Business Overview

Introduction

PURPOSE

The purpose of this document is to provide an overview of non-public information about PROHASHING. Detailed explanations about many aspects of PROHASHING's operations are available on the company's website. Therefore, there are many links in this document that refer to public information where it is available.

BUSINESS MODEL

PROHASHING is a cryptocurrency mining pool that focuses on honesty, trustworthiness, and transparency.

Customers connect mining equipment, such as ASICs, FPGAs, and GPUs, to PROHASHING's servers. The servers send the equipment work assignments. At the most basic level, when work is completed, PROHASHING pays customers a fraction of the money their work was expected to earn, providing a constant income stream with little risk to the customer. PROHASHING earns a profit when blocks are found and the full expected value is actually earned. PROHASHING additionally provides other mining and payout modes, which are explained later in this document.

To reduce risk, overhead, and complexity, PROHASHING does not own or operate mining equipment itself and sells all profits to dollars.

HISTORY

PROHASHING was founded on December 23, 2013. The business was created to address a trust void in the marketplace. Most mining pools at the time (and even many currently) do not publish public information about their owners and are operated from jurisdictions with ineffective legal systems.

PROHASHING addresses this issue by posting the names of its operators and complying with all US laws and regulations, whereas competitors like Litecoinpool and Nicehash do not.

More information: https://prohashing.com/help/prohashing-legal-information

NOT A MONEY TRANSMITTING BUSINESS

PROHASHING is not a money transmitting business because it does not receive money. To avoid scrutiny, the company sells no products of any type. It only pays miners for their workers' hashrate. The avoidance of money transmission licenses allows PROHASHING to avoid expensive compliance costs.

More information: https://prohashing.com/blog/prohashing-trusted-business-partner

OBJECTIVE

Fraud by Celsius, BlockFi, and Genesis eliminated the reserve that would otherwise have easily carried PROHASHING until the next bullish cryptocurrency cycle begins. PROHASHING is interested in working with an innovative buyer to either:

- Sell the entire company to a foreign entity, which will allow the new owners to bypass onerous regulations and also turn on features that PROHASHING is not able to offer, like payouts in hundreds of coins offered only at binance.com. It is quite possible that, with exchanges in the United States discontinuing some coins and foreign companies prohibiting US customers, mining with PROHASHING will be the only way that US customers can obtain these coins.
- The business can focus more acutely on bitcoin mining with a pay-per-share "luck purchase" arrangement. Increasing hashrate by just 33% - or 0.019% of the bitcoin network - will return PROHASHING to breakeven.

PROHASHING would consider other options suggested by the investor as well.

Features

SUPERIOR ONLINE DASHBOARDS

PROHASHING provides superior online data to that provided by other mining pools. Customers praise PROHASHING for the number of charts the company's website displays and state that they can get a better understanding of how their mining operations are working.

These dashboards can be viewed by signing up for an account at prohashing.com.

A DECADE OF ERROR HANDLING AND REGRESSION TESTING

One of PROHASHING's most significant assets is its length of operations. During the last decade, thousands of bugs have occurred. Every time a bug has caused a loss of money or has degraded the customer experience, that bug is fixed and checks are added to the company's Grafana monitoring system.

All of the known open-source mining pool software online has significant security vulnerabilities and bugs that cause losses of money. It is not possible for a new pool operator to use open-source software and expect to earn money for years because of the bugfixes required to this software.

Some of the bugs in the open-source software are extremely subtle and took months of effort to discover. These bugs result in the open-source software finding worthless erroneous blocks instead of real blocks. It is likely that PROHASHING is the only pool that is able to profitably mine some coins.

REAL-TIME TRADING SOFTWARE

PROHASHING supplements its income from customer earnings by taking advantage of arbitrage and pricing inefficiencies.

PROHASHING's trading software automatically monitors multiple exchanges. Every few minutes, the system compares the blocks that were mined by customers to the payout coins owed to customers. Excess coins are sent to the exchanges with the highest price, considering market depth and other conditions, while needed coins are purchased at the exchanges with the lowest prices.

Additionally, PROHASHING's trading system monitors multiple paths between coins. Instead of a path of SHIB -> USD -> ETH at one exchange, the best path to obtain the payout ETH may be SHIB -> LTC -> BTC -> ETH, across multiple exchanges, if there are SHIB/LTC markets and LTC/BTC markets that after fees are more efficient.

