary paid to executive officers, (ii) the grant of cash-based bonuses and equity compensation provided to executive officers, (iii) the entering into or amendment or extension of any employment contract or similar arrangement with executive officers, (iv) executive officers' severance or change in control arrangement, (v) material perquisites provided to executive officers and (vi) any other executive officer compensation matter that may arise from time to time as directed by the Board. In determining the long-term incentive component of executive officers' compensation, the Committee will consider the same factors pertaining to such compensation that it considers for that element of the CEO's compensation.
5. The Committee will periodically review and make recommendations to the Board with respect to adoption and approval of, or amendments to, all equity-based incentive compensation plans and arrangements for employees, and the shares and amounts reserved thereunder after taking into consideration the Company's strategy of long-term and equity-based compensation. The Committee will also periodically review and make recommendations to the Board with respect to adoption and approval of, and amendments to, all cash-based incentive plans for executive officers.

6. The Committee will: (i) approve grants of stock, stock options or stock rights to employees eligible for such grants (including grants in compliance with Rule 16b-3 promulgated under the Exchange Act to individuals who are subject to Section 16 of the Exchange Act); (ii) determine the Company's policy regarding the timing of such grants of stock, stock options or stock purchase rights; (iii) interpret the Stock Plans and agreements thereunder; and (iv) determine acceptable forms of consideration for stock acquired pursuant to the Stock Plans. The Committee will have the authority to approve stock ownership guidelines applicable to the CEO and to other designated executives, and the responsibility to annually review compliance with such guidelines. Pursuant to §157 of the Delaware General Corporation Law, the Committee may delegate to the Company's CEO the authority to grant options to employees of the Company or of any subsidiary of the Company who are not directors or executive officers, provided that such grants are within the limits established by §157 and by resolution of the Board.
7. The Committee will exercise the powers of the Board and perform such duties and responsibilities as may be assigned to a "committee," this Committee or the Board under the terms of any incentive-compensation, equity-based compensation, deferred compensation, or other plan in the Company's executive benefit program.
8. The Committee will participate, with management, in the preparation of the Compensation Discussion and Analysis. The Committee will review the final draft of the Compensation Discussion and Analysis and recommend to the Board its inclusion in the proxy statement to the extent required by the rules and regulations of the Securities and Exchange Commission (the "SEC").
9. The Committee will review the results of the Company's "say on pay" vote as well as the results of other Company stockholder votes with respect to compensation-related matters, and will consider whether any changes should be made to the Company's compensation plans and programs as a result of any such stockholder vote.
10. The Committee will provide the Compensation Committee Report for inclusion in the Company's proxy statement or annual report on Form 10-K that complies with the rules and regulations of the SEC.
11. The Committee will oversee the Company's submission to a stockholder vote of matters relating to compensation, including advisory votes on executive compensation and the frequency of such votes, incentive and other compensation plans, and amendments to such plans.
12. The Committee will make regular reports to the Board.
13. The Committee will review this Charter annually and recommend to the Board any changes it determines are appropriate.
14. The Committee will review its performance annually and submit a report on its performance to the Board.

15. For the purpose of assessing whether risks arising from any compensatory plan or arrangement are reasonably likely to have a material adverse effect on the Company, the Committee will periodically review the relationship between the incentives associated with these plans and the level of risk-taking by executive officers in response to such incentives.
16. The Committee will have the sole authority and right, as and when it shall determine to be necessary or appropriate to the functions of the Committee, to retain, obtain the advice of and terminate compensation consultants, independent legal counsel or other advisors of its choosing to assist the Committee with its functions. The Committee shall have the sole authority to approve the fee arrangement and other retention terms of such advisors, and the Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable fees to a compensation consultant, independent legal counsel or any other advisor retained by the Committee. In this regard, the Committee shall be directly responsible for the appointment, fee arrangement and oversight of the work of any compensation consultant, independent legal counsel or other advisor retained by the Committee. The Committee shall evaluate the qualifications, performance and independence of any such advisors in accordance with policies that the Committee may establish in its sole discretion. Except as otherwise required by the applicable Rules of the New York Stock Exchange, the Committee may select a compensation consultant, legal counsel or other advisor to the Committee only after taking into consideration all factors relevant to that person's independence from management, including the following: (i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other advisor; (ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other advisor, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other advisor; (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other advisor that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the compensation consultant, legal counsel or other advisor with a member of the Committee; (v) any stock of the Company owned by the compensation consultant, legal counsel or other advisor; and (vi) any business or personal relationship of the compensation consultant, legal counsel, other advisor or the person employing the advisor with an executive officer of the Company.
17. The Committee will perform any other activities required by applicable law, rules or regulations, including the rules of the SEC and any exchange or market on which the Company's capital stock is traded, and perform other activities that are consistent with this charter, the Company's certificate of incorporation and bylaws, and governing laws, as the Committee or the Board deems necessary or appropriate.

