

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

FORM 10-K/A
(Amendment No.1)

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

For the fiscal year ended December 31, 2018

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-33675

RIOT BLOCKCHAIN, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of Incorporation or organization)

84-1553387

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

202 6th Street, Suite 401, Castle Rock, CO

(Address of principal executive offices)

80104

(Zip Code)

Registrant's telephone number, including area code **(303) 794-2000**

Securities registered under Section 12(b) of the Exchange Act:

Common Stock no par value per share

(Title of class)

The NASDAQ Stock Market LLC

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Exchange Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

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

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

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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

The aggregate market value of the common stock, no par value, held by non-affiliates of the registrant, based on the closing sale price of registrant's common stock as quoted on the Nasdaq Stock Market LLC on June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$85.0 million. Accordingly, the registrant qualifies under the SEC's revised rules as a "smaller reporting company."

As of April 23, 2019, the registrant had 14,762,809 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

**RIOT BLOCKCHAIN, INC.
ANNUAL REPORT ON FORM 10-K/A**

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 of Riot Blockchain, Inc., originally filed on April 2, 2019 (the “Original Filing”). We are filing this Amendment to amend “Part I, Item 1A. Risk Factors” to add an additional risk factor regarding the potential effect of the forum selection clause contained in the Company’s bylaws on potential claims made against the Company by its stockholders, as well as to include the information required by Part III of Form 10-K that was not included in the Original Filing. Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date filed.

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RIOT BLOCKCHAIN, INC.

As used in this Amendment to our Annual Report on Form 10-K/A, the terms “we”, “us”, “our”, the “Company”, “Riot Blockchain, Inc.” and “Riot” mean Riot Blockchain, Inc. and its consolidated subsidiaries, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This Amendment and our and other written and oral statements made from time to time by us may contain so-called “forward-looking statements,” all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as “expects,” “anticipates,” “plans,” “will,” “should,” “could,” “forecasts,” “projects,” “intends,” “estimates,” and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors” and the risks set out below, as well as any risk factors we may disclose in future filings from time to time, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- The uncertainty of profitability;
- High volatility in the value attributable to our business model and assets;
- Rapid change in the regulatory and legal environment in which we operate with many unknown future challenges to operating our business in a lawful manner or which will require our business or the businesses in which we invest to be subjected to added costs and/or uncertainty regarding the ability to operate;
- Risks related to failure to obtain adequate financing on a timely basis and on acceptable terms;
- Other risks and uncertainties related to our business plan and business strategy; and
- Ability to continue as a going concern.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as may be required under applicable law. We cannot guarantee future results, levels of activity, performance or achievements.

INDUSTRY AND MARKET DATA

Information regarding market and industry statistics contained in this Amendment to our Annual Report on Form 10-K, as amended, has been obtained from industry and other publications that we believe to be reliable, but that are not produced for purposes of securities filings. We have not independently verified any market, industry or similar data presented in this Annual Report and cannot assure you of its accuracy or completeness. Further, we have not reviewed or included data from all sources. Forecasts and other forward-looking information obtained from third-party sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. As a result, investors should not place undue reliance on any such forecasts and other forward-looking information.

PART I

ITEM 1A. — RISK FACTORS

An investment in the Company's common stock involves a high degree of risk, and an investor should only purchase the Company's securities if he or she can afford to suffer the loss of his or her entire investment. In determining whether to purchase the Company's common stock, an investor should carefully consider all of the material risks described below, together with the other information contained in this report and the Company's other public filings before making a decision to purchase the Company's securities. In addition to the risks discussed below, other risks not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition and results of operations, perhaps materially. The risks discussed below also include forward-looking statements, and actual results and events may differ substantially from those discussed or highlighted in those forward-looking statements. See also the Section entitled "Forward-Looking Statements" herein.

General Risks

We have a history of operating losses, and we may not be able to achieve or sustain profitability; we have recently shifted to an entirely new business and may not be successful in this new 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 animal health and life science-oriented businesses and were not successful in those businesses. In late 2017, we determined to instead pursue a blockchain and digital currency-related business, initially through investments in existing companies. Our initial efforts in this new business will continue to focus primarily on digital currency mining and a potential digital currency exchange and a futures brokerage operation. Currently, however, our primary operations are at our digital currency mining facility in Oklahoma City, Oklahoma. Our current strategy is new and unproven, is in an industry that is itself new and evolving, and is subject to the risks discussed below. 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 expect to continue to incur losses from operations and negative cash flows, which raise substantial doubt about the Company's ability to continue as a going concern.

We have experienced recurring losses and negative cash flows from operations. As of December 31, 2018, we had approximate balances of cash and cash equivalents of \$225,000, a working capital deficit of \$4,348,000, total stockholders' equity of \$4,491,000 and an accumulated deficit of \$197,199,000. To date, we have, in large part, relied on equity financing to fund our operations.

Our primary focus is on our digital currency mining operation located in Oklahoma City, Oklahoma, along with our investigation of the launch of RiotX as a digital currency exchange in the United States. That operational focus and our acquisitions of Kairos and Tess, and our investment in goNumerical Ltd., (d/b/a "Coinsquare"), and our new name, reflects a strategic decision by us to operate in the blockchain and digital currency related business sector. 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 and potential future acquisitions, development of the RiotX exchange platform, as well as public company, legal and administrative related expenses. As disclosed in Note 17 to our Consolidated Financial Statements contained herein, subsequent to December 31, 2018, we issued a series of Senior Secured Convertible Promissory Notes totaling \$3,358,333, to three investors. These notes and an equivalent number of warrants were issued for a net investment amount of \$3,000,000. Proceeds from these notes are being used for near-term working capital and general corporate purposes. We are closely monitoring our cash balances, cash needs and expense levels.

We believe that in order for us to meet our obligations arising from normal business operations for the next twelve months, we require additional capital either in the form of equity or debt. Without additional capital, our ability to continue to operate will be limited. If we are unable to obtain adequate capital in the near-term, we could be forced to reduce or cease our operations. We are currently pursuing capital transactions in the form of debt and equity, however, we cannot provide any assurances that we will be successful in our plans. The consolidated financial statements herein disclosed do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should we not be able to continue as a going concern. In the opinion of management, these factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

Our mining operating costs outpace our mining revenues, which could seriously harm our business or increase our losses.

Our mining operations are costly, and we expect our expenses may increase in the future. This expense increase may not be offset by a corresponding increase in revenue. Our expenses may be greater than we anticipate, and our investments to make our business more efficient may not succeed and may outpace monetization efforts. Increases in our costs without a corresponding increase in our revenue would increase our losses and could seriously harm our business and financial performance.

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, or if digital currency prices decline, and 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 be not in the interests of our stockholders.

We have an evolving business model.

As digital currency 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 product mix and service offerings. 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 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.

We may acquire other businesses, form joint ventures or make investments in other companies or technologies 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 commenced the implementation of our new strategy with our investment in Coinsquare and have made several additional investments and acquisitions in the blockchain sector. Most recently, we acquired Logical Brokerage Corp. to serve as a platform for our planned digital currency exchange. We may pursue, and our growth may depend upon our success in making, other investments in companies and acquisitions of businesses and assets and/or strategic alliances and joint ventures. We have limited experience in acquiring other companies and forming strategic partnerships. 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 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 prove fruitless.

To finance any acquisitions or joint ventures, we may choose to issue shares of common stock as consideration, which would dilute the ownership of our existing 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 digital currency 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 and with creating a U.S. based digital currency exchange. Competition from existing and future competitors, particularly Overstock.com and the many Canadian companies that have access to cheap 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.

The properties included in our mining network may experience damages, including damages that are not covered by insurance.

Our current operational mine in Oklahoma City, Oklahoma is, and any future mines we establish will be, subject to a variety of risks relating to physical condition and operation, including:

- the presence of construction or repair defects or other structural or building damage;
- any noncompliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms; and
- claims by employees and others for injuries sustained at our properties.

For example, a mine could be rendered inoperational, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the mine. The security and other measures we take to protect against these risks may not be sufficient. Additionally, our mines could be materially adversely affected by a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity. Given the power requirement, it would not be feasible to run miners on back-up power generators in the event of a power outage. Our insurance covers the replacement cost of any lost or damaged miners, but does not cover any interruption of our mining activities; our insurance therefore may not be adequate to cover the losses we suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mines in our network, such mines may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be derived from such mines. The potential impact on our business is currently magnified because we are only operating a single mine.

Our mines are also subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety, including laws and regulations governing and creating liability relating to the management, storage and disposal of hazardous substances and other regulated materials and the cleanup of contaminated sites. Our mines are also subject to various environmental laws and regulations that govern certain aspects of their ongoing operations. These laws and regulations control such things as the nature and volume of wastewater discharges, quality of water supply and waste management practices. We presently comply with all environmental laws and regulations, but shifting policies could require us to expand additional compliance cost, which could have an adverse effect on our business.

Our chief executive officer is new; loss of key members of management, 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 senior management team. Our chief executive officer was appointed in February 2019, and we need to continue to grow our senior management team. If our senior management team, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Furthermore, any future changes in our senior management team may be disruptive to our business.

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

We, and some of our current officers, have been named as parties to various lawsuits arising out of, or related to, allegedly false and misleading statements made in prior securities filings, and those lawsuits could adversely affect us, require significant management time and attention, result in significant legal expenses or damages, and cause our business, financial condition, results of operations and cash flows to suffer.

A number of securities class action complaints and a stockholder derivative action have been filed against us and certain of our current officers and directors, as described more fully in Item 3, Legal Proceedings. Stockholders have filed three class action complaints against us in three states, accusing us of violations of the federal securities laws based on purported material misrepresentations or omissions allegedly made by the Company. Each class action complaint seeks unspecified money damages and other relief on behalf of a putative class of persons who purchased or otherwise acquired our common stock between November 13, 2017 and February 15, 2018. The stockholder derivative case alleges similar disclosure violations and seeks unspecified monetary damages and corporate governance reforms. If these matters cannot be resolved expeditiously, management's attention may be diverted to this matter and there can be no assurance that the litigation would be settled. If the current litigation proceeds or if additional claims are filed, the legal and other costs associated with the defense of these actions and their ultimate outcomes could have a material adverse effect on our business, financial condition and results of operations. While we expect insurance to cover many of the costs associated with defending such litigation, insurance coverage may be insufficient and could require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable.

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 NASDAQ 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 December 31, 2018. 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. Based on our assessment, as of December 31, 2018, we concluded that our internal control over financial reporting contained material weaknesses. To remediate these 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. The weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of our next fiscal year on December 31, 2019.

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.

We will not be able to successfully execute our business strategy if we are deemed to be an investment company under the Investment Company Act of 1940.