Because trading occurs so frequently, the exchange rate risk is passed onto the customer because mined coins that customers don't want are out of PROHASHING's hands within minutes. PROHASHING does not retain coins for its reserve and currently sells all its profits to dollars.

These millions of trades are all stored in a database that lists has been reconciled with every trade the system has made since 2013. 20TB of data is archived to audit all of PROHASHING's data.

Additionally, PROHASHING has audit systems that automatically and continuously audit deposits and withdrawals from exchanges. These systems have identified over $500,000 of deposits that were never credited to PROHASHING at exchanges. PROHASHING is currently fighting with Coinbase to retrieve funds it discovered that Coinbase has not credited to its accounts.

PAYOUTS IN 200 COINS, INCLUDING US DOLLARS

PROHASHING is the only known pool that offers payouts in any coin offered at any exchange that accepts US customers. PROHASHING's trading software buys and sells coins that are owed to customers in real-time.

PROHASHING spent over 6 months establishing a relationship with Dwolla, a partner that allows PROHASHING to pay customers in US dollars to their bank accounts. As far as we are aware, no other pool allows US dollar payouts. This partnership was achieved through

strict adherence to regulations and PROHASHING's commitment to honesty and transparency.

CAPACITY AND DISTRIBUTED ARCHITECTURE

PROHASHING spent years redesigning, and eventually releasing, a system that can handle a dramatically increased number of workers. Real-world data suggests that the system, which is fully parallelizable, can handle at least 30 times the size of the current userbase without any additional modifications. Significant effort was devoted to adding additional capacity throughout the entire system to remove bottlenecks.

PROHASHING has a main server in the United States, one already deployed in Europe, and is on track to round out its worldwide offerings with a new third server in Singapore before March 31, 2023.

PROSWITCHING

Rather than mine a single coin for each algorithm, PROHASHING provides the option (but not the requirement) for mining operators to allow PROHASHING's mining servers to select the most profitable coin for that algorithm. For SHA-256, earnings can be boosted by several percent over mining only bitcoins. If the customer doesn't want to earn these other coins, (s)he can request them to be automatically sold into a preferred payout coin or to US dollars.

HISTORICAL CHARTS

PROHASHING provides extensive charting options for historical data. This data can be displayed for individual workers, groups of workers, the entire user account, and the entire pool. Customers can view profitability, miner earnings, coins mined, miner counts, hashrates, and more.

Public information: https://prohashing.com/charts/algorithm-profitability
Customer information: Sign up for an account

LIVE STATISTICS

All statistics at PROHASHING are published live. Customers can see blocks the second they are found, watch which coins their workers are mining in real time, and follow real-time hashrates of individual workers and of the entire pool.

More information: https://prohashing.com/live-pool-status

ELECTRICITY TRACKING

When the cost of electricity is provided by the customer, PROHASHING allows workers to track electricity consumption both in real-time and historically. The electricity usage of specific models of mining machines is stored in PROHASHING's database.

PROHASHING's "worker configurator" allows customers to estimate whether a mining operation will be profitable. The customer selects only a rig model and enters the electricity cost, and the profitability (or loss) is calculated based upon PROHASHING's historical profitability data.

More information: https://prohashing.com/tools/miner-configurator/Scrypt

MERGE MINING

Merge mining allows PROHASHING to mine multiple coins simultaneously. Some algorithms allow three or more coins to be mined in addition to the primary coin. PROHASHING's trading software exchanges these extra coins for the coins the customers request for payouts.

CUSTOMER SERVICE AND PHONE SUPPORT

Unlike many pools, PROHASHING offers live support hours, where customers can speak to a PROHASHING representative on the phone. PROHASHING employees are listed by name and image on the company's website, to provide an impression of honesty and trust.

More information: https://prohashing.com/resources, 888-901-HASH

ZERO HACKS AND THEFTS

Unlike NiceHash, Slush, and other pools, PROHASHING has never suffered a hack of any of either its own reserves or of the debts it owes to its customers.

PROHASHING achieved this security by self-hosting. The company physically controls its own servers, so common attack vectors, such as exploiting security vulnerabilities in cloud hosting setups, or pretending to be PROHASHING to vendors, cannot be exploited.