OBITX, INC.
STOCK WARRANT AGREEMENT

This Stock Warrant Agreement is hereby offered to the undersigned (the “**Warrantee**”) with respect to the following Non-Statutory Warrant grant (the “**Warrant**”) to purchase shares of the Common Stock of OBITX, Inc., a Delaware corporation (the “**Corporation**”):

RECITALS

WHEREAS, Warrantee is to render valuable services to the Corporation (or a Related Entity), and this Agreement is executed in connection with the Corporation’s grant of a warrant to Warrantee.

NOW, THEREFORE, the Corporation hereby grants a Non-Statutory Warrant to Warrantee in accordance with the following terms and conditions:

AGREEMENT

1. **Definitions.** All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

2. **Grant of Warrant.** The Corporation hereby grants to the person identified on attached Stock Warrant Agreement Form (the “Warrantee”) a Non-Statutory Warrant to purchase shares of Common Stock under this Agreement. The date on which this Warrant is granted (the “Grant Date”), the number of shares of Common Stock purchasable under this Warrant (the “Warrant Shares”), the exercise price payable per share (the “Exercise Price”), the applicable vesting schedule by which this Warrant shall vest and become exercisable incrementally for the Warrant Shares (the “Vesting Schedule”) and the date to be used to measure the maximum term of this Warrant (the “Expiration Date”) are also indicated on attached Stock Warrant Agreement Form to this Agreement. The Warrant is a non-statutory Warrant under the US federal income tax laws. The remaining terms and conditions governing this Warrant shall be as set forth in this Agreement.

3. **Warrant Term.** The term of this Warrant shall commence on the Grant Date and continue to be in effect until the close of business on the last business day prior to the Expiration Date specified in attached Stock Warrant Agreement Form, unless sooner terminated in accordance with Paragraph 6 or 7 below.

4. **Limited Transferability.**

(a) This Warrant may be assigned in whole or in part during Warrantee’s lifetime to a Living Trust. The assigned portion may only be exercised by the Living Trust. The terms applicable to the assigned portion shall be the same as those in effect for the Warrant immediately prior to such assignment and shall be set forth in such documents to be executed by the Warrantee and the Living Trust as the Corporation may deem appropriate.

(b) Except for the limited transferability provided herein, this Warrant shall be neither transferable nor assignable by Warrantee other than by will or the laws of inheritance following Warrantee’s death and may be exercised, during Warrantee’s lifetime, only by Warrantee. However, Warrantee may designate one or more persons as the beneficiary or beneficiaries of this Warrant by completing the Corporation’s Universal Beneficiary Designation form and filing the completed form with the Corporation’s Human Resources Department. Should Warrantee file such Universal Beneficiary Designation form and die while holding this Warrant, then this Warrant shall automatically be transferred to the designated beneficiary or beneficiaries. Such beneficiary or beneficiaries shall take the transferred Warrant subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this Warrant may, pursuant to Paragraph 6 below, be exercised following Warrantee’s death.

5. Dates of Exercise. This Warrant shall vest and become exercisable for the Warrant Shares in a series of installments in accordance with the Vesting Schedule set forth in attached Stock Warrant Agreement Form. As the Warrant vests and becomes exercisable for such installments, those installments shall accumulate, and the Warrant shall remain exercisable for the accumulated installments until the last business day prior to the Expiration Date or any sooner termination of the Warrant term under Paragraph 6 or 7 below.