U.S. companies that have more than 100 stockholders or are publicly traded in the U.S. and are, or hold themselves out as being, engaged primarily in the business of investing, reinvesting or trading in securities are subject to regulation under the Investment Company Act of 1940 (the "Investment Company Act"). Unless a substantial part of our assets consists of, and a substantial part of our income is derived from, interests in majority-owned subsidiaries and companies that we primarily control, we may be required to register and become subject to regulation under the Investment Company Act. If bitcoin and other digital currencies were to be deemed securities for purposes of the Investment Company Act, we would have difficulty avoiding classification and regulation as an investment company.

If we were deemed to be, and were required to register as, an investment company, we would be forced to comply with substantive requirements under the Investment Company Act, including limitations on our ability to borrow money and limitations on our capital structure; restrictions on acquisitions of interests in associated companies, prohibitions on transactions with affiliates, restrictions on specific investments, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations affecting investment companies. If we were forced to comply with the rules and regulations of the Investment Company Act, our operations would significantly change, and we would be prevented from successfully executing our business strategy. To avoid regulation under the Investment Company Act and related SEC rules, we could need to divest ourselves of bitcoin and other assets which we would otherwise want to retain and we could be unable to sell assets which we would otherwise want to sell. In addition, we could be forced to acquire additional, or retain existing, income-generating or loss-generating assets which we would not otherwise have acquired or retained and could need to forgo opportunities to acquire bitcoin and other assets that would benefit our business. If we were forced to sell, buy or retain assets in this manner, we could be prevented from successfully executing our business strategy. Accordingly, if bitcoin and other digital currencies are determined to be securities and we, therefore, become subject to investment company requirements, we could experience material adverse effects on our business.

We may be classified as an inadvertent investment company.

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 and our mining activities, 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 digital currency we own, acquire or mine may be deemed an investment security by the SEC, although we do not believe any of the digital currencies we own, acquire or mine 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 December 31, 2018, 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 digital currency 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 digital currency on hand or liquidating our investment securities or digital currency 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.

The Company has received a subpoena from the SEC.

On April 9, 2018, the Company received a subpoena from the SEC requesting certain information from the Company. The Company has fully cooperated with the SEC request. The Company has notified its insurance carrier and is in a dispute regarding potential coverage, although there can be no assurance that the costs of compliance with the subpoena or any related matters will be eligible for insurance coverage. Nevertheless, responses to the subpoena have and may continue to entail cost and management's attention. The existence of an investigation of the Company could have a materially adverse effect on the Company, its business or operations.

Our chief executive officer and our management team has limited experience.

Our management team suffers from limited experience in blockchain, digital currency assets and digital currency. Inasmuch as the industry is in its infancy and few people would be able to describe themselves as having extensive experience when it comes to digital currency, the Company nevertheless believes blockchain, digital currency assets and digital currency are an emerging asset class and its management and key employees, and contractors allow it to remain competitive in the market. Should these skills not be compatible with the needs of our business, and we cannot hire qualified personnel or management, the results could have a material adverse effect on our business and operations.

Digital Currency-Related Risks

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

As digital currencies have grown in both popularity and market size, governments around the world have reacted differently to digital currencies; 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.

Our change in our business strategy has subjected us to increased SEC scrutiny, which scrutiny may continue in the future.

We were previously focused in life science-oriented businesses (as a diagnostics company and then a research tools company), under the name Bioptix. In late 2017, we determined to abandon this business and instead pursue a blockchain and digital currency related business. The SEC has announced that it is scrutinizing public companies that change their name or business model in a bid to capitalize upon the hype surrounding blockchain technology, and has suspended trading of certain of such companies. Continued regulatory scrutiny over the Company's business 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 digital currencies is subject to a variety of factors that are difficult to evaluate.

The use of digital currencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs digital currency assets based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of digital currencies as a means of payment has not, and may never, occur. The growth of this industry in general, and the use of digital currencies 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 digital currencies as a medium to exchange;
- governmental and quasi-governmental regulation of digital currencies and their use, or restrictions on or regulation of access to and operation of the network or similar digital currency 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 availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting digital currencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of bitcoin specifically and digital currencies 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 digital currencies we mine or otherwise 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 provide digital currency-related services or that accept digital currencies as payment, including financial institutions of investors in our securities.

A number of companies that provide bitcoin and/or other digital currency-related services 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 digital currencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to digital currencies has been particularly harsh. 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 digital currency-related services have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of digital currencies as a payment system and harming public perception of digital currencies, and could decrease their usefulness and harm their public perception in the future.

The usefulness of digital currencies as a payment system and the public perception of digital currencies could be damaged if banks or financial institutions were to close the accounts of businesses providing bitcoin and/or other digital currency-related services. 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 digital currencies 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 digital currencies.

A disruption of the Internet may affect the use of digital currencies and subsequently the value of our securities. Generally, digital currencies 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 digital currencies.

The impact of geopolitical events on the supply and demand for digital currencies is uncertain.

Geopolitical crises may motivate large-scale purchases of bitcoin and other digital currencies, which could increase the price of bitcoin and other digital currencies 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.

As an alternative to fiat currencies that are backed by central governments, digital currencies, 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 digital currencies 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 digital currencies we mine or otherwise acquire or hold for our own account.

Acceptance and/or widespread use of digital currency is uncertain.

Currently, there is a relatively limited use of any digital currency 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 digital currency transactions, process wire transfers to or from digital currency exchanges, digital currency-related companies or service providers, or maintain accounts for persons or entities transacting in digital currency. Conversely, a significant portion of digital currency 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 digital currency'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 digital currency as a medium of exchange and payment method may always be low.

The relative lack of acceptance of digital currencies 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 digital currencies we mine or otherwise 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 digital currency 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.

We face risks from the lack of clarity in the corporate governance of many digital currency systems .

Lack of clarity in the corporate governance of many digital currency systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many digital currency 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 digital currency systems leads to ineffective decision making that slows development and growth of such digital currencies,, 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 digital currencies, participate in blockchains or utilize similar digital currency assets in one or more countries, the ruling of which would adversely affect us.

Although currently digital currencies 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 digital currency assets or to exchange for fiat currency. Such restrictions may adversely affect us as the large-scale use of digital currencies 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 digital currencies we mine or otherwise acquire or hold for our own account, and harm investors.

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

Digital assets 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 more lax a distributed ledger platform is about vetting issuers of digital currency assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of digital currency assets. These factors may decrease liquidity or volume, or increase volatility of digital 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 digital currencies we mine or otherwise 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 digital currencies.

We compete with other users and/or companies that are mining digital currencies and other potential financial vehicles, including securities backed by or linked to digital currencies 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 digital currencies 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 digital currencies we mine or otherwise 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 digital currencies we mine or otherwise acquire or hold for our own account, and harm investors.

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

There is a risk that some or all of our digital currencies could be lost or stolen. Digital currencies are stored in digital currency sites commonly referred to as "wallets" by holders of digital currencies which may be accessed to exchange a holder's digital currency assets. Access to our digital currency assets. Access to our digital currency 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 digital currency 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 digital currency wallet that is not connected to the Internet. Cold storage is generally more secure, but is not ideal for quick or regular transactions. We hold the majority of our digital currencies in cold storage to reduce the risk of malfeasance, but this risk cannot be eliminated.

Hackers or malicious actors may launch attacks to steal, compromise or secure digital currencies, such as by attacking the digital currency 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 digital currency. 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 digital currency 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.

Digital currencies 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 digital currency 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 or our client's digital currencies 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 digital currencies we mine or otherwise 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 digital currency 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 digital currency 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 digital currency assets are compromised by cybercriminals, we may not have adequate recourse to recover our losses stemming from such compromise and we may lose much of the accumulated value of our digital currency mining activities. This would have a negative impact on our business and operations.

Incorrect or fraudulent digital currency transactions may be irreversible.

Digital currency transactions are irrevocable and stolen or incorrectly transferred digital currencies may be irretrievable. As a result, any incorrectly executed or fraudulent digital currency transactions could adversely affect our investments and assets.

Digital currency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the digital currencies from the transaction. In theory, digital currency 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 effect this reversal. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a digital currency 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 digital currency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Further, 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 digital currency. 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 digital currencies we mine or otherwise 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 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 digital currency 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.

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

Digital currencies 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 digital currencies is essential to the widespread acceptance of digital currencies as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many digital currency networks face significant scaling challenges. For example, digital currencies are limited with respect to how many transactions can occur per second. Participants in the digital currency 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 digital currency 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 digital currencies may be affected by the sale of such digital currencies by other vehicles investing in digital currencies or tracking digital currency markets.

The global market for digital currency 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 digital currencies 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 digital currencies or tracking digital currency markets form and come to represent a significant proportion of the demand for digital currencies, large redemptions of the securities of those vehicles and the subsequent sale of digital currencies by such vehicles could negatively affect digital currency prices and therefore affect the value of the digital currency 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 digital currencies we mine or otherwise acquire or hold for our own account.

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

Because there has been limited precedent set for the financial accounting of digital currencies 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 digital currency 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 digital currency 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 digital currencies we hold or expects to acquire for our own account and harm investors.

Digital Currency Mining-Related Risks

There are risks related to technological obsolescence and difficulty in obtaining new hardware.

Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining digital currencies are lower than the price of a bitcoin. As our mining facility operates, our miners experience ordinary wear and tear, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. The degradation of our miners will require us to, over time, replace those miners which are no longer functional. Additionally, as the technology evolves, we may be required to acquire newer models of miners to remain competitive in the market. Reports have been released which indicate that Bitmain adjusts the prices of its miners according to bitcoin prices, so the cost of new machines is unpredictable but could be extremely high. Further, given supply limitations and competition from other industry participants, those miners can be difficult to obtain from Bitmain directly on a timely basis. As a result, at times, we may obtain Bitmain miners and other hardware from third parties at premium prices, to the extent they are available. For example, in November 2017, in order to facilitate the launch of our mining operations without the potential delay associated with acquiring miners directly from Bitmain, we purchased Bitmain miners at substantially above Bitmain's list prices. Additionally, to keep pace with technological advances and competition from other mining companies, we will need to replace or update our miners and other equipment from time to time to stay competitive. This process will require substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis. Also, because our miners are expected to require replacement in a relatively short amount of time, we expect to depreciate them over only a two-year period for financial reporting purposes, adversely affecting our reported operating results. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy, which could have a material adverse effect on our business and the value of our common stock.

Our reliance primarily on a single model of miner may subject our operations to increased risk of mine failure.

The performance and reliability of our miners and our technology is critical to our reputation and our operations. Because we currently only use Bitmain miners, if there are issues with those machines, our entire system could be affected. Any system error or failure may significantly delay response times or even cause our system to fail. Any disruption in our ability to continue mining could result in lower yields and harm our reputation and business. Any exploitable weakness, flaw, or error common to Bitmain miners affects all our miners, if a defect other flaw is exploited, our entire mine could go offline simultaneously. Any interruption, delay or system failure could result in financial losses, a decrease in the trading price of our common stock and damage to our reputation.