More information: https://prohashing.com/guides/why-self-hosting-is-important

PORTFOLIO TARGETING

Many PROHASHING customers see cryptocurrencies as an investment, rather than as spending instruments. These customers often want to take advantage of swings in the markets to earn the largest number of coins possible.

Portfolio Targeting maintains a percentage of value in each coin in a customer's portfolio, paying more of a specific coin when that coin crashes in price.

More information: https://prohashing.com/guides/magic-of-portfolio-targeting

ADVANCED PAYOUT FEATURES

PROHASHING's website provides a point-and-click user interface that generates scripts for customers to determine under what conditions they are paid which coins. "If" statements can be used to change earnings based on market conditions.

Customers can also tip employees and make donations to charities that accept cryptocurrency donations.

NOTIFICATIONS

PROHASHING provides the option for customers to be notified when events occur that affect their mining operations. Customers can be notified when hashrate declines, workers disconnect, profitability increases, and if a number of other events occur.

CUSTOM E-MAIL MARKETING

To protect against unauthorized disclosure of E-Mail addresses by third-party companies and the termination of service of many cryptocurrency firms by Mailchimp and Constant Contact, PROHASHING created its own fully featured E-Mail marketing system. The marketing system includes a template language that allows targeting on, and the insertion and replacement of, personalized data such as username, amount earned, and account registration date.

PROHASHING sends newsletters and feature updates using the marketing platform.

PROHASHING TRUSTED MINING PROGRAM

The PROHASHING Trusted Mining Program provides a small bonus to customers who undergo identity verification. PROHASHING has found a small but significant difference in luck between verified customers and unverified customers.

Verified customers agree not to use custom firmware that can cause “missed blocks,” which has significantly improved margins over the pool’s lifetime.

MASSIVE DATA STORE

PROHASHING has retained data about every share that has ever been submitted to the pool, every customer who has ever mined and detailed error logging. It can reconstruct every financial action taken by the pool since inception. This 20TB of data is stored in disconnected disks that are immune from remote hacking and ransomware.

SITE PERFORMANCE

PROHASHING spent several months optimizing its website speed. Google views PageSpeed as one of the most important factors in converting a visitor to a customer. Page load time for PROHASHING's homepage was reduced from 17 to 2.5 seconds, and PROHASHING's performance far exceeds that of top competitors, such as Nicehash and Slush.

SITE VISITOR PROFILE

The PROHASHING website had 23,210,055 visits between August 18, 2020 and May 14, 2023. During that time, the bounce rate was 18.56%, far exceeding the 45% bounce that Google suggests is excellent. This low bounce rate suggests that customers that are able to discover PROHASHING's website are interested in PROHASHING's services.

PPS, PPLNS, AND SOLO MODES

In addition to the popular and simple pay-per-share mode, PROHASHING also offers pay-per-last-N-shares and solo mining modes.

REFERRAL PROGRAM

PROHASHING offers a referral program where customers can earn 0.25% of their referred customers' earnings. The referral program has been extremely successful, with estimates that over 1,000 customers who would otherwise not have used PROHASHING have been attracted to the site.

