

A.R.T. DIGITAL HOLDINGS CORP.
12600 Hill Country Boulevard
Suite R-275
Bee Cave, Texas 78738

January 7, 2023

Scott Davis
Chief Executive Officer
Forced Physics
15475 North Greenway-Hayden Loop, Suite B-12
Scottsdale, Arizona 85620

LETTER OF INTENT

Dear Scott:

This Letter of Intent summarizes certain terms under which our company, A.R.T. Digital Holdings Corp. (Art Digital), and your company, Forced Physics (FP), would collaborate to develop purpose-built Bitcoin mining hardware. These proposed transactions are sometimes referred to herein as the “*Transaction*”.

– NON-BINDING TERMS –

The following “Non-Binding Terms” are not legally binding on either party. They would serve as the non-binding basis for an initial draft of a definitive agreement for the Transaction (the “*Definitive Agreement*”), which would be drafted by us, together with our respective legal counsel. We currently contemplate that the Definitive Agreement would include, among others, the following terms:

Scope of Collaboration

1. **Core Objective**
Development of a two-Megawatt Prototype Containerized Mining System Utilizing Purpose-Built PCB Boards, ASICs, and Force Physics Cooling Technology.
2. **Deliverables**
 - A 2MW, prototype containerized mining system for deployment and testing in Texas using purpose built PCB boards and ASICs, incorporating FP heatsink technology and cooling.
 - Smaller demonstration units designed for trade shows, client engagements, and market awareness campaigns, size to be determined
 - Signed LOI with ePIC Blockchain has been secured to provide manufacturing and system design implementations around the technology.

3. Licensing and Intellectual Property
 - FP will retain all intellectual property rights to the heat sink technology
 - Art Digital will hold exclusive rights to utilize the technology for purpose-built cryptocurrency and proof-of-work mining hardware during the exclusivity period. This exclusivity does not extend to existing retrofit partners explicitly identified by FP.
 - Art Digital may also develop and retain intellectual property related to systems and designs incorporating this technology. This includes, but is not limited to, container designs, form factors, and standardizations.

Exclusivity Agreement

1. Licensing Payment to FP
 - Art Digital to pay FP \$2 million USD for exclusive rights for using this technology within the bitcoin space for new bitcoin miners
2. Exclusivity Period
 - Art Digital will hold exclusive rights for five (5) years, subject to renegotiation upon expiration and agreed upon performance metrics, to be determined
3. Payment Structure
 - Execution of LOI: \$50,000 upon signing letter of intent.
 - Payment 1: \$200,000 upon successful capital raise through a Private Placement Memorandum (PPM) or other vehicle
 - Payment 2: \$250,000 three months after the first payment
 - Payment 3: \$250,000 three months after the second payment
 - Payment 4: Balloon Payment Option, The remaining balance will be payable in cash or stock combination, at FP's discretion, within 30-90 days of successful prototype testing
4. Performance Metrics

For FP:

 - Ensure production remains cost-effective and aligned with the project's economic goals
 - Demonstrate the ability to scale production to meet future demand while maintaining consistent quality and delivery timelines
 - Establish and maintain transparency regarding production capabilities and associated costs

For Art Digital:

 - Secure necessary funding to support prototype development and project milestones
 - Oversee the timely delivery and deployment of prototypes to

ensure testing and operational goals are achieved

- Collaborate with FP to define and update long-term performance metrics as the project progresses
- Fulfill ongoing requirements necessary to maintain exclusivity, with specific terms to define sales quotas in future term sheets

5. Fixed Margin Structure

Force Physics (FP) will be entitled to a 50% markup on heat sink production costs, ensuring a 33% gross margin. To account for scaling efficiencies, a volume discount structure will be established, balancing supplier cost reductions with sustainable profitability for FP. The specific terms, including any applicable floor margins and discount mechanisms, will be finalized in the definitive agreement based on production quotes and order volumes.

Initial Order

1. Prototype Order

- Art Digital will agree to build a 2MW prototype bitcoin mining system that integrates FP's heat sink cooling system that will also provide a showcase for the market to begin selling and scaling the technology
- The initial order will consist of approximately 8,000 heat sinks determined by prototyping and cooling capacity; the final number required will be determined by the system integration company, enabling FP to refine manufacturing processes and scale production capabilities effectively
- Pricing based on fixed margin structure as noted above
- Additional heatsinks for marketing and test units TBD

Performance Metrics and Definitive Agreement

1. Prototype Validation

- Performance metrics, including thermal efficiency and operational reliability, will be measured during a minimum 30-day testing period of the 2MW prototype
- Details regarding ongoing exclusivity and performance guarantees will be included in a definitive agreement following prototype deployment and manufacturer selection

2. Carve-Outs for Existing Partners

Exclusivity will not restrict FP's existing relationships with retrofit partners, to be named and appended to the final agreement

Roles and Responsibilities

1. For Art Digital

Responsible for raising capital to fund the prototype development, production of mining systems, and shared marketing. This includes managing the

ASIC manufacturer relationship and ensuring successful deployment of prototypes

2. For FP

FP will produce and supply heat sinks, provide engineering support for integration, and assist in developing thermal extraction systems, specifically mining container integration.