The Company's reliance on a third-party mining pool service provider for our mining revenue payouts may have a negative impact on the Company operations.

We use third-party mining pools to receive our mining rewards from the network. Bitcoin mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network. The rewards are distributed by the pool operator, proportionally to our contribution to the pool's overall mining power, used to generate each block. Should the pool operator's system suffer downtime due to a cyber-attack, software malfunction or other similar issues, it will negatively impact our ability to mine and receive revenue. Furthermore, we are reliant on the accuracy of the mining pool operator's record keeping to accurately record the total processing power provided to the pool for a given bitcoin mining application in order to assess the proportion of that total processing power we provided. While we have internal methods of tracking both our power provided and the total used by the pool, the mining pool operator uses its own record-keeping to determine our proportion of a given reward. We have little means of recourse against the mining pool operator if we determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for our efforts, which would have an adverse effect on our business and operations.

The primary digital currencies for which we mine, bitcoin and litecoin, are subject to halving; the digital currency reward for successfully uncovering a block will halve several times in the future and their value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.

Halving is a process designed to control the overall supply and reduce the risk of inflation in cryptocurrencies using a Proof-of-Work consensus algorithm. At a predetermined block, the mining reward is cut in half, hence the term "halving." For bitcoin, the reward was initially set at 50 bitcoin currency rewards per block and this was cut in half to 25 in November 28, 2012 at block 210,000 and again to 12.5 on July 9, 2016 at block 420,000. The next halving for bitcoin is expected in May 2020 at block 630,000 when the reward will reduce to 6.25. This process will reoccur until the total amount of bitcoin currency rewards issued reaches 21 million, which is expected around 2140. Similarly, litecoin first halved on August 25, 2015 at block 840,000 from 50 to 25. It is expected to halve a second time in August 2019 at block 1,680,000 to 12.5. While bitcoin and litecoin prices have had a history of price fluctuations around the halving of their respective digital currency rewards, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of these digital currencies does not follow these anticipated halving events, the revenue we earn from our mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

Our future success will depend in large part upon the value of bitcoin; the value of bitcoin and other digital currencies may be subject to pricing risk and has historically been subject to wide swings.

Our operating results will depend in large part upon the value of bitcoin because it's the primary digital currency we currently mine. Specifically, our revenues from our bitcoin mining operations are based upon two factors: (1) the number of bitcoin rewards we successfully mine and (2) the value of bitcoin. In addition, our operating results are directly impacted by changes in the value of bitcoin, because under the value measurement model, both realized and unrealized changes will be reflected in our statement of operations (i.e., we will be marking bitcoin to fair value each quarter). This means that our operating results will be subject to swings based upon increases or decreases in the value of bitcoin. Furthermore, our new strategy initially focuses almost entirely on bitcoin (as opposed to other digital currencies). Further, our current application-specific integrated circuit ("ASIC") machines (which we refer to as "miners") are principally utilized for mining bitcoin and bitcoin cash and cannot mine other digital currencies, such as ether, that are not mined utilizing the "SHA-256 algorithm." If other digital currencies were to achieve acceptance at the expense of bitcoin or bitcoin cash causing the value of bitcoin or bitcoin cash to decline, or if bitcoin were to switch its proof of work algorithm from SHA-256 to another algorithm for which our miners are not specialized, or the value of bitcoin or bitcoin cash were to decline for other reasons, particularly if such decline were significant or over an extended period of time, our operating results would be adversely affected, and there could be 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.

Bitcoin and other digital currency market prices, which have historically been volatile and are impacted by a variety of factors (including those discussed below), are determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of digital currencies, or our share price, inflating and making their market prices more volatile or creating “bubble” type risks for both bitcoin and shares of our common stock.

We may not be able to realize the benefits of forks.

To the extent that a significant majority of users and miners on a digital currency network install software that changes the digital currency network or properties of a digital currency, including the irreversibility of transactions and limitations on the mining of new digital currency, the digital currency network would be subject to new protocols and software. However, if less than a significant majority of users and miners on the digital currency network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the digital currency running in parallel, yet lacking interchangeability and necessitating exchange-type transaction to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a digital currency, blockchains with the greatest amount of hashing power contributed by miners or validators; or blockchains with the longest chain. A fork in the network of a particular digital currency could adversely affect an investment in our securities or our ability to operate.

We may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect an investment in our securities. If we hold a digital currency at the time of a hard fork into two digital currencies, industry standards would dictate that we would be expected to hold an equivalent amount of the old and new assets following the fork. However, we may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, we may determine that there is no safe or practical way to custody the new asset, that trying to do so may pose an unacceptable risk to our holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new digital currency exceed the benefits of owning the new digital currency. Additionally, laws, regulation or other factors may prevent us from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset.

There is a possibility of digital currency mining algorithms transitioning to proof of stake validation and other mining-related risks, which could make us less competitive and ultimately adversely affect our business and the value of our stock.

Proof of stake is an alternative method in validating digital currency transactions. Should the algorithm shift from a proof of work validation method to a proof of stake method, mining would require less energy and may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. We, as a result of our efforts to optimize and improve the efficiency of our digital currency mining operations, may be exposed to the risk in the future of losing the benefit of our capital investments and the competitive advantage we hope to gain from this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. This may additionally have an impact on other various investments of ours, including how it may potentially affect transactional volume on Coinsquare or affect our strategy for investigating the launch of a digital currency exchange in the United States. 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 digital currencies we mine or otherwise acquire or hold for our own account.

To the extent that the profit margins of bitcoin mining operations are not high, operators of bitcoin mining operations are more likely to immediately sell bitcoin rewards earned by mining in the market, thereby constraining growth of the price of bitcoin that could adversely impact us, and similar actions could affect other digital currencies.

Over the past two years, bitcoin mining operations have evolved from individual users mining with computer processors, graphics processing units and first-generation ASIC servers. Currently, new processing power is predominantly added by incorporated and unincorporated “professionalized” mining operations. Professionalized mining operations may use proprietary hardware or sophisticated ASIC machines acquired from ASIC manufacturers. They require the investment of significant capital for the acquisition of this hardware, the leasing of operating space (often in data centers or warehousing facilities), incurring of electricity costs and the employment of technicians to operate the mining farms. As a result, professionalized mining operations are of a greater scale than prior miners and have more defined and regular expenses and liabilities. These regular expenses and liabilities require professionalized mining operations to maintain high profit margins on the sale of bitcoin. To the extent the price of bitcoin declines and such profit margin is constrained, professionalized miners are incentivized to more immediately sell bitcoin earned from mining operations, whereas it is believed that individual miners in past years were more likely to hold newly mined bitcoin for more extended periods. The immediate selling of newly mined bitcoin greatly increases the trading volume of bitcoin, creating downward pressure on the market price of bitcoin rewards.

The extent to which the value of bitcoin mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined bitcoin rapidly if it is operating at a low profit margin and it may partially or completely cease operations if its profit margin is negative. In a low profit margin environment, a higher percentage could be sold more rapidly, thereby potentially depressing bitcoin prices. Lower bitcoin prices could result in further tightening of profit margins for professionalized mining operations creating a network effect that may further reduce the price of bitcoin until mining operations with higher operating costs become unprofitable forcing them to reduce mining power or cease mining operations temporarily.

The foregoing risks associated with bitcoin could be equally applicable to other digital currencies, whether existing now or introduced in the future. 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 bitcoin and any other digital currencies we mine or otherwise acquire or hold for our own account, and harm investors.

If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital currency network, such actor or botnet could manipulate blockchains to adversely affect us, which would adversely affect an investment in us or our ability to operate.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining a digital currency, it may be able to alter blockchains on which transactions of digital currency reside and rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new units or transactions using such control. The malicious actor could “double-spend” its own digital currency (i.e., spend the same bitcoin in more than one transaction) and prevent the confirmation of other users' transactions for as long as it maintained control. To the extent that such malicious actor or botnet does not yield its control of the processing power on the network or the digital currency community does not reject the fraudulent blocks as malicious, reversing any changes made to blockchains may not be possible. The foregoing description is not the only means by which the entirety of blockchains or digital currencies may be compromised, but is only an example.

Although there are no known reports of malicious activity or control of blockchains achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold in bitcoin. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of bitcoin transactions. To the extent that the bitcoin ecosystem, and the administrators of mining pools, do not act to ensure greater decentralization of bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power will increase because the botnet or malicious actor could compromise more than 50% mining pool and thereby gain control of blockchain, whereas if the blockchain remains decentralized it is inherently more difficult for the botnet of malicious actor to aggregate enough processing power to gain control of the blockchain, may adversely affect an investment in our common stock. Such lack of controls and responses to 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 digital currencies we mine or otherwise acquire or hold for our own account, and harm investors.

Digital currencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.

As with any computer code generally, flaws in digital currency codes may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitations of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite our efforts and processes to prevent breaches, our devices, as well as our miners, computer systems and those of third parties that we use in our operations, are vulnerable to cyber security risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our miners and computer systems or those of third parties that we use in our operations. 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 digital currencies we mine or otherwise acquire or hold for our own account.

We are subject to risks associated with our need for significant electrical power. Government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations, such as ours.

The operation of a bitcoin or other digital currency mine can require massive amounts of electrical power. Further, our mining operations can only be successful and ultimately profitable if the costs, including electrical power costs, associated with mining a bitcoin are lower than the price of a bitcoin. As a result, any mine we establish can only be successful if we can obtain sufficient electrical power for that mine on a cost-effective basis, and our establishment of new mines requires us to find locations where that is the case. There may be significant competition for suitable mine locations, and government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations in times of electricity shortage, or may otherwise potentially restrict or prohibit the provision of electricity to mining operations. For example, the board of commissioners of Chelan County Public Utility District in Washington voted to stop reviewing applications for mining facilities following a review of the impact of existing operations. Additionally, our mines could be materially adversely affected by a power outage. Given the power requirement, it would not be feasible to run miners on back-up power generators in the event of a government restriction on electricity or a power outage. If we are unable to receive adequate power supply and are forced to reduce our operations due to the availability or cost of electrical power, our business would experience materially negative impacts.

If the award of digital currency rewards, for us primarily bitcoin for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease mining operations, which will likely lead to our failure to achieve profitability.