API AND DEVELOPER TOOLS

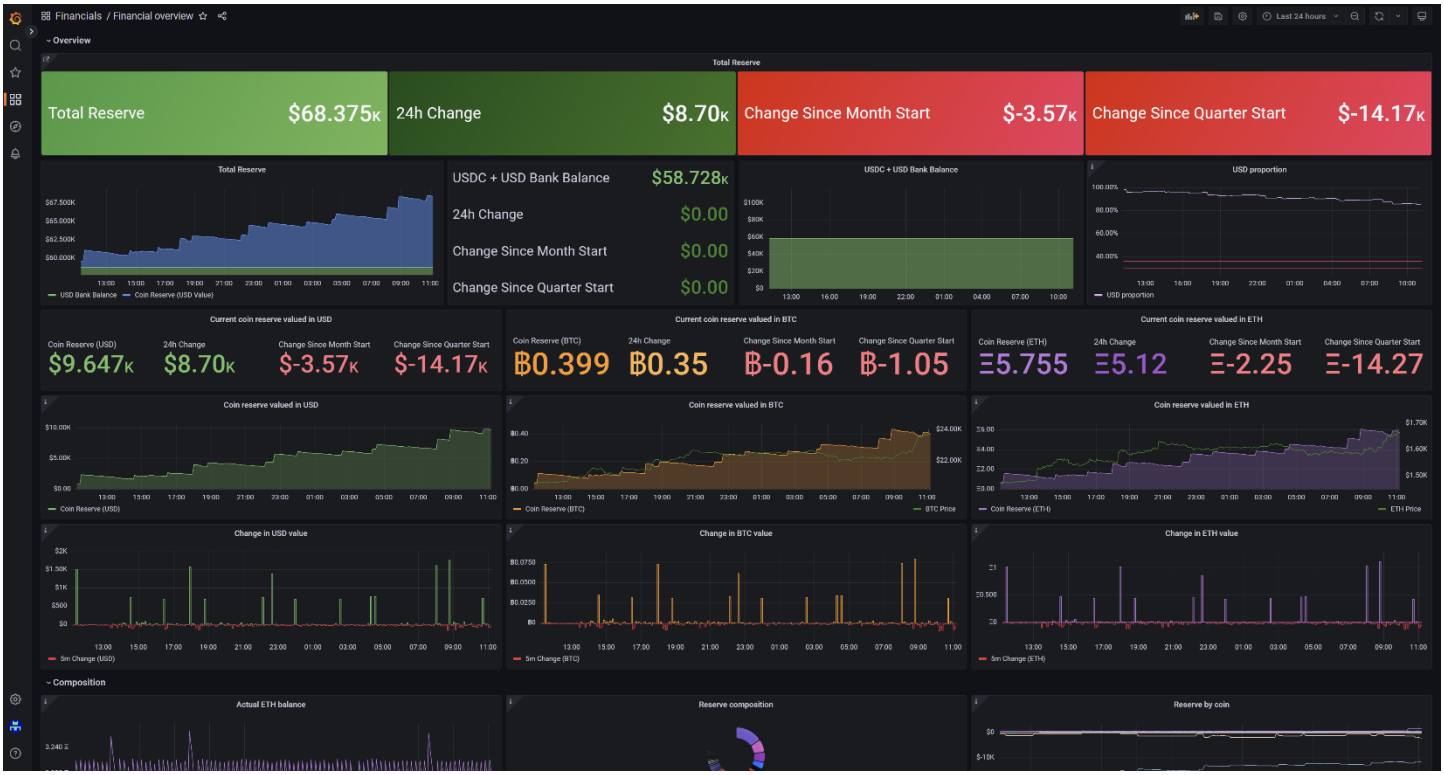
PROHASHING offers two APIs for developer use. The REST API provides access to delayed statistics, such as which coin is the most profitable to mine and how much has been earned by an account. Several third-party tools use the REST API to integrate PROHASHING

into automated mining software. The inclusion of PROHASHING in this software attracts customers who are familiar with the software from using it with other pools.