6. Cessation of Service. The Warrant term specified in Paragraph 3 above shall terminate (and this Warrant shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise expressly provided in subparagraphs (b) through (f) of this Paragraph 6, should Warrantee cease to remain in Continuous Service for any reason while this Warrant is outstanding, then Warrantee shall have until the close of business on the last business day prior to the expiration of the three-month period measured from the date of such cessation of Continuous Service during which to exercise this Warrant for any or all of the Warrant Shares for which this Warrant is vested and exercisable at the time of Warrantee's cessation of Continuous Service, but in no event shall this Warrant be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(b) In the event Warrantee ceases Continuous Service by reason of his or her death while this Warrant is outstanding, then this Warrant may be exercised, for any or all of the Warrant Shares for which this Warrant is vested and exercisable at the time of Warrantee's cessation of Continuous Service, by (i) the personal representative of Warrantee's estate or (ii) the person or persons to whom the Warrant is transferred pursuant to Warrantee's will or the laws of inheritance following Warrantee's death. However, if Warrantee dies while holding this Warrant and has an effective beneficiary designation in effect for this Warrant at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this Warrant following Warrantee's death. Any such right to exercise this Warrant shall lapse, and this Warrant shall cease to be outstanding, upon the close of business on the last business day prior to the *earlier* of (i) the expiration of the twelve-month period measured from the date of Warrantee's death or (ii) the Expiration Date. Upon the expiration of such limited exercise period, this Warrant shall terminate and cease to be outstanding for any exercisable Warrant Shares for which the Warrant has not otherwise been exercised.

(c) Should Warrantee cease Continuous Service by reason of Permanent Disability while this Warrant is outstanding, then Warrantee shall have until the close of business on the last business day prior to the expiration of the twelve-month period measured from the date of such cessation of Continuous Service during which to exercise this Warrant for any or all of the Warrant Shares for which this Warrant is vested and exercisable at the time of such cessation of Continuous Service. In no event, however, shall this Warrant be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(d) Except as otherwise precluded by Applicable Laws, should (i) Warrantee cease Continuous Service after completion of at least three (3) years of Continuous Service and (ii) the sum of Warrantee's attained age and completed years of Continuous Service at the time of such cessation of service equals or exceeds seventy (70) years, then Warrantee shall have until the close of business on the last business day prior to the expiration of the thirty-six-month period measured from the date of such cessation of Continuous Service during which to exercise this Warrant for any or all of the Warrant Shares for which this Warrant is vested and exercisable at the time of such cessation of Continuous Service. In no event, however, shall this Warrant be exercisable at any time after the close of business on the last business day prior to the Expiration Date.

(e) The applicable period of post-service exercisability in effect pursuant to the foregoing provisions of this Paragraph 6 shall automatically be extended by an additional period of time equal in duration to any interval within such post-service exercise period during which the exercise of this Warrant or the immediate sale of the Warrant Shares acquired under this Warrant cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this Warrant beyond the close of business on the last business day prior to the Expiration Date.

(f) Should Warrantee's Continuous Service be terminated for Cause, or should Warrantee engage in any other conduct, while in Continuous Service or following cessation of Continuous Service, that is materially detrimental to the business or affairs of the Corporation (or any Related Entity), as determined in the sole discretion of the Administrator, then this Warrant, whether or not vested and exercisable at the time, shall terminate immediately and cease to be outstanding.

(g) During the limited period of post-service exercisability provided under this Paragraph 6, this Warrant may not be exercised in the aggregate for more than the number of Warrant Shares for which this Warrant is at the time vested and exercisable. Except to the extent (if any) specifically authorized by the Administrator pursuant to an express written agreement with the Warrantee, this Warrant shall not vest or become exercisable for any additional Warrant Shares, whether pursuant to the normal Vesting Schedule set forth in attached Stock Warrant Agreement Form or the special vesting acceleration provisions of Paragraph 7 below, following Warrantee's cessation of Continuous Service. Upon the expiration of such limited exercise period or (if earlier) upon the close of business on the last business day prior to the Expiration Date, this Warrant shall terminate and cease to be outstanding for any exercisable Warrant Shares for which the Warrant has not otherwise been exercised.