As the number of digital currency rewards awarded for solving a block in a blockchain decreases, our ability to achieve profitability worsens. Decreased use and demand for bitcoin rewards may adversely affect our incentive to expend processing power to solve blocks. If the award of bitcoin rewards for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease our mining operations. For instance, the current fixed reward for solving a new block on the bitcoin blockchain is twelve and a half bitcoin currency rewards per block, which decreased from 25 bitcoin in July 2016. It is estimated that it will halve again in about one year. This reduction may result in a reduction in the aggregate hash rate of the bitcoin network as the incentive for miners decreases. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to a blockchain until the next scheduled adjustment in difficulty for block solutions) and make digital currency networks more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on a blockchain, potentially permitting such actor or botnet to manipulate a blockchain in a manner that adversely affects our activities. A reduction in confidence in the confirmation process or processing power of the network could result and be irreversible. Such events could have a material adverse effect on our ability to continue 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 digital currencies we mine or otherwise acquire or hold for our own account.

Our dependence on third-party software and personnel may leave us vulnerable to price fluctuations and rapidly changing technology.

Competitive conditions within the digital currency industry require that we use sophisticated technology in the operation of our business. We currently utilize third party software applications in our mining operations. Further, we are licensing Synapse and Shift Market software to run our planned exchange and we may not be able to amend or change our agreements with these third party service providers to respond to changes in the market. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. We may not be successful, generally or relative to our competitors in the digital currency industry, in timely implementing new technology into our systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into our operations, we may experience system interruptions and failures during such implementation. Furthermore, there can be no assurances that we will recognize, in a timely manner or at all, the benefits that we may expect as a result of our implementing new technology into our operations. As a result, our business and operations may suffer, and there may be adverse effects on the price of our common stock.

Risks Associated with our Exploratory Efforts to Launch a U.S. Digital Currency Exchange and Related Businesses

We may not successfully develop, market and launch any digital currency exchange.

We are investigating and planning the development of a digital currency exchange. For a variety of reasons (including but not limited to the regulatory challenges and other risks discussed below), we could suffer significant delays in our efforts to establish such an exchange, and may ultimately not be successful in doing so. We will need to obtain additional management, regulatory compliance and technical expertise and devote substantial time and effort to this project. We also expect to need to raise additional funds (which may be seek by offering direct investments in this business) to pursue development of the exchange, and we may not be successful in raising that capital. It is possible that the launch of our digital currency exchange may never occur, and even if it is successfully developed, it is possible that it will not be accessed or utilized by a large number of users or will otherwise not achieve market acceptance. If our planned exchange is never launched or is never accessed and used by a large number of users, than we may be forced to reduce or cease our operations of our exchange, and we could lose all of our investment therein.

If regulatory changes or interpretations require the regulation of bitcoin or other digital currency assets under the securities laws of the United States or elsewhere, including the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Commodity Exchange Act or similar laws of other jurisdictions and interpretations by the SEC, CFTC, IRS, Department of Treasury or other agencies or authorities, we may be required to register and comply with such regulations, including at a state or local level. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary expenses or burdens to us.

Regulatory developments, including current and future legislation, SEC rulemaking, interpretations released by a regulatory authority, and/or judicial decisions, may impact the manner in which bitcoin or other digital currencies are viewed or treated for classification and clearing purposes. In particular, bitcoin and other digital currencies may not be excluded from the definition of “security” by SEC rulemaking or interpretations which require registration of all transactions therefor would occur on our planned exchange, unless another exemption is available, and require registration of trading platforms as “exchanges” with the SEC.

We cannot be certain as to how future regulatory developments will impact the treatment of bitcoin and other digital currencies under applicable law. If we determine that we are not able to comply, or otherwise fail to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations or be subjected to fines, penalties and other governmental enforcement actions. 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 digital currencies we mine or otherwise acquire or hold for our own account, which would harm investors in our common stock.

We may be required to register as a money services business with the FinCEN and as a money transmitter in states with applicable money transmitter regulations.

To the extent that our activities cause us to be deemed a money services business under the regulations promulgated by the FinCEN under the authority of the Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records which could increase our compliance costs significantly. In addition, it is possible that other regulations may apply to our spot exchange operations. For example, the SEC may take the position that digital currencies may only be traded on or subject to the rules of a national securities exchange unless exempt from such requirements.

Furthermore, to the extent that our activities cause us to be deemed a “money transmitter” under one or more state laws (e.g., engaging in the business of exchanging virtual for fiat currency or virtual for digital currency) or that we are engaged in other business involving digital currency activities that are regulated in any state in which we operate, such as business conducting digital currency business activity in New York state, which requires a so-called “Bitlicense,” we may be required to seek a license or otherwise register with a state regulator and comply with state regulations. If we are required to register in these states and comply with their individual requirements, we can expect to incur significant compliance costs, including increased legal expenses, accounting expenses and internal costs. Without a required money transmitter license, we could not engage in money transmitter activities with persons residing in the relevant state (or from such state), or engage in other activities (e.g., custody) requiring another license such as a Bitlicense.

We intend to initially obtain state money transmitter licenses, as necessary, on a state by state basis and we currently have such licenses from Florida and Georgia. The process of obtaining the necessary licenses to effect such trades can take an extensive period of time, and as a result we may initially operate our digital currency spot exchange in a limited number of states. There is also a risk that necessary licenses will not be granted and that therefore we will be unable to establish an exchange in particular states, or at all. If we are unable to establish a digital currency exchange (at all or in certain states), or if we are delayed in doing so, such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy, which could have a material adverse effect on our business, prospects or operations.

To the extent that we need to register as a money services business or become licensed as a money transmitter or businesses engaged in digital currency business activity, and be subject to associated regulatory obligations, such obligations will cause us to incur additional expenses, possibly affecting an investment in us in a material and adverse manner. In addition, to the extent we are found to have operated without appropriate state or federal licenses, 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 securities.

If we are successful in developing a spot exchange for trading digital currencies like bitcoin, we will begin to store, process, and use data, some of which contains personal information. This will subject us to complex and evolving federal, state and foreign laws and regulations regarding privacy, data protection, content and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention, or engagement, any of which could seriously harm our business.

If we successfully launch a spot exchange for trading digital currency, we will be subject to a variety of laws and regulations in the United States and potentially other jurisdictions (such as The European Union) that affect matters central to our business, including but not limited to; anti-money laundering, user privacy, security, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation, and online payment services. These laws can be particularly restrictive in countries outside the United States. Both in the United States and abroad, these laws and regulations constantly evolve and remain subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. Because we may store, process and use data, some of which contains personal information, we will likely be subject to complex and evolving federal, state and foreign laws and regulations regarding privacy, data protection, content and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention, or engagement, any of which could seriously harm our business. If we do not comply with all of our requirements, 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 securities.

Digital currency exchanges and other trading venues (including the Coinsquare exchange, in which we have an ownership interest) are relatively new and, in most cases, largely unregulated, and may therefore be subject to fraud and failures, including security breaches that may result in a loss of all or some digital currencies.

Digital currency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives on commodities or currencies. For example, during the past three years, a number of exchanges offering bitcoin and other digital currencies have closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances. While smaller exchanges are less likely to have the infrastructure and capitalization that may provide larger exchanges with some stability, larger exchanges may be more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operations, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action. Insurance for such exchanges is not currently readily available and we do not expect any insurance for customer accounts to be available (such as federal deposit insurance) at any time in the future, putting customer accounts at risk of such events. In the event that we face fraud, security failures, operational issues or similar events, 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.

Our introducing broker subsidiary is subject to oversight by the CFTC and NFA.

In connection with our plan to establish a digital currency spot exchange, our recently acquired subsidiary Logical Brokerage Corp., is a CFTC-registered introducing broker and is subject to oversight by the CFTC and the NFA. The CFTC and NFA do not have functional oversight over digital currency spot exchanges, but the CFTC has authority to bring cases based on fraud and manipulation. As a result of this, we must comply with CFTC and NFA requirements applicable to introducing brokers, including complying with anti-money laundering requirements. If we do not fully comply with all such requirements, 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 securities.

Risks Related to Intellectual Property

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.

We plan to rely upon trademarks, copyright and trade secret protection (and possibly also patents in the future), as well as non-disclosure agreements and invention assignment agreements with employees, consultants and third parties, to protect all confidential and proprietary information. Significant elements of our intended products and services are based on unpatented trade secrets and know-how that are not publicly disclosed. In addition to contractual measures, we try to protect the confidential nature of our proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third party with authorized access, provide adequate protection for our proprietary information. The security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and the recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. In addition, trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing the intended products and services.

Our commercial success depends significantly on our ability to operate without infringing the patents and other intellectual property rights of third parties however, due to the open-source and constantly evolving nature of our business, we may not always be able to determine that we are using or accessing protected information or software. For example, there could be issued patents of which we are not aware that our products infringe. There also could be patents that we believe we do not infringe, but that we may ultimately be found to infringe. Moreover, patent applications are in some cases maintained in secrecy until patents are issued. The publication of discoveries in scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications were filed. Because patents can take many years to issue, there may be currently pending applications of which we are unaware that may later result in issued patents that our products infringe.

Accordingly, we could expend significant resources defending against patent infringement and other intellectual property right claims; which could require us to divert resources away from operations. Any damages we are required to pay or injunctions against our continued use of such intellectual property in resolution of such claims may cause a material adverse effect to our business and operations, which could adversely affect the trading price of our securities and harm our investors.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been, and is likely to continue to be, volatile; you might not be able to sell your shares at or above the price that you paid for them and we may not be able to stop the decline of our stock price.

The trading price of our common stock has been, and is likely to continue to be, volatile, and may be influenced by numerous factors, some of which are beyond our control; you might not be able to sell your shares at or above the price that you paid for them.

In addition, the trading prices of bitcoin have been highly unpredictable, and the trading prices of our common stock has generally been highly and directly correlated with the trading prices of bitcoin. Specifically, we have experienced adverse effects on our stock price when the value of bitcoin has fallen, and we anticipate similar outcomes as our stock price tracks the general status of that digital currency. Furthermore, if the market for bitcoin company stocks or the stock market in general experiences a loss of investor confidence, the trading price of our stock could decline for reasons unrelated to our business, operating results or financial condition. That is, the trading price of our common stock is subject to arbitrary pricing factors that are not necessarily associated with traditional factors that influence stock prices or the value of non-digital currency assets such as revenue, cash flows, profitability, growth prospects or business activity levels since the value and price, as determined by the investing public, may be influenced by future anticipated adoption or appreciation in value of digital currencies or blockchains generally, factors over which we have little or no influence or control.