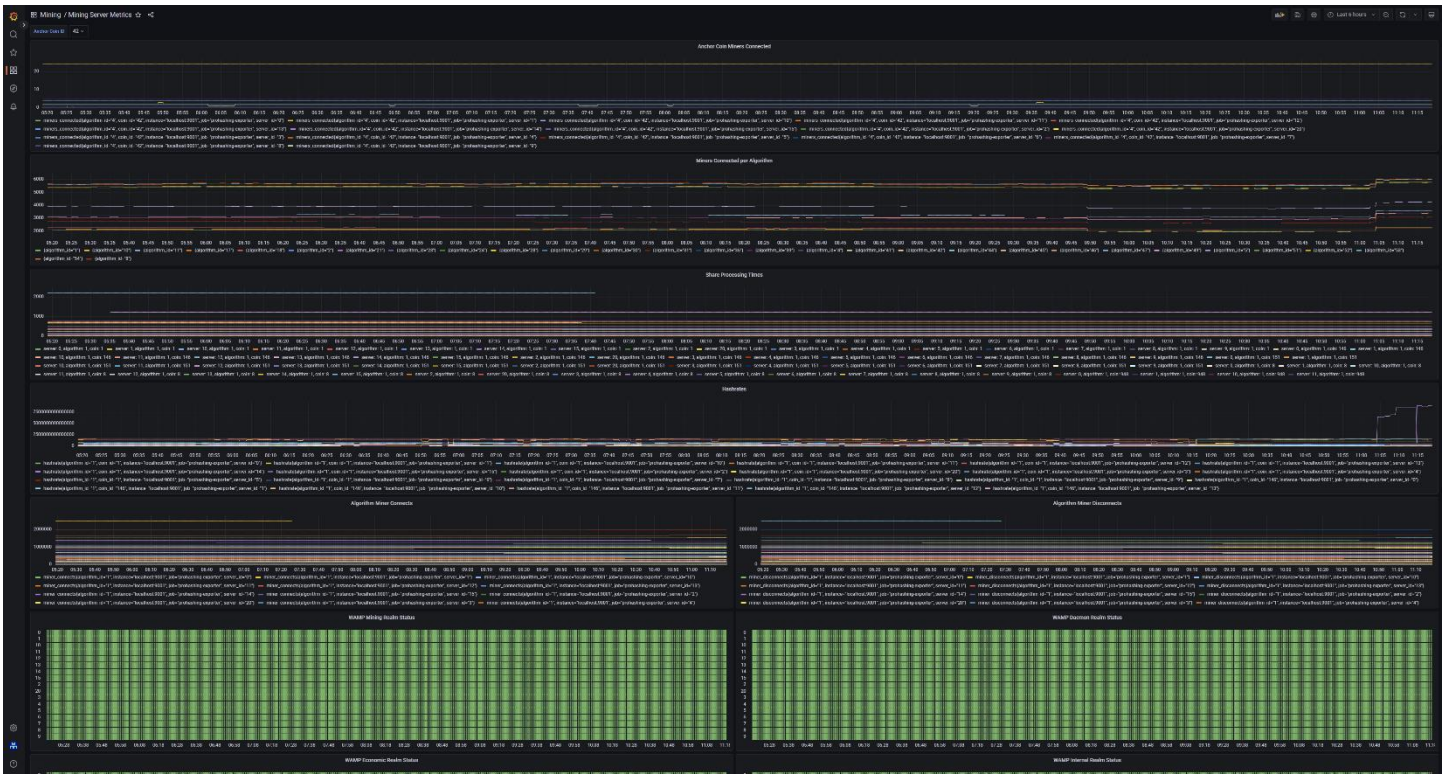
PROHASHING also offers a WAMP API, which provides real-time push data. The WAMP API allows customers to create custom user interfaces. It also provides information to PROHASHING backend tools.

GRAFANA MONITORING SYSTEM

PROHASHING maintains a visual monitoring system with 10 custom dashboards covering every aspect of its system, from its mining servers' status, to the composition of its reserve, to its financial data. Pictured below are two of the dashboards.



Mining / Mining Overview
Luck
Overall Luck for Selected Coins and Algorithms
1d Overall Luck
175%
7d Overall Luck
105%
30d Overall Luck
101%
Overall Luck for Selected Coins and Algorithms
Luck for Detailed Algorithm (ethash)
Luck for Detailed Coin (BitcoinCash)
Luck by Algorithm for Selected Algorithm(s)
Algorithm Name
01d Luck
07d Luck
30d Luck
30d blocks
30d odds (average)
30d odds (weighted)
octopus
kawpow
equihash-144_5
randomx
ethash
etchash
x13
chia
equihash
gr
scrypt
neoscrypt
sha-256
x11
autolykos
lyra2rev2
skein
Luck by Coin for Selected Algorithms and Coins
Coin Name
Callisto (ethash)
NewYorkcoin (scrypt)
Conflux (octopus)
Ravencoin (kawpow)
EthereumPoW (ethash)
Peercoin (sha-256)
Verge (scrypt)
BitcoinZ (equihash-144_5)
BitcoinGold (equihash-144_5)
Monero (randomx)
Nyxcoin (neoscrypt)
EthereumClassic (etchash)
Dingocoin (scrypt)
DigiByte (sha-256)
Deeponion (x13)
Litecoin (scrypt)
Chia (chia)


Mining / Mining Server Metrics
Anchor Coin Miners Connected
Miners Connected per Algorithm
Share Processing Times
Hashrates
Algorithm Miner Connects
Algorithm Miner Disconnects
WAMP Mining Realm Status
WAMP Daemon Realm Status
WAMP Economic Realm Status
WAMP Internal Realm Status

CONTENT LIBRARY

PROHASHING's public relations officer, Sarah Manter, wrote comprehensive documentation and numerous blog posts about mining and cryptocurrency topics. PROHASHING also maintains a YouTube channel of tutorials and getting started help.