7. Special Acceleration of Warrant

(a) This Warrant, to the extent outstanding at the time of an actual Change in Control but not otherwise fully exercisable, shall automatically accelerate so that this Warrant shall, immediately prior to the effective date of such Change in Control, become exercisable for all of the Warrant Shares at the time subject to this Warrant and may be exercised for any or all of those Warrant Shares as fully vested shares of Common Stock. However, this Warrant shall *not* become exercisable on such an accelerated basis if and to the extent: (i) this Warrant is to be assumed by the successor corporation (or parent thereof) or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction, (ii) this Warrant is to be replaced with an economically-equivalent substitute award or (iii) this Warrant is to be replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on any Warrant Shares for which this Warrant is not otherwise at that time vested and exercisable (the excess of the Fair Market Value of those Warrant Shares over the aggregate Exercise Price payable for such shares) and provides for the subsequent vesting and concurrent payout of that spread in accordance with the same Vesting Schedule for those Warrant Shares as set forth in attached Stock Warrant Agreement Form.

(b) Immediately following the consummation of the Change in Control, this Warrant shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this Warrant is assumed in connection with a Change in Control or otherwise continued in effect, then this Warrant shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities into which the shares of Common Stock subject to this Warrant would have been converted in consummation of such Change in Control had those shares actually been outstanding at the time. Appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this Warrant but subject to the Administrator's approval, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control, provided such common stock is readily tradable on an established U.S. securities exchange or market.

(d) If this Warrant is assumed or otherwise continued in effect in connection with a Change in Control or replaced with an economically equivalent award or a cash retention program in accordance with Paragraph 7(a) above, then:

i. the Warrant (or such economically equivalent award) shall vest and become immediately exercisable for all of the Warrant Shares or other securities at the time subject to the Warrant (or such award) and may, within the applicable exercise period under Paragraph 7, be exercised for any or all of those Warrant Shares or other securities as fully vested shares or securities, or

ii. the balance credited to Warrantee under any cash retention program established pursuant to Paragraph 7(a) shall immediately be paid to Warrantee in a lump sum, subject to the Corporation's collection of all applicable Withholding Taxes; if, within the period beginning with the execution date of the definitive agreement for the Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the applicable acceleration period following the consummation of such Change in Control, Warrantee's Continuous Service terminates due to an involuntary termination (other than for death or Permanent Disability) without Cause or a voluntary termination by Warrantee due to Constructive Termination.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

8. Adjustment in Warrant Shares. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable and proportional adjustments shall be made by the Administrator to (i) the total number and/or class of securities subject to this Warrant and (ii) the Exercise Price. The adjustments shall be made in such manner as the Administrator deems appropriate in order to reflect such change and thereby prevent the dilution or enlargement of benefits hereunder, and those adjustments shall be final, binding, and conclusive upon Warrantee and any other person or persons having an interest in the Warrant. In the event of any Change in Control transaction, the adjustment provisions of Paragraph 7(c) above shall be controlling.

9. Stockholder Rights. The holder of this Warrant shall not have any stockholder rights with respect to the Warrant Shares until such person shall have exercised the Warrant, paid the Exercise Price, and become a holder of record of the purchased shares.

10. Manner of Exercising Warrant

(a) In order to exercise this Warrant with respect to all or any part of the Warrant Shares for which this Warrant is at the time exercisable, Warrantee (or any other person or persons exercising the Warrant) must take the following actions:

i. Execute and deliver to the Corporation a Form of Stock Purchase as to the Warrant Shares for which the Warrant is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation, either directly or through an on-line internet transaction with a brokerage firm authorized by the Corporation to put into effect such Warrant exercises, of the exercise of this Warrant for one or more Warrant Shares.

ii. Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

a. **Cash/Check:** cash or check made payable to the Corporation. To the extent the sale and remittance procedure is utilized in connection with the Warrant exercise, payment of the Exercise Price, if not a cashless exercise, must accompany the Form of Stock Purchase (or other notification procedure) delivered to the Corporation in connection with the Warrant exercise;

b. **Cashless Exercise:** through a special sale and remittance procedure pursuant to which Warrantee (or any other person or persons exercising the Warrant) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in accordance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of all or a sufficient portion of the purchased shares so that such brokerage firm can remit to the Corporation, on the settlement date, sufficient funds out of the resulting sale proceeds to cover the aggregate Exercise Price payable for all the purchased shares, and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date;

iii. Furnish to the Corporation appropriate documentation that the person or persons exercising the Warrant (if other than Warrantee) have the right to exercise this Warrant.

iv. Warrantee shall accommodate and shall be solely responsible for the satisfaction of all applicable Withholding Taxes.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Warrantee (or any other person or persons exercising this Warrant) a certificate for the purchased Warrant Shares (either in paper or electronic form), with the appropriate legends affixed thereto.