Other factors which could cause volatility in the market price of our common stock include, but are not limited to:

- actual or anticipated fluctuations in our financial condition and operating results or those of companies perceived to be similar to us;
- actual or anticipated changes in our growth rate relative to our competitors;
- commercial success and market acceptance of blockchain and bitcoin and other digital currencies;
- actions by our competitors, such as new business initiatives, acquisitions and divestitures;
- strategic transactions undertaken by us;
- additions or departures of key personnel;
- prevailing economic conditions;
- disputes concerning our intellectual property or other proprietary rights;
- sales of our common stock by our officers, directors or significant stockholders;
- other actions taken by our stockholders;
- future sales or issuances of equity or debt securities by us;
- business disruptions caused by earthquakes, tornadoes or other natural disasters;
- issuance of new or changed securities analysts' reports or recommendations regarding us;
- legal proceedings involving our company, our industry or both;
- changes in market valuations of companies similar to ours;
- the prospects of the industry in which we operate;
- speculation or reports by the press or investment community with respect to us or our industry in general;
- the level of short interest in our stock; and
- other risks, uncertainties and factors described in this annual report.

In addition, the stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of the issuer. These broad market fluctuations may negatively impact the price or liquidity of our common stock. When the price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer, and we have been impacted in that way. See Item 3 – Legal Proceedings, “We, and some of our current and former officers and directors, have been named as parties to various lawsuits arising out of, or related to, allegedly false and misleading statements made in prior securities filings, and those lawsuits could adversely affect us, require significant management time and attention, result in significant legal expenses or damages, and cause our business, financial condition, results of operations and cash flows to suffer.”

Nevada law contains provisions that could discourage, delay or prevent a change in control of our company, prevent attempts to replace or remove current management and reduce the market price of our stock.

Provisions in Nevada corporate law may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, Nevada corporate law contains strong “anti-takeover” provisions, which prohibit us from entering into a business combination with an “interested stockholder” or their affiliates for a period of two years after they become an “interested stockholder” unless certain provisions are met. As a result, a proposed merger favored by our stockholders could be blocked by operation of Nevada law.

If securities or industry analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by whether industry or securities analysts publish research and reports about us, our business, our market or our competitors and, if any analysts do publish such reports, what they publish in those reports. We may not obtain or maintain analyst coverage in the future. Any analysts that do cover us may make adverse recommendations regarding our stock, adversely change their recommendations from time to time and/or provide more favorable relative recommendations about our competitors. If analysts who may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, or if analysts fail to cover us or publish reports about us at all, we could lose (or never gain) visibility in the financial markets, which in turn could cause the stock price of our common stock or trading volume to decline. Moreover, if our operating results do not meet the expectations of the investor community, one or more of the analysts who cover our company may change their recommendations regarding our company and our stock price could decline.

The senior secured convertible promissory notes and warrants issued in connection with our recent private financing transactions are convertible or exercisable for shares of our common stock, which, upon conversion or exercise, will dilute the Company’s current stockholders’ equity value.

We issued senior secured convertible promissory notes and warrants in connection with a private financing completed on January 28, 2019, as previously reported on our current report on Form 8-K filed on February 2, 2019. As previously disclosed, these notes and warrants are convertible into or exercisable for shares of our common stock. To the extent such notes are converted and such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the holders of common stock. Upon registration of such shares for resale on the public market, such conversion and exercise will increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public trading market could adversely affect the market trading price of the Company’s common stock

We have not registered the shares of common stock issuable upon the conversion of the senior secured convertible promissory notes and upon exercise of the warrants we issued to our investors in connection with our recent private financing transaction under the Securities Act or any state securities laws at this time, and such registration may not be in place when an investor desires to convert such notes or exercise such warrants, thus precluding such investor from selling the conversion and warrant shares on the public market, in violation of our agreements.

We have not registered the shares of common stock issuable upon the conversion of the notes or the exercise of the warrants under the Securities Act or any state securities laws at this time. Under the terms of the registration rights agreements entered into in connection with the financing, we have agreed to file a registration statement under the Securities Act covering such shares and maintain a current prospectus relating to the common stock issuable upon the conversion of the notes and/or exercise of the warrants, until the expiration of the warrants in accordance with the provisions of the agreements with our investors. However, we can offer no assurance that we will be successful in obtaining an effective registration status to cover such issued securities that we will be able to do so if, for example, any facts or events arise which represent a fundamental change in the information set forth in such registration statement or prospectus, the financial statements contained or incorporated by reference therein are not current or correct or regulatory action prevents or delays our registration. These warrants are subject to cashless exercise in an amount representing 100% coverage of the principal balance of the notes upon issuance and are exercisable by the investors six months after the closing date of the financing, but before the fifth year anniversary of the financing. However, no warrant will be exercisable, and we will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder or an exemption is available. If the issuance of the shares upon the conversion of the notes or the exercise of the warrants is not so registered or qualified or exempt from registration or qualification, our investors may declare that we have defaulted on our obligations under the financing agreements. This would entitle our investors to significant remedial rights under the financing agreements. Accordingly, our failure to register the securities issuable upon conversion of the notes and exercise of the warrants may result in a material adverse effect to the Company.

Because we do not intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

Our Bylaws contain a forum selection clause which requires our stockholders to bring claims against us in the State of New York as the sole and exclusive forum for the resolution of their claims; our stockholders may be prejudiced by this forum selection clause.

The Company's choice of the state and federal courts located within the State of New York as the sole and exclusive forum for the resolution of claims brought by our stockholders under the forum selection clause contained in our Bylaws may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for such disputes and may discourage lawsuits with respect to such claims. The Company believes, however, that the choice of New York is beneficial to our stockholders and the Company, as the state and federal courts of New York have considerable experience and familiarity with stockholder derivative type claims and other similar claims which are frequently brought against corporations, which leads to greater consistency in the application of applicable law. The Company's forum selection clause applies to civil claims and it is our intention that this forum selection clause apply to claims brought under the Securities Act and the Exchange Act to the fullest extent permitted by law.

PART III

ITEM 10. DIRECTORS, NAMED EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

MANAGEMENT AND THE BOARD OF DIRECTORS

Executive officers of the Company are elected by the Company's Board of Directors (the "Board" or the "Board of Directors"), and serve for a term of one year and until their successors have been elected and qualified or until their earlier resignation or removal by the Board of Directors. There are no family relationships among any of the directors and named executive officers of the Company. Further, other than executive employment agreements, there is no arrangement or understanding between any director or executive officer and the Company pursuant to which he or she was selected as a director or executive officer. As of December 31, 2018, Christopher Ensey, our former Interim Chief Executive Officer, and Robby Chang, our Chief Financial Officer, had employment agreements in place with the Company with respect to their executive officer positions with the Company.

The following table sets forth names, ages and positions with the Company for all directors and executive officers of the Company:

Name	Age	Position
Remo Mancini	67	Director, Chairman and Lead Director
Jason Les	33	Director
Benjamin Yi	37	Director
Jeffrey McGonegal	68	Chief Executive Officer
Robby Chang	41	Chief Financial Officer and Secretary

Remo Mancini has been a director of the Company since February 2018. Mr. Mancini is a professional corporate director with significant experience at senior levels in both government and the private sector. He served in the Legislative Assembly of Ontario, Canada (Liberal Party member) from 1975-1993. During this time Mr. Mancini held a number of notable positions including Minister of Revenue, Parliamentary Assistant to the Premier, Official Opposition Party House Leader, and Chairman of the Public Accounts Committee. He has earned the internationally recognized designation of ICD.D and is a graduate of the Directors Education Program offered by the Institute of Corporate Directors and the University of Toronto's Rotman School of Management. He has served on a number of boards of both publicly listed and private companies. The public companies for which he has served include the following:

Melior Resources Inc. (TSX-V)	February 2013 to March 2014
Estrella Int. Energy Services Inc. (TSX-V)	June 2010 to March 2016
Niocan Inc. (TSX and TSX-V)	June 2007 to June 2018

This extensive experience in both the public and private sectors positions him to lead organizations, offer insightful and decisive management guidance, and board leadership. He combines his experience as a former Canadian and U.S. senior corporate executive, corporate director and former Ontario Cabinet Minister to bring a valuable perspective to business affairs, senior executive management, and corporate governance.

Jason Les has served as a Director of the Company since November 2017. He is a certified Bitcoin developer and participates extensively in the Bitcoin development community. Mr. Les is a contributor to open source development for Bitcoin related software and has been selected by various media outlets as a commentator on Bitcoin. Mr. Les is lead technical consultant to CoinCentral.com, a popular Bitcoin and cryptocurrency news source and is a producer of technical Bitcoin education materials. Additionally, he is an active participant in cryptocurrency mining social networks and has operated a personal mining operation for the past 18 months. Mr. Les played professional poker for over ten years where he has been regarded as one of the best in the game and twice selected as the human benchmark to test artificial intelligence in "Man vs Machine" at Carnegie Mellon University. After extensively studying game theory, Mr. Les developed mathematical models that were used to construct an approximation of a Nash equilibrium strategy for poker that was the foundation of his playing prior to transitioning to the Bitcoin industry after gaining interest in Bitcoin in 2013. Mr. Les graduated from U.C. Irvine in 2010 with a B.S. in Information and Computer Science. Mr. Les is qualified as a director based on the fact that he has been active in the cryptocurrency industry and brings technical expertise regarding cryptocurrency mining, protocol development, and general evaluation of the industry.

Benjamin Yi has been serving as a Director of the Company since October 2018. Mr. Yi is a CFA charter holder and holds a Master of Finance degree from the Rotman School of Management at the University of Toronto. Mr Yi is a valuable addition to the Board of Directors, as he brings over a decade of dedicated financial markets experience to the Company, and will leverage his expertise in capital markets and corporate development to continue to drive the growth of the Company. Mr. Yi previously served as an independent director of PetroMaroc Corporation plc, as a member of the board and as a member of the Audit Committee of Android Industries, LLC, and as an independent director and member of the Audit Committee of Woulfe Mining Corporation where he also served as the chairman of the Audit Committee for a period of time.

Jeffrey G. McGonegal was appointed Chief Executive Officer as of February 6, 2019. He previously served as Chief Financial Officer of the Company from June 2003 to February 27, 2018, subsequently serving as the Company's Principal Accounting Officer to April 30, 2018 to sign the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and to provide all certifications required including under Section 302 of the Sarbanes Oxley Act of 2002. He was appointed Corporate Secretary in January 2010 through April 30, 2018, and served as interim President in December 2004 and January 2005. Subsequent to April 30, 2018, Mr. McGonegal served as a consultant to the Company. From 1974 to 1997, Mr. McGonegal was an accountant with BDO Seidman LLP. While at BDO Seidman LLP, Mr. McGonegal served as Managing Partner of the Denver, Colorado office. He received a B.S. degree in accounting from Florida State University.