PROHASHING indexes blockchains and hosts block explorers, some of which are the only block explorers for those coins.

More information: https://prohashing.com/resources, https://www.youtube.com/channel/UCUIdEqtQpR6k7bvMenNiikg, https://prohashing.com/explorer

FORUMS AND SOCIAL MEDIA

PROHASHING hosts its own forums to avoid the censorship on reddit and bitcointalk.org. PROHASHING also communicates with customers on twitter and other social media channels. The company has analyzed and recently discontinued several social media accounts due to low readership to cut costs.

More information: https://forums.prohashing.com/

Partnerships

SALAD

Salad is a gaming company that caters to GPU owners. It allocates customer GPU mining rigs to PROHASHING's mining servers when they are not playing Steam games, and awards customers "Steam Points" in return for the money PROHASHING pays to Salad. These points can be used to buy games. Salad obtains points from Steam at lower than face value, profiting from the difference.

Salad chose PROHASHING as its mining partner after it became dissatisfied with Nicehash's legal compliance issues. Salad's employees regularly communicate with PROHASHING and see PROHASHING's transparency as a key asset to their business.

More information: https://salad.io

Finances

OWNERSHIP AND DEBT

PROHASHING is owned entirely by Steve and Christopher Sokolowski. There are no external investors.

The debt customers are owed but have not entered payout addresses for is backed 100%, is denominated in the coins actually owed to the customers and is stored in PROHASHING's cold wallet. The company owes no other debt.

OVERVIEW OF FINANCES

This section reviews revenue and profits since PROHASHING's founding.

Tax year	Revenue	Profit	Margin	# Employees
2013	$0	$0	-	2
2014	$22,864	-$1,711	-7.48%	2
2015	$177,021	$336	0.19%	2
2016	$522,702	$18,900	3.62%	2
2017	$30,182,060	$2,263,037	7.50%	3
2018	$31,579,103	$1,216,461	3.85%	4
2019	$8,464,396	$154,444	1.82%	4
2020	$4,290,561	-$108,373	-2.52%	5
2021	$21,094,329	$2,227,330	10.56%	8
2022	$9,628,954	-$1,949,086*	-20.2%*	10

* Excluding losses due to crypto lending fraud and coin depreciation, profit in 2022 was around -$100,000, or -1.03%.

INCREASING MARGIN

One of PROHASHING's greatest achievements over the past decade has been in increasing its margins.

The most significant costs to PROHASHING until 2021 were bugs, theft from exchanges, and being unable to track financial data in real time. These problems were created by a labor shortage and because at the time, it was more profitable to gain more customers than it was to address those issues.

The creation of a "deposit checker" and "withdrawal checker" yielded around $500,000 in savings from exchange theft, and the addition of a secondary checking system for payouts prevented erroneous payouts, and general bugfixes in the mining servers achieved zero "share corrections" in the past year.

Current margins are 13.43%, double what was earned in 2017, primarily due to improved software stability and the hundreds of checks to avoid exchange theft. Margins exceed the 4% fee charged to PROHASHING customers because of how PROHASHING's trading software is able to price coins at exchanges.

TERMINATIONS, LAYOFFS, AND ATTRITION

In 2022, PROHASHING terminated its financial manager for incurring IRS penalties, laid off two underperforming employees, and elected not to replace one employee who voluntarily resigned. The reduced overhead has improved PROHASHING's finances without significant impact to the company's operations.

MONTHLY BUDGET

This section provides the actual monthly budget for February 2023.

Item	Earnings/Cost
Mined blocks	$249,078
Customer earnings	-$215,617 (gross profit $33,461; 13.43%)
Utilities & Insurance	-$3,556
Exchange trade & withdrawal fees, cryptocurrency transaction fees	-$1,578
Identity verification and dollar payment processor fees	-$493
Payroll & payroll taxes (excluding Steve/Chris)	-$33,076
Employee benefit programs (health insurance & retirement, excluding Steve/Chris)	-$5,604
Capital expenditures (none in February 2023, but average per month from 2022)	-$1,201
TOTAL	**-$12,047***

The breakeven point is estimated to be a Litecoin price of $100, a 33% increase in customers at current prices of $65, or a lower Litecoin price and a lesser customer increase.