(c) In no event may this Warrant be exercised for any fractional shares.

11. Compliance with Laws and Regulations.

(a) The exercise of this Warrant and the issuance of the Warrant Shares upon such exercise shall be subject to compliance by the Corporation and Warrantee with all Applicable Laws relating thereto.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this Warrant shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

12. Successors and Assigns. Except to the extent otherwise provided in Paragraphs 4 and 7 above, the provisions of this Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and Warrantee, Warrantee's assigns, the legal representatives, heirs, and legatees of Warrantee's estate and any beneficiaries of this Warrant designated by Warrantee.

13. Notices. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Warrantee shall be in writing and addressed to Warrantee at the most current address then indicated for Warrantee on the Corporation's employee records or shall be delivered electronically to Warrantee through the Corporation's electronic mail system or through an on-line brokerage firm authorized by the Corporation to effect Warrant exercises through the internet. All notices shall be deemed effective upon personal delivery or delivery through the Corporation's electronic mail system or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. Construction. This Agreement and the Warrant evidenced hereby are made and granted pursuant to this Agreement and are in all respects limited by and subject to the terms of this Agreement.

15. Governing Law. The interpretation, performance, and enforcement of this Agreement shall be governed by the laws of the State of Florida without resort to Florida conflict-of-laws rules.

16. Jurisdiction/Venue. Any suit, action, or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in any federal or state court located in the County of Saint Johns or Duval, in the State of Florida, and Warrantee hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action, or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding in any such court or that any such suit, action, or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action, or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court.

17. Excess Shares. If the Warrant Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under this Agreement, then this Warrant shall be void with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under this Agreement is obtained in accordance with the provisions of this Agreement. In no event shall the Warrant be exercisable with respect to any of the excess Warrant Shares unless and until such stockholder approval is obtained.

18. **Leaves of Absence.** The following provisions shall govern leaves of absence, except to the extent the application of such provisions to Warrantee would contravene Applicable Laws.

(a) For purposes of this Agreement, Warrantee's Continuous Service shall not be deemed to cease during any period for which Warrantee is on a military leave, sick leave or other personal leave approved by the Corporation. However, Warrantee shall not receive any Continuous Service credit, for purposes of vesting in this Warrant and the Warrant Shares pursuant to the Vesting Schedule set forth in attached Stock Warrant Agreement Form, for any period of such leave of absence, except to the extent otherwise required by law or pursuant to the following policy:

i. Warrantee shall receive Continuous Service credit for such vesting purposes for (i) the first three (3) months of an approved personal leave of absence or (ii) the first seven (7) months of any bona fide leave of absence (other than an approved personal leave), but in no event beyond the expiration date of such leave of absence.

(b) In no event shall Warrantee be deemed to remain in Continuous Service at any time after the earlier of (i) the expiration date of his or her leave of absence, unless Warrantee returns to active Continuous Service on or before that date, or (ii) the date Warrantee's Continuous Service actually terminates by reason of his or her voluntary or involuntary termination or by reason of his or her death or disability.

19. **Employment at Will.** Nothing in this Agreement shall confer upon Warrantee any right to remain in Employee status for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Related Entity employing Warrantee) or of Warrantee, which rights are hereby expressly reserved by each, to terminate Warrantee's active status at any time for any reason, with or without Cause.

20. **Prospectus.** The official prospectus for this Agreement is available when performing a company search on the website www.sec.gov. Warrantee may also obtain a printed copy of the prospectus by contacting management or outside counsel at the contact information provided below.

21. **Warrantee Acceptance.** Warrantee must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Corporation or through a written acceptance delivered to the Corporation in a form satisfactory to the Corporation. In no event shall this Warrant be exercised in the absence of such acceptance.