3. For ASIC Manufacturer (ePic Blockchain)

Art Digital will engage with a system integrator focused on proof of work applications to design and produce mining units compatible with the FP heat sink technology

Strategic Advantages

We believe our collaboration will deliver the following strategic advantages:

1. Market Leadership

This collaboration positions Art Digital as a leader in innovative Bitcoin mining technology, leveraging its public profile to accelerate adoption and raise capital

2. Scalable Solutions

The integration of FP's technology enables a scalable, cost-effective solution for thermal challenges plaguing the Bitcoin mining industry

3. Mutual Benefit

- A reliable market partner in ArtDigital with the resources to raise capital and expand market adoption
- Increased visibility and credibility in the market through collaboration with a publicly traded company, opening opportunities for broader industry recognition and future partnerships
- The ability to prove its technology at scale, which could lead to future applications beyond Bitcoin mining

Other Matters

1. We would attempt to negotiate, execute and close the Definitive Agreement by April 30, 2025.

2. The Definitive Agreement would contain other terms and conditions that would be customary for transactions of this type, including customary representations, warranties, covenants and indemnities.

– BINDING TERMS –

The following “Binding Terms” are the legally binding and enforceable agreements of Art Digital and FP.

A. Exclusivity/Non-Solicitation Period. In consideration of \$50,000 (the “**Exclusivity Payment**”) to be paid (by wire transfer in accordance with FP’s directions) by Art Digital immediately upon FP’s execution of this Letter of Intent, throughout the period that begins on the date of acceptance of this Letter of Intent by FP and ends on the date that is 120 days from the date of FP’s execution of this Letter of Intent (the “**Exclusivity Period**”), FP will not, directly or indirectly, solicit, initiate, seek or encourage any inquiry, proposal or offer from, furnish any information to, or participate in any discussions or negotiations with, any person regarding the subject matter of the Transaction.

B. Confidentiality. The terms and existence of this Letter of Intent, and the content and existence of discussions regarding the Transaction, are confidential information and shall be subject to the existing non-disclosure agreement between our companies.

C. Expenses. Except to the extent expressly stated otherwise in the Definitive Agreement, each of Art Digital and FP will be responsible for and bear all of its respective costs and expenses incurred at any time in connection with pursuing or consummating the Transaction.

D. No Other Obligations or Claims. Nothing herein obligates either party to enter into or continue any discussions or negotiations with, solicit or accept any proposal from or enter into any definitive agreement with, the other party. Except for the Binding Terms, unless and until a final definitive agreement between the parties regarding a transaction has been executed and delivered (or except as expressly provided in any binding written agreement that either of the parties may enter into in the future), (1) neither party will be under any legal obligation of any kind regarding such a transaction by virtue of this Letter of Intent and (2) no past or future action, course of conduct or failure to act regarding a transaction, or relating to the negotiation of the terms of a transaction or the Definitive Agreement, will give rise to or serve as a basis for any obligation or other liability on the part of either party.

E. Waiver and Amendment. No failure or delay by either party in exercising any right, power or privilege under this Letter of Intent will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege hereunder. No term in this Letter of Intent can be waived or amended except in a writing signed by each party.

F. Entire Agreement. Other than existing confidentiality rights and obligations in any written agreement between the parties, this Letter of Intent contains the entire agreement between the parties regarding the subject matter hereof and supersedes all prior agreements or understandings between the parties with respect thereto.

G. Counterparts. This Letter of Intent may be executed in counterparts, each of which will be deemed an original, and all of which will constitute the same agreement.

If FP is in agreement, please sign below and return a fully executed copy of this Letter of Intent to Art Digital, at which time Art Digital shall initiate the Exclusivity Payment.

Very truly yours,

Sincerely,

A handwritten signature in black ink that reads "Brian Snyder". The signature is written in a cursive, flowing style.

Brian Snyder
Chief Strategy and Innovation Officer

AGREED AND ACCEPTED:

FORCED PHYSICS

By: A handwritten signature in black ink that reads "Scott Davis". The signature is written in a cursive, flowing style.

Scott Davis
Chief Executive Officer

Dated: January 9, 2025