LOSSES DUE TO FRAUD

In 2022, a large number of deposit institutions in the cryptocurrency industry filed for bankruptcy. The institutions at which PROHASHING deposited money to earn interest presented PROHASHING and its owners with false financial statements, leading to the loss of $7 million.

The following table lists money lost to fraud in 2022 at PROHASHING (the remaining money was lost from personal savings):

Company	**Amount lost**
Celsius Networks	-$169,357
BlockFi Lending	-$643,961*
Genesis Global Capital	-$191,133
TOTAL	**-$1,004,451**

***** No buyers have emerged for the BlockFi claim, so this claim's losses have so far been valued at 100%.

ASSETS AND LIABILITIES

This report is current as of May 12, 2023.

Item	Approximate value
Pool cryptocurrency reserve	-$1,676
Pool U.S. Dollar reserve	$14,978
Debts owed to customers	-$441,188
Customer reserve	$441,188
Physical assets (mainly server hardware)	$10,000
<u>Litigation claims</u> • Claim against BlockFi estate (Private Clients like PROHASHING are most senior unsecured creditors) • Personal litigation rights against Zac Prince due to false statements in video call* (https://prohashing.com/blog/crypto-lending-untruths-part-1-blockfi) *If the litigation against Prince succeeds, 127% of the value of PROHASHING's coins (est. $800,000) will be paid, regardless of how much the BlockFi estate pays. *If the litigation fails, PROHASHING will receive what the BlockFi estate pays based upon its lower $643,000 valuation. BlockFi believes that Private Clients will receive 91% to 100%. A litigation financing company is funding the litigation, and the contract states no legal fees will be charged in the case of failure.	$643,000 $157,000
Other illiquid assets (mostly debts owed by bankrupt entities, marked down to estimated value.) Also includes dollars wrongfully seized in an account at Square, Inc, which PROHASHING is litigating against.	$150,000
Proprietary mining software	?
Blockchain expertise of trained employees – particularly Steven Godshall	?
Liquid assets	**$13,302***
Member's equity	**$816,302 - $966,302**

CYCLICAL BUSINESS

As the “overview of finances” section shows, mining is a cyclical business. During the past eight years, PROHASHING has spent its time preparing its services for extremely profitable periods during the latter stages of bull markets and the first part of the downtrends. Some of the money earned during those periods would be used to pay expenses until the next uptrend began.

Unfortunately, the lending companies provided fraudulent financial data to PROHASHING, and the company lost all of its reserve in 2022, making it more challenging for the company to weather the current downturn.

Opportunities

MARKETING AND ADVERTISING

PROHASHING customers often provide similar feedback: they love the features that PROHASHING offers, but they are surprised that they didn't know about PROHASHING sooner. Often, they refer to PROHASHING as a "small pool," despite the large number of blocks mined as indicated in the "Finances" section.

PROHASHING engaged Digital Silk, a digital marketing firm, to redesign its website, to change its color scheme, to create a new logo, and to standardize its public relations practices. This collaboration allowed PROHASHING to far exceed the design and features of competitors like https://litecoinpool.org.

Unfortunately, despite this effort, PROHASHING has not been as successful as it could be in breaking through the noise. PROHASHING's Google rankings are low, and other pools are frequently interviewed by media outlets and have more social media followers. People don't complain about weaknesses in PROHASHING's services; they just don't talk about the company at all.

VERTICAL INTEGRATION

PROHASHING has made an effort to offer services to professional mining firms. As one of the only US-complaint mining pools, PROHASHING developed a program to offer enterprise mining services to large firms, with a 5% bonus on the first pay-per-last-N-shares block they mined.

This service has not seen uptake because we have been unable to contact the owners of these large mining facilities. These large miners do not usually perform searches, and when they do, PROHASHING's low Google PageRank means that they are unlikely to discover the pool. Contact with someone who can provide introductions to these owners would allow PROHASHING to provide software services to them.

PROHASHING, without additional modifications to its software, should be able to offload most of the software tasks for mining, like maintaining coin daemons and tracking revenue, from the mining operators, allowing them to concentrate on their primary business of maintaining their equipment and facilities.