Robby Chang has served as our Chief Financial Officer since February 2018. Mr. Chang was employed by Cantor Fitzgerald from 2011-2018 as Managing Director, Senior Analyst, and Head of Metals & Mining. Previously, Mr. Chang held various positions as Institutional Equity Research Analyst and Director, Research and Trading, and Portfolio Manager for several financial companies. While at Cantor Fitzgerald, he provided research coverage in precious metals, base metals, lithium, and uranium. He was recognized by Bloomberg as the “Best Precious Metals Analyst” in Q1 2016. Mr. Chang has been frequently quoted by and has been a regular guest of several media outlets including: Bloomberg, Reuters, CNBC, and the Wall Street Journal. Mr. Chang has 23 years of experience in the financial services industry including as Director of Research/Portfolio Manager at a Canadian investment firm that managed \$3 billion in assets and serving on a five-person multi-strategy hedge fund team for Blair Franklin Capital Partners where he specialized in equity and derivative investments. Mr. Chang holds a Master of Business Administration from the University of Toronto. Mr. Chang does not maintain a certified public accounting license or have experience in public accounting, which present risks to the Company and requires that we utilize outside services for review and preparation of our financial statements and reports. Mr. Chang brings technical expertise regarding institutional portfolio investing and relations and valuation skills applicable to comparable non cryptocurrency mining operations which we believe are valuable but necessarily require we incur additional costs associated with regulatory compliance and SEC reporting.

Corporate Governance Policies and Code of Ethics

We have adopted a Standard of Ethics and Business Conduct, Corporate Governance Guidelines. Those policies are available on our website at www.riotblockchain.com and in print to any stockholder upon request at no charge. Requests should be addressed to: Riot Blockchain, Inc., 202 6th Street, Suite 401, Castle Rock, Colorado 80104.

The Standards of Ethics and Business Conduct is applicable to all directors, officers and employees of Riot. To date, there have been no waivers under our Standards of Ethics and Business Conduct. We intend to disclose future amendments to or waivers from our Standards of Ethics and Business Conduct on our website within four business days following the date of such amendment or waiver.

Independence of Directors

The Company’s Board is currently comprised of three independent directors: (i) Mr. Remo Mancini; (ii) Mr. Jason Les; and (iii) Mr. Benjamin Yi. Mr. Mancini serves as Chairman of the Board.

The Board, upon recommendation of the Nominating and Corporate Governance Committee, unanimously determined that each of our three non-employee directors is “independent,” as such term is defined in the Nasdaq Stock Market Rules (“Stock Market Rules”).

The definition of “independent director” included in the Stock Market Rules includes a series of objective tests, such as whether the director is an employee of the Company, whether the director has engaged in various types of specified business dealings with the Company, and whether the director has an affiliation with an organization that has had specified business dealings with the Company. Consistent with the Company's Corporate Governance Principles, the Board's determination of independence is made in accordance with the Stock Market Rules, as the Board has not adopted supplemental independence standards. As required by the Stock Market Rules, the Board also has made a subjective determination with respect to each director that such director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company), even if the director otherwise satisfies the objective independence tests included in the definition of an “independent director” included in the Stock Market Rules.

In determining that each individual who served as a member of the Board is independent, the Board considered that, in the ordinary course of business, transactions may occur between the Company and entities with which some of our directors are affiliated. The Board unanimously determined that such transaction occurring in the ordinary course of business with members of the Board were not material. No unusual discounts or terms were extended to members of the Board by the Company in any such transactions.

Board Leadership Structure

The Board believes that the Company's stockholders are best served if the Board retains the flexibility to adapt its leadership structure to applicable facts and circumstances, which necessarily change over time. Accordingly, the Company's Corporate Governance Principles provide that the Board may combine or separate the roles of the CEO and Chairman of the Board, and it may suspend, dissolve and form separate committees of the Board as it deems advisable and in the best interests of the Company and its stockholders.

Board Role in Risk Oversight

The Company's Board plays an active role in risk oversight of the Company. The Board does not have a formal risk management committee, but administers this oversight function through various standing committees of the Board, which are described below. The Audit Committee periodically reviews overall enterprise risk management, in addition to maintaining responsibility for oversight of financial reporting-related risks, including those related to the Company's accounting, auditing and financial reporting practices. The Audit Committee also reviews reports and considers any material allegations regarding potential violations of the Company's Code of Ethics. The Compensation Committee oversees risks arising from the Company's compensation policies and programs. This Committee has responsibility for evaluating and approving the executive compensation and benefit plans, policies and programs of the Company. The Nominating Committee oversees corporate governance risks and oversees and advises the Board with respect to the Company's policies and practices regarding significant issues of corporate responsibility.

The Board of Directors has a process for stockholders to communicate with directors. Stockholders should write to the Chief Executive Officer of the Company at the Company's mailing address and specifically request that a copy of the letter be distributed to a particular Board member or to all Board members. Where no such specific request is made, the letter will be distributed to Board members if material, in the judgment of the President, to matters on the Board's agenda.

Committees of the Board

Our Board has three standing committees: Audit, Compensation, and Nominating and Corporate Governance. Each of the committees is solely comprised of and chaired by independent directors, each of whom the Board has affirmatively determined is independent pursuant to the Stock Market Rules. Each of the committees operates pursuant to its charter. The committee Charters are reviewed annually by the Nominating and Corporate Governance Committee. If appropriate, and in consultation with the chairs of the other committees, the Nominating and Corporate Governance Committee proposes revisions to the charters. The responsibilities of each of the standing committees of the Board are described in more detail below. The charters for the three committees are available on the Company's website at www.riotblockchain.com by following the link to "Investor Relations" and then to "Governance."

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Independent
Remo Mancini	Member	Member	Chairman	Yes
Benjamin Yi	Chairman	Member	Member	Yes
Jason Les	Member	Chairman	Member	Yes

Audit Committee

The Audit Committee is responsible for, among other things:

- appointing; approving the compensation of; overseeing the work of; and assessing the independence, qualifications, and performance of the independent auditor;
- reviewing the internal audit function, including its independence, plans, and budget;
- approving, in advance, audit and any permissible non-audit services performed by our independent auditor;
- reviewing our internal controls of accounting and financial reporting with the independent auditor and management;
- reviewing the adequacy of our accounting and financial controls as reported by the independent auditor and management;
- overseeing our financial compliance system; and
- overseeing our major risk exposures regarding our accounting and financial reporting policies, the activities of our internal audit function, and information technology.

The Audit Committee has reviewed and discussed the Company's audited financial statements for the year ended December 31, 2018 with management of the Company and has discussed with our independent auditors, Marcum LLP, the matters required to be discussed by the statement on Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees, and No. 2410, Related Parties.. The Audit Committee agreed with Marcum, LLP's assessment of our 2018 financials and our internal controls over financial reporting and The Board has affirmatively determined that each member of the Audit Committee meets the additional independence criteria applicable to audit committee members under SEC rules and the Stock Market Rules. The Board has adopted a written charter setting forth the authority and responsibilities of the Audit Committee. The Board has affirmatively determined that Remo Mancini meets the qualifications of an Audit Committee financial expert. The entire Board serves on the Audit Committee and, accordingly, the membership of the Audit Committee is comprised of: (i) Benjamin Yi, (ii) Remo Mancini, and (iii) Jason Les. Mr. Yi serves as Chairman of the Audit Committee.

Compensation Committee

The Compensation Committee is responsible for, among other things:

- reviewing and making recommendations to the Board with respect to the compensation of the Company's officers and directors, including the CEO;
- overseeing and administering the Company's executive compensation plans, including equity-based awards;
- negotiating and overseeing employment agreements with officers and directors; and
- overseeing how the Company's compensation policies and practices may affect the Company's risk management practices and/or risk-taking incentives.

The Board has adopted a written charter setting forth the authority and responsibilities of the Compensation Committee.

When evaluating the compensation of our executive officers, the Compensation Committee evaluates factors including the executive's responsibilities, experience and the competitive marketplace. The Compensation Committee may also invite the senior executives and other members of management to participate in their deliberations, or to provide information to the Compensation Committee for its consideration with respect to such deliberations, except that the Chief Executive Officer may not be present for the deliberation of or the voting on compensation for the Chief Executive Officer. The Chief Executive Officer may, however, be present for the deliberation of or the voting on compensation for any other officer.

The Compensation Committee has authority to retain such compensation consultants, outside counsel and other advisors as the Compensation Committee in its sole discretion deems appropriate. The Company's Compensation Committee currently consists of the following members: (i) Benjamin Yi, (ii) Remo Mancini and (iii) Jason Les. Mr. Les serves as Chairman of the Compensation Committee. The Board has affirmatively determined that each member of the Compensation Committee meets the additional independence criteria applicable to compensation committee members under the Stock Market Rules.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for, among other things:

- reviewing and assessing the development of the executive officers, and considering and making recommendations to the Board regarding promotion and succession issues;
- evaluating and reporting to the Board on the performance and effectiveness of the directors, committees, and the Board as a whole;
- working with the Board to determine the appropriate and desirable mix of characteristics, skills, expertise, and experience, including diversity considerations, for the full Board and each committee;
- annually presenting to the Board a list of individuals recommended to be nominated for election to the Board;
- reviewing, evaluating, and recommending changes to the Company's Corporate Governance Principles and committee Charters;
- recommending to the Board individuals to be elected to fill vacancies and newly created directorships;
- overseeing the Company's compliance program, including the Code of Conduct; and
- overseeing and evaluating how the Company's corporate governance and legal and regulatory compliance policies and practices, including leadership, structure, and succession planning, may affect the Company's major risk exposures.

The Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Corporate Governance/Nominating Committee. The Company's Nominating and Corporate Governance Committee currently consists of the following members: (i) Benjamin Yi, (ii) Remo Mancini, and (iii) Jason Les. Mr. Mancini serves as Chairman of the Nominating and Corporate Governance Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and stockholders who own more than 10% of the Company's stock to file forms with the SEC to report their ownership of the Company's stock and any changes in their ownership of our securities. The Company assists its directors and executives by identifying reportable transactions of which it is aware and preparing and filing the forms on their behalf. All persons required to file forms with the SEC must also send copies of the forms to the Company. We have reviewed all forms provided to us. Based on that review and on written information given to us by our executive officers and directors, we believe that all Section 16(a) filings during the past fiscal year were filed on a timely basis and that all directors, executive officers and 10% beneficial owners have fully complied with such requirements during the past fiscal year.

Meetings of the Board

Board of Directors: The Company's Board of Directors held twenty-one meetings and acted by written consent twenty-five times during the year ended December 31, 2018. Such formal meetings of the Board of Directors consisted of meetings at which a quorum of the directors were present in person or by telephone. The Board of Directors also met informally throughout the year and took action by unanimous written consent of the entire Board of Directors. The Company does not have a formal policy with regard to board members' attendance at annual meetings, but encourages them to attend shareholder meetings. Each Board member then serving attended our most recent Annual Meeting of Shareholders held on June 15, 2018.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

This table provides disclosure, for fiscal years 2018 and 2017 for the Named Executive Officers, who are or who were the Chief Executive Officer and the Chief Financial Officer of the Company.