IN WITNESS WHEREOF, {Corporation Name} has caused this Agreement to be executed on its behalf by its duly authorized officer on the day and year first indicated above.

WARRANTEE

Name: _____ Date: _____

OBITX, INC

By: _____
Title: CEO/CFO

APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Administrator** shall mean the Compensation Committee of the Board (or a subcommittee thereof) acting in its capacity as administrator of this Agreement.

B. **Agreement** shall mean this Stock Warrant Agreement.

C. **Applicable Laws** shall mean the legal requirements related to this Agreement and the Warrant under applicable provisions of the federal securities laws, state corporate and state securities laws, the Code, the rules of any applicable Stock Exchange on which the Common Stock is listed for trading, and the rules of any non-U.S. jurisdiction applicable to Warrants granted to residents therein.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause** shall, for purposes of Paragraph 7 of the Agreement, mean the termination of Warrantee's Continuous Service as a result of Warrantee's (i) performance of any act, or failure to perform any act, in bad faith and to the detriment of the Corporation or a Related Entity; (ii) dishonesty, intentional misconduct, material violation of any applicable Corporation or Related Entity policy, or material breach of any agreement with the Corporation or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. However, for purposes of Paragraph 7(d) of the Agreement, **Cause** shall mean the termination of Warrantee's Continuous Service as a result of Warrantee's (a) conviction of, a guilty plea with respect to, or a plea of *nolo contendere* to, a charge that Warrantee has committed a felony under the laws of the United States or of any State or a crime involving moral turpitude, including (without limitation) fraud, theft, embezzlement or any crime that results in or is intended to result in personal enrichment to Warrantee at the expense of the Corporation or a Related Entity; (b) material breach of any agreement entered into between Warrantee and the Corporation or a Related Entity that impairs the Corporation's or the Related Entity's interest therein; (c) willful misconduct, significant failure to perform his or her duties or gross neglect of his or her duties; or (d) engagement in any activity that constitutes a material conflict of interest with the Corporation or a Related Entity.

F. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

i. a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction; or

ii. a sale, transfer or other disposition of all or substantially all of the Corporation's assets; or

iii. the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with the Corporation) becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders; or

iv. a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members who were still in office at the time the Board approved such election or nomination.

In no event, however, shall a Change in Control be deemed to occur upon a merger, consolidation, or other reorganization effected primarily to change the State of the Corporation's incorporation or to create a holding company structure pursuant to which the Corporation becomes a wholly-owned subsidiary of an entity whose outstanding voting securities immediately after its formation are beneficially owned, directly or indirectly, and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to the formation of such entity.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Common Stock** shall mean shares of the Corporation's common stock.

I. **Constructive Termination** shall mean termination upon voluntary resignation of Warrantee.

J. **Consultant** shall mean any person, including an advisor, who is compensated by the Corporation or any Related Entity for services performed as a non-employee consultant; *provided, however*, that the term "Consultant" shall not include non-employee Directors serving in their capacity as Board members. The term "Consultant" shall include a member of the board of directors of a Related Entity.

K. **Continuous Service** shall mean the performance of services for the Corporation or a Related Entity (whether now existing or subsequently established) by a person in the capacity of an Employee, Director, or Consultant. For purposes of this Agreement, Warrantee shall be deemed to cease Continuous Service immediately upon the occurrence of either of the following events: (i) Warrantee no longer performs services in any of the foregoing capacities for the Corporation or any Related Entity or (ii) the entity for which Warrantee is performing such services ceases to remain a Related Entity of the Corporation, even though Warrantee may subsequently continue to perform services for that entity. In jurisdictions requiring notice in advance of an effective termination of Warrantee's service as an Employee, Director, or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of such service to the Corporation or a Related Entity notwithstanding any required notice period that must be fulfilled before Warrantee's termination as an Employee, Director, or Consultant can be effective under Applicable Laws.

L. **Director** shall mean a member of the Board.

M. **Employee** shall mean an individual who is in the employ of the Corporation (or any Related Entity), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

N. **Exercise Date** shall mean the date on which the Warrant shall have been exercised in accordance with Paragraph 9 of the Agreement.

O. **Exercise Price** shall mean the exercise price payable per Warrant Share as specified in attached Stock Warrant Agreement Form.