Name and Principal Position	Year	Salary	Bonus (\$)	Stock Awards (6) (\$)	Option Awards (7) (\$)	All Other Compensation (\$)	Total (\$)
Christopher Ensey Interim Chief Executive Officer (1)	2018	\$ 248,208	\$ —	\$ 859,660	\$ 701,970	\$ 5,845	\$ 1,815,683
Robby Chang Chief Financial Officer (2)	2018	\$ 210,256	\$ —	\$ 646,680	\$ —	\$ 4,370	\$ 861,306
Jeffrey Vormittag Chief Operating Officer (3)	2018	\$ 213,173	\$ 25,000	\$ 584,400	\$ —	\$ 4,247	\$ 826,820
Jeffrey G. McGonegal, Chief Financial Officer (former) (4)	2018	\$ 272,005	\$ 70,000	\$ —	\$ 45,017	\$ 13,632	\$ 400,654
	2017	\$ 272,005	\$ 140,000	\$ 127,800	\$ —	\$ 169,843	\$ 709,648
John O'Rourke III Chief Executive Officer (former) (5)	2018	\$ 206,500	\$ —	\$ —	\$ —	\$ 920	\$ 207,420
	2017	\$ 50,000	\$ —	\$ —	\$ 609,742	\$ —	\$ 659,742

(1) Effective January 28, 2018, Mr. Ensey was named Chief Operating Officer at an annual base salary of \$250,000 and, effective September 8, 2018, he was named the Interim Chief Executive Officer with his annual compensation increased to \$306,000. The amounts included in "All Other Compensation" for Mr. Ensey represent a \$3,000 relocation expense allowance paid under the terms of his original employment agreement and \$2,845 for amounts paid to or on his behalf for medical insurance in 2018. Mr. Ensey's Executive Employment Agreement was terminated without cause as of February 5, 2019, thereby terminating his roles as Interim Chief Executive Officer and Chief Operating Officer of the Company.

(2) Effective February 27, 2018, Mr. Chang was named Chief Financial Officer at an annual base salary of \$250,000. The amounts included in "All Other Compensation" for Mr. Chang represent a \$3,000 office allowance expense paid under the terms of his employment agreement and \$1,370 for amounts paid to or on his behalf for medical insurance in 2018.

(3) Effective January 20, 2018, Mr. Vormittag was named Chief Operating Officer of a wholly owned subsidiary of the Company at an annual base salary of \$225,000. Upon execution of the original employment agreement, Mr. Vormittag was entitled to and paid a \$25,000 signing bonus. The amounts included in "All Other Compensation" for Mr. Vormittag represent \$4,247 for amounts paid to or on his behalf for medical insurance in 2018. Mr. Vormittag's Executive Employment Agreement was terminated without cause as of February 6, 2019, terminating his role as Chief Operating Officer of our wholly-owned subsidiary, Riot Blockchain Canada, Inc.

(4) Mr. McGonegal served as Chief Financial Officer until February 27, 2018, and thereafter as Principal Accounting Officer until April 30, 2018. Subsequent to April 30, 2018, Mr. McGonegal served in a consulting role. During 2018 his aggregate annual compensation was \$272,005. During the first quarter of 2018 Mr. McGonegal was awarded a performance bonus of \$70,000 and during 2017 he was awarded a performance bonus and a retention bonus which in total amounted to \$140,000. The amounts included in "All Other Compensation" for Mr. McGonegal represent a one-time payment of \$150,013 paid in 2017 to Mr. McGonegal for his agreement to waive his rights to stock options and unvested restricted common share rights and the amounts paid to or on his behalf for medical insurance at a total cost of \$13,632 and \$19,830 in 2018 and 2017, respectively. Effective February 6, 2019, Mr. McGonegal was named Chief Executive Officer of the Company.

(5) Effective October 9, 2017, Mr. O'Rourke was named President of the Company at an annual base salary of \$120,000 and as of November 3, 2017 to the additional office of Chief Executive Officer, with a revised annual base salary of \$300,000. The amounts included in "All Other Compensation" for Mr. O'Rourke represent \$920 for amounts paid to or on his behalf for medical insurance in 2018. Mr. O'Rourke has also served as a director of the Company since January 6, 2017 and received additional compensation for Board service as further disclosed under Item 11, Director Compensation. Mr. O'Rourke resigned as of September 8, 2018.

(6) The "Stock Awards" columns reflect the aggregate grant date fair value for restricted stock awards granted during fiscal years 2018 and 2017, computed in accordance with FASB ASC Topic 718. See Note 11 to our consolidated financial statements reported in our Annual Report on Form 10-K for our fiscal year ended December 31, 2018 for details as to the assumptions used to determine the grant date fair value of the restricted stock awards.

(7) The "Option Awards" columns reflect the grant date fair value for all stock option awards granted under the 2002 Stock Plan or the Riot Blockchain, Inc. 2017 Equity Incentive Plan (the "2017 Plan") during 2018 and 2017. These amounts are determined in accordance with FASB Accounting Standards Codification 718 (ASC 718), without regard to any estimate of forfeiture for service vesting. Assumptions used in the calculation of the amounts in these columns for 2018 and 2017 are included in footnote 11 to the Company's audited financial statements for the fiscal year ended December 31, 2018 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, as amended.

Outstanding Equity Awards at Fiscal Year End

The following table shows the outstanding equity awards held by the Named Executive Officers as of December 31, 2018:

Named Executive Officer	Option Awards					Restricted Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Number of Stock Options Held at Fiscal Year-End (#)	Option Expire Date (\$)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares of Restricted Stock Held at Fiscal Year-End (#)
Christopher Ensey (1)	45,833	4,167	--	\$ 18.50	50,000	27-Jan-28	27,084	\$ 40,897	46,916
Robby Chang (2)	--	--	--	--	--	--	35,000	\$ 52,850	37,000

(1) Includes options to purchase: 50,000 at \$18.50 per share granted on January 28, 2018, vesting monthly at a rate of 1/12 of such shares per month, starting one month after the grant date issued in connection with signing an employment agreement. Also includes 50,000 restricted common shares awarded in connection with signing an employment agreement at a value of \$15.23 on the date of award, January 28, 2018, which shares vest monthly at a rate of 1/24 of such shares per month, starting one month after the grant date, with 22,916 vested but unissued shares accrued as of December 31, 2018. Also includes 24,000 restricted common shares awarded at a value of \$4.09 on the date of award, September 20, 2018, 100% of which vested as of the date of the grant, with 24,000 of such shares vested but unissued as of December 31, 2018.

(2) Includes 60,000 restricted common shares awarded at a value of \$9.96, on February 27, 2018, 2017, in connection with signing an employment agreement, vesting monthly at a rate of 1/24 of such shares per month, starting one month after the grant date, with 25,000 vested but none issued as of December 31, 2018. Also includes 12,000 restricted common shares awarded at a value of \$4.09, on September 20, 2018, 100% vested at grant date, with 12,000 vested but not issued as of December 31, 2018.

Employment Agreements

The Company has entered into employment agreements with, and provides post-employment benefits to, its Named Executive Officers as follows:

Christopher Ensey, Interim Chief Executive Officer – On September 8, 2018 we entered into an amended employment agreement with Mr. Ensey to serve as Interim Chief Executive Officer at an annual base salary of \$306,000. This agreement amended the original employment agreement dated January 28, 2018, entered into by the Company with Mr. Ensey to serve as Chief Operating Officer at an annual base salary of \$250,000. The employment agreement, as amended, with Mr. Ensey provided for an initial term of two years and provides for (i) a restricted stock award of 50,000 shares of common stock which shall vest in 24 equal monthly installments beginning one month from the date of issuance and (ii) an option to purchase up to 50,000 shares of the Company's common stock which shall vest in 12 equal monthly installments beginning one month from the date of issuance, at an exercise price of \$18.50 per share of common stock, which options are fully vested and which expire 90 days after his termination. Mr. Ensey's Executive Employment Agreement was terminated without cause as of February 5, 2019, terminating his roles as Interim Chief Executive Officer and Chief Operating Officer; accordingly, his options will terminate on May 6, 2019.

Robby Chang, Chief Financial Officer – On February 27, 2018, we entered into an employment agreement with Mr. Chang to serve as Chief Financial Officer at an annual base salary of \$250,000. The employment agreement with Mr. Chang provided for an initial term of two years and provides for (i) a restricted stock award of 60,000 shares of common stock which shall vest in 24 equal monthly installments beginning one month from the date of issuance.

Post-Employment Benefits

The following table discloses the post-employment termination benefits that would have been received by the Named Executive Officers if a termination event had occurred on December 31, 2018:

Named Executive Officer / Benefit	Termination without Cause (\$)	Death or Disability (\$)	Change in Control (Single Trigger) (\$)	Change in Control (Double Trigger) (1) (\$)
Christopher Ensey:				
Severance	153,000	153,000	-	153,000
Restricted Common Shares	-	-	-	40,897
Options	-	-	-	-
Total	153,000	153,000	-	193,897
Robby Chang:				
Severance	125,000	-	-	125,000
Restricted Common Shares	-	-	-	52,850
Options	-	-	-	-
Total	125,000	-	-	177,850

(1) Under the Change in Control Policy upon consummation of a Change in Control (as defined in the 2017 Plan) any unvested restricted shares of common stock and stock options held by a Named Executive Officer accelerate and vest upon the consummation of a Change in Control. This column shows the value of unvested restricted shares of common stock and stock options that would have been received upon acceleration of unvested equity rights as of December 31, 2018. The closing price of the Company's common stock on December 31, 2018 was \$1.51 per share.

Director Compensation

The following table shows the total compensation paid or accrued during the year ended December 31, 2018 to each of our directors, current and former, for services as our director:

Name	Cash Fees (\$)	Stock Awards (6) (\$)	Option Awards (\$)	Total (\$)
Remo Mancini (1)	85,009	619,860	-	704,869
Jaeson Les (2)	46,160	108,630	-	154,790
Benjamin Yi	10,688	-	-	10,688
Andrew J. Kaplan (3)	32,489	108,630	-	141,119
John O'Rourke (4)	2,000	-	-	2,000
Eric So (5)	2,000	-	-	2,000

(1) Stock awards include 45,000 restricted common shares awarded at a value of \$10.27, on February 23, 2018, vesting 50% at date of award and the balance on the six-month anniversary of grant. Also includes 7,500 restricted common shares awarded at a value of \$7.94, on March 21, 2018, vesting monthly at a rate of 1/6 of such shares per month, starting one month after the grant date. Also includes 24,000 restricted common shares awarded at a value of \$4.09, on September 20, 2018, vested 100% at date of grant.