P. **Expiration Date** shall mean the date specified on attached Stock Warrant Agreement Form for measuring the maximum term for which the Warrant may remain outstanding.

Q. **Fair Market Value** per share of Common Stock on any relevant date shall be the closing price per share of Common Stock (or the closing bid, if no sales were reported) on that date, as quoted on the Stock Exchange that is at the time serving as the primary trading market for the Common Stock; *provided, however*, that if there no reported closing price or closing bid for that date, then the closing price or closing bid, as applicable, for the last trading date on which such closing price or closing bid was quoted shall be determinative of such Fair Market Value. The applicable quoted price shall be as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

R. **Form of Stock Purchase** shall mean the notice of Warrant exercise in the form authorized by the Corporation.

S. **Grant Date** shall mean the date on which the Warrant is granted, as specified on attached Stock Warrant Agreement Form.

T. **Living Trust** shall mean a revocable living trust established by Warrantee or by Warrantee and his or her spouse of which Warrantee is the sole trustee (or sole co-trustee with his or her spouse) and sole beneficiary (or sole co-beneficiary with his or her spouse) during Warrantee's lifetime.

U. **Non-Statutory Warrant** shall mean a warrant not intended to satisfy the requirements of Code Section 422.

V. **Parent** shall mean a "parent corporation," whether now existing or hereafter established, as defined in Section 424(e) of the Code.

W. **Permanent Disability** shall mean the inability of Warrantee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or to be of continuous duration of twelve (12) months or more.

X. **Related Entity** shall mean (i) any Parent or Subsidiary of the Corporation, or (ii) any corporation in an unbroken chain of corporations beginning with the Corporation and ending with the corporation in the chain for which Warrantee provides services as an Employee, Director or Consultant, provided each corporation in such chain owns securities representing at least twenty percent (20%) of the total outstanding voting power of the outstanding securities of another corporation or entity in such chain and there is a legitimate non-tax business purpose for making this Warrant grant to Warrantee.

Y. **Stock Exchange** shall collectively mean the American Stock Exchange, the Nasdaq Global, the Global Select Market, the New York Stock Exchange, the OTC Markets, or Pink Sheets.

Z. **Subsidiary** shall mean a "subsidiary corporation," whether now existing or hereafter established, as defined in Section 424(f) of the Code.

AA. **Vesting Schedule** shall mean the schedule set forth in attached Stock Warrant Agreement Form, pursuant to which the Warrant is to vest and become exercisable for the Warrant Shares in a series of installments over Warrantee's period of Continuous Service.

BB. **Warrant Shares** shall mean the number of shares of Common Stock subject to the Warrant as specified in attached Stock Warrant Agreement Form.

CC. **Warrantee** shall mean the person identified in attached Stock Warrant Agreement Form to whom the Warrant is granted pursuant to the Agreement.

DD. **Withholding Taxes** shall mean the federal, state, local, and/or foreign income taxes and the employee portion of the federal, state, local, and/or foreign employment taxes which may be withheld by the Corporation in connection with the exercise of the Warrant.

EE. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

CONVERSION AGREEMENT

This Conversion Agreement (this "Agreement") is made and entered into as of December 5, 2020, between OBITX, Inc., a Delaware corporation, ("OBITX"), and the undersigned holder ("Holder") of debt of OBITX's.

RECITALS

WHEREAS, the debt of \$97,404.16 held by Holder are convertible into shares of OBITX's common stock, \$0.0001 par value per share (the "Common Stock"), at the option of Holder, pursuant to, and subject to the limitations set forth in the Revolving Credit Agreement, of common stock of OBITX;

WHEREAS, Holder and OBITX desire to enter into this Agreement to provide for the conversion of \$97,404.16 owed by OBITX to Holder into 38,962 shares of common stock of OBITX;

AGREEMENT

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Election to Convert.

(a) Holder hereby elects to convert the debt owed by OBITX in the amount of \$97,404.16 into 38,962 shares of Common Stock.

(b) The conversion of debt hereby shall be effective upon the date of execution of this Agreement (the "Effective Date").

2. Consideration. Holder shall relinquish all rights and privileges afforded them under the Revolving Credit Agreement and the amount owed of \$97,404.16, in exchange for 38,962 shares of common stock of OBITX, Inc.