(2) Stock awards include 7,500 restricted common shares awarded at a value of \$7.94, on March 21, 2018, vesting monthly at a rate of 1/6 of such shares per month, starting one month after the grant date. Also includes 12,000 restricted common shares awarded at a value of \$4.09, on September 20, 2018, vested 100% at date of grant.

(3) Stock awards include 7,500 restricted common shares awarded at a value of \$7.94, on March 21, 2018, vesting monthly at a rate of 1/6 of such shares per month, starting one month after the grant date. Also includes 12,000 restricted common shares awarded at a value of \$4.09, on September 20, 2018, vested 100% at date of grant. Mr. Kaplan resigned from his position as a director of the Company effective as of October 22, 2018.

(4) Compensation paid to Mr. O'Rourke's is for fees for Board service in January 2018 and February 2018. Also see Item 11, Executive Compensation. Mr. O'Rourke resigned from his position as a director of the Company effective as of September 8, 2018.

(5) Mr. So resigned from his position as a director of the Company effective as of February 16, 2018.

(6) The "Stock Awards" columns reflect the aggregate grant date fair value for restricted stock awards granted during fiscal years 2018, computed in accordance with FASB ASC Topic 718. See Note 11 to our consolidated financial statements reported in our Annual Report for details as to the assumptions used to determine the grant date fair value of the restricted stock awards.

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

The following table sets forth certain information, as of April 22, 2019, based upon 14,762,809 shares of common stock issued and outstanding, with respect to the beneficial ownership of the outstanding common stock by (i) any person know to us to beneficially own more than five (5%) percent; (ii) each of the Company's named executive officers and directors; and (iii) the Company's directors and executive officers as a group. Beneficial ownership is determined in accordance with Rule 13d-3 of the Securities Act. Accordingly, in computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of our common stock that the owner has the right to acquire within 60 days after April 22, 2019 are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned and addresses are c/o Riot Blockchain, Inc., 202 6th Street, Suite 401, Castle Rock, CO 80104.

Name and Address	Number of Shares	Percent
Directors:		
Remo Mancini (1)	76,500	* %
Jason Les (2)	40,437	*
Benjamin Yi	-	-
Other Executive Officers:		
Jeffrey G. McGonegal (3)	38,701	*
Robby Chang (4)	49,503	*
All Directors and Executive Officers as a Group (5 persons) (5)	206,704	1.4 %

* Holds less than 1%

- (1) Represents vested restricted stock grants of 45,000 shares granted February 23, 2018, 7,500 shares granted March 21, 2018 and 24,000 shares granted September 20, 2018, all under the 2017 Plan.
- (2) Includes (i) 15,000 shares of common stock, (ii) 5,937 shares of common stock vested or to be vested pursuant to a restricted stock award of an aggregate of 7,500 shares that has vested or will vest within 60 days of April 19, 2019, pursuant to the 2017 Plan which vest in 24 equal monthly installments over a two year period, beginning on the one month anniversary of November 3, 2017 and (iii) vested restricted stock grants of 7,500 granted March 21, 2018 and vested restricted stock grants of 12,000 shares granted September 20, 2018, all under the 2017 Plan.
- (3) Includes (i) 21,638 shares of common stock, (ii) 63 shares of common stock held in Mr. McGonegal's IRA (iii) vested restricted stock grants of 5,000 shares of common stock pursuant to a restricted stock award of under the 2017 Plan.
- (4) Represents vested portion of restricted stock grant totaling 37,503 shares out of a total grant of 60,000 shares that has vested or will vest within 60 days of April 19, 2019, which vest in 24 equal monthly installments over a two year period, beginning on the one month anniversary of February 27, 2018 and vested restricted stock grants totaling 12,000 shares granted September 20, 2018, all under the 2017 Plan.
- (5) Includes footnotes (1) through (4).

Securities Authorized Under Equity Compensation Plans Information

The Company currently has one current equity compensation plan, The Riot Blockchain, Inc. 2017 Equity Incentive Plan (the “2017 Plan”). As approved by the Company’s stockholders on August 21, 2017, the Company may provide stock-based compensation to employees, directors and consultants, under the 2017 Plan. The Company’s previous 2002 Stock Incentive Plan, as amended, was replaced by the 2017 Plan, with the 2002 Stock Incentive Plan continuing to govern the then outstanding grants and awards for 91,333 options and 157,000 shares of restricted common stock, but no additional grants to be made under that plan. The 2017 Plan was approved reserving 895,000 common shares under the Plan and the Company has granted 767,811 share rights under the 2017 Plan and has 127,189 shares which remain issuable under the 2017 Plan.

The following table provides information as of December 31, 2018, about the shares of common stock that may be issued upon the exercise of options or the vesting of restricted common stock under the 2017 Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options and restricted common stock	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders (1)	493,354	\$ 15.71	127,189
Equity compensation plans not approved by security holders	—	—	—
Total	493,354	\$ 15.71	127,189

(1) Consists of 62,000 stock options with a weighted average exercise price of \$15.71 and 431,354 shares of restricted stock.

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

Certain Relationships and Related Transactions

The Audit Committee has responsibility for reviewing and, if appropriate, for approving any related party transactions that would be required to be disclosed pursuant to applicable SEC rules. This includes current or proposed transactions in which the Company was or is to be a participant in which the amount involved exceeds the lower of either \$120,000 or 1% of the average of the Company's total assets at year-end for the last two completed fiscal years, and in which any of the Company's executive officers, directors, or stockholders (or groups of stockholders) owning more than 5% of the Company’s outstanding common stock, or any immediate family members of such persons (collectively a “Related Party”), has a direct or indirect material interest. Our audit committee reviews and approves any transaction with a Related Party we propose to enter into. Our audit committee charter details the policies and procedures relating to transactions that may present actual, potential or perceived conflicts of interest and may raise questions as to whether such transactions are consistent with the best interest of our company and our stockholders. Such transactions will be entered into only if found to be in the best interest of the Company and approved in accordance with the Company's Code of Ethics, which are available on the Company's web site.

As previously reported by us, per Schedules 13D filed with the Securities and Exchange Commission, certain persons reported that they had beneficially owned greater than 10% of the dispositive and voting power of the Company's common stock in 2017, however no person so reported beneficial ownership of more than 4.99% of the dispositive and voting power of the Company’s common stock in 2018.

Since the beginning of the Company’s last fiscal year, no transactions with a Related Party were approved by the Audit Committee. Other than the compensation arrangements described under the section entitled “Executive Compensation” herein, and standard indemnification agreements with our directors and officers, there were no transactions with a Related Party in which a Related Party had or will have a direct or indirect material interest in the Company.

Director Independence

Information about the independence of our non-employee directors and the composition of the Audit Committee and Compensation Committee is set forth in Item 10, “Directors, Named Executive Officers, and Corporate Governance” herein.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees: Fees billed or expected to be billed for professional services rendered by Marcum LLP for its audit of the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2018 were billed in 2019. Fees billed for professional services rendered by MNP LLP (the Company's prior auditor) for the audit of the Company's financial statements as of and for the fiscal year ended December 31, 2017 and the reviews of the interim condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q for the first three quarters of 2018 were billed during 2018.

Aggregate fees were billed or expected to be billed for professional services for the years ended December 31, 2018 and 2017 in the following categories and amounts:

	<u>2018</u>	<u>2017</u>
Audit Fees (1)	\$ 564,000	\$ 270,000
Audit Related Fees (2)	74,000	40,000
Tax Fees	—	—
All Other Fees	—	—
Total Fees	<u>\$ 638,000</u>	<u>\$ 310,000</u>

- (1) Audit fees relate to the financial statement audits, the quarterly reviews and related matters. Audit fees for 2018 include services rendered by Marcum LLP for the 2018 audit totaled \$491,000 and services rendered by MNP LLP for their reviews of the interim condensed consolidated financial statements included in the Company's Form 10-Qs during the first three quarters of 2018 totaled \$73,000. Audit fees for 2017 include services rendered by MNP LLP for the 2017 audit totaling \$184,000 and services rendered by EisnerAmper LLP (the Company's prior auditor) for their reviews of the interim condensed consolidated financial statements included in the Company's Form 10-Qs during the first three quarters of 2017 totaled \$86,000.
- (2) Audit related fees include services reasonably related to the performance of audit and review of the consolidated financial services, including services related to the review of our registration statements. Audit related services rendered by MNP LLP, EisnerAmper LLP and Crowe LLP (the Company's prior auditor) for 2018 totaled \$4,000, \$67,000 and \$3,000, respectively. Audit related services rendered by EisnerAmper LLP and Crowe LLP for 2017 totaled \$25,000 and \$15,000, respectively.

Our principal accountant (through its full-time employees) performed all work regarding the audit of our financial statements for the most recent fiscal year.

The Company's Audit Committee currently has a policy in place that requires its review and pre-approval of all audit and permissible non-audit services provided by its independent auditors. These services requiring pre-approval by the Audit Committee may include audit services, audit related services, tax services and other services. All of the services performed by the independent registered public accounting firm were approved by the Company's Audit Committee and prior to performance. The Audit Committee has determined that the payments made to its independent accountants for these services are compatible with maintaining such auditors' independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

No. Exhibit

31. *Certifications.*

31.1 [Rule 13a-14\(a\)/15d-14\(a\) - Certification of Chief Executive Officer *](#)

31.2 [Rule 13a-14\(a\)/15d-14\(a\) - Certification of Principal Financial Officer. *](#)

* Filed herewith.

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 on April 23, 2019, by the undersigned thereunto duly authorized.

RIOT BLOCKCHAIN, INC.

/s/ Jeffrey G. McGonegal

Jeffrey G. McGonegal,
Chief Executive Officer

/s/ Robby Chang

Robby Chang,
Chief Financial Officer

POWER OF ATTORNEY

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 on April 23, 2019 in the capacities indicated.

/s/ Jeffrey G. McGonegal

Jeffrey G. McGonegal
Chief Executive Officer (principal executive officer)

/s/ Robby Chang

Robby Chang, Chief Financial Officer (principal financial officer)

/s/ Remo Mancini

Remo Mancini, Director

/s/ Jason Les

Jason Les, Director

/s/ Benjamin Yi

Benjamin Yi, Director

CERTIFICATION

I, Jeffrey G. McGonegal certify that:

1. I have reviewed this annual report on Form 10-K of Riot Blockchain, Inc. as amended;
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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 23, 2019

/s/ Jeffrey G. McGonegal
Jeffrey G. McGonegal,
Chief Executive Officer
PRINCIPAL EXECUTIVE OFFICER

CERTIFICATION

I, Robby Chang certify that:

1. I have reviewed this annual report on Form 10-K of Riot Blockchain, Inc. as amended;
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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 23, 2019

/s/ Robby Chang

Robby Chang,
PRINCIPAL FINANCIAL OFFICER