3. Issuance of Common Stock.

(a) OBITX shall cause to be issued and delivered to Holder, in book form, the shares of Common Stock issuable upon conversion of the debt being converted hereby as soon as practicable after the Effective Date.

4. Restricted Securities.

(a) Holder hereby understands, acknowledges and agrees that the shares of Common Stock issuable upon conversion of the debt held by Holder being converted hereby shall constitute "restricted securities" within the meaning of the Securities Act of 1933, as amended, and may only be disposed of in compliance with state and federal securities laws. Any certificates representing such shares of Common Stock shall bear a legend to such effect.

5. Further Assurances.

(a) OBITX agrees that it will make, execute and deliver any and all such other instruments, instructions, and documents, and will do and perform any and all such further acts as shall become necessary, proper or convenient to carry out or effectuate the respective covenants, promises and undertakings set forth herein.

(b) Holder agrees to make, execute and deliver any and all such other instruments, instructions, and documents and, will do and perform any and all such further acts as shall become necessary, proper or convenient to carry out or effectuate the respective covenants, promises and undertakings set forth herein.

6. Enforceability.

(a) If and to the extent any provision herein is held invalid or unenforceable at law, then such provision will be deemed stricken from this Agreement and the remainder of the Agreement will continue in effect and be valid and enforceable to the fullest extent permitted by law.

7. Governing Law.

(a) This Agreement shall be deemed executed in the State of Florida and is to be governed by and construed under Florida law, without regard to its choice of law provisions.

8. Entire Agreement.

(a) This Agreement is the entire agreement between Holder and OBITX and may not be modified or amended except by a written instrument signed by each of Holder and OBITX. Holder and OBITX have read this Agreement, understand it, and agree to be bound by its terms and conditions.

(b) There are no understandings with respect to the subject matter hereof, express or implied, that are not stated herein. This Agreement may be executed in counterparts, and signatures exchanged by facsimile or other electronic means are effective for all purposes hereunder to the same extent as original signatures.

IN WITNESS WHEREOF, each of the parties hereto has executed and delivered this Agreement or caused this Agreement to be executed and delivered by its duly authorized representative, all as of the day and year first written above.

OBITX, Inc.

Michael Hawkins
CEO/CFO

APO HOLDINGS, LLC

Michael Pollastro
Managing Member

NOTICE OF CONVERSION

The undersigned holder of debt of \$97,404.16 hereby surrenders this Notice for Conversion of the \$97,404.16 in debt into 38,962 shares of the Common Stock of OBITX, Inc. and requests that the certificate, and/or book entry receipt, for such shares be issued in the name of, and be delivered to:

APO HOLDINGS, LLC

Dated: December 5, 2020

APO HOLDINGS, LLC “Holder”

Michael Pollastro
Managing Member

**Certification of CEO pursuant to 18 U.S.C. Section 1350
as adopted pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002.**

I, Eric Jaffe, certify that:

1. I have reviewed this annual report on Form 10-K of OBITX, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Issuer's internal control over financial reporting that occurred during the Registrant's fiscal year ending January 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting.
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditor and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 17, 2021

/s/ Eric Jaffe

Eric Jaffe,
Chief Executive Officer
(Principal Executive Officer)

**Certification of CFO pursuant to 18 U.S.C. Section 1350 as
adopted pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002.**

I, Michael Hawkins, certify that:

1. I have reviewed this annual report on Form 10-K of OBITX, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Issuer's internal control over financial reporting that occurred during the Registrant's fiscal year ending January 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting.
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditor and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 17, 2021

/s/ Michael Hawkins
Michael Hawkins,
Chief Financial Officer
(Principal Accounting Officer)

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the annual report of OBITX, Inc. (the "Company") on Form 10-K for the period ending January 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Jaffe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 17, 2021

/s/ Eric Jaffe

Eric Jaffe,
Chief Executive Officer

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the annual report of OBITX, Inc. (the "Company") on Form 10-K for the period ending January 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Hawkins, Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 17, 2021

/s/ Michael Hawkins
Michael Hawkins,
Chief Financial Officer
(Principal Accounting Officer)