Options

1. RELOACTION OUTSIDE THE UNITED STATES

A full acquisition by foreign investors may present an opportunity for those investors to introduce additional features to PROHASHING's existing customers. PROHASHING lost a significant number of customers when it began complying with US regulations on January 1, 2018. The most challenging issues in the United States are the number of coins that PROHASHING can mine, and the tax paperwork required by the IRS.

One of PROHASHING's primary difficulties is that exchanges that accept US customers often limit the number of coins available to trade. PROHASHING's customers want payouts in hundreds of coins, and the only way to obtain some of those popular coins, such as Ripple or Monero, is by using small exchanges that post no contact information for their owners. These exchanges have bugs and are vulnerable to theft. Graviex, for example, stole $50,000 from PROHASHING but still had to be used because it was the only source of some popular coins.

A foreign owner could sign up at binance.com, the world's largest exchange, which offers all the coins customers request; the loss of PROHASHING's binance.com account caused a subsequent loss of customers. Additionally, Binance offers zero-fee trading for many coins, which would cut costs by at least $1,000 per month.

Critically, it is possible that the SEC may force many exchanges in the US to either cease operations or to delist many coins. These coins will remain in demand by US customers. It may become the case that the only way for US customers to legally obtain some of those coins, since it is still lawful to own them, is through mining at PROHASHING.

IRS tax paperwork is also a cause of friction. Many customers stop mining after earning $599 in one year. More alarmingly, half of foreign customers – perhaps due to language barriers - are unable to understand and complete the W8-BEN form, stop responding to support assistance, and leave the pool.

In the case of a full acquisition, PROHASHING recommends that the claims against BlockFi and Zac Prince be severed from the company's assets. These claims can be difficult to value, are long term, depend upon the outcome of multiple complex cases, and may involve litigation financing that devalues them. The sale contract can include a clause

releasing all debts Cryptocurrency Management LLC owes to PROHASHING, allowing the new owners to focus on the core mining business. Then, Steve and Christopher Sokolowski can focus themselves on the litigation against Prince and obtaining value from their own and PROHASHING's claims against BlockFi and the other lenders.

2. PPS BITCOIN MINING FUNDING

PROHASHING's largest weakness is being unable to offer competitive bitcoin mining. The pool offers mining of all other coins, but cannot afford to offer pay-per-share (PPS) bitcoin mining because it lacks a large reserve.

In pay-per-share mining, customers are paid for the work they perform at the time the work is submitted. Each share submission has a low probability of finding a block. PROHASHING (and most other PPS pools) pay around 96% of this expected value. When a block is found, the most statistically probably outcome is that PROHASHING will have already paid 96% of the money that the block is worth, so the company's reserve is most likely to increase by 4%.

Pay-per-share mining is the most profitable mining type because the mining pool takes the risk that random luck will turn against it. There is a high probability that a block will be found before random chance would normally dictate, in which case the pool earns profit. There is a lower probability that the block will be found after random chance would normally dictate, resulting in losses. Given enough time, the pool's reserve grows because the odds of finding a block early are 4% higher than finding one late. In the short term, there is statistical variance, where the reserve fluctuates.

Mathematics can be used to compute that for the pool to have odds of less than 1% of bankruptcy due to random chance, 3 times the block reward is required as a reserve. PROHASHING can afford this reserve for all other coins, and therefore offers pay-per-share mining for all coins except bitcoin. It does not have the three block rewards necessary to enable bitcoin pay-per-share mining, and bitcoin mining has the largest addressable market. PROHASHING can enable bitcoin PPS mining within five minutes if a reserve were available to offer it.

Note that the reserve does not need to be lent all at once, and collateral is not required. Instead, the proposed deal would be structured as the purchase of a product. The

product to be purchased is the rights to a large portion of the bitcoin blocks mined during a given day. Here is an example contract:

- Every day, buyer pays PROHASHING customers the money the customers are owed for bitcoin pay-per-share mining
- If one or more bitcoin blocks are found by any bitcoin pay-per-share miner, the buyer earns 97% of the blocks' rewards
- If no block is found, the buyer earns nothing

The contract is satisfied at the end of every day. Bitcoin mining consists of independent trials, and the outcome of a particular day's mining does not impact the outcome of the next day's mining. The buyer got what he or she paid for – either a block or nothing – and the contract can therefore be terminated at any time without either party owing the other or taking any more risk. The buyer expects that, given enough time, (s)he will earn more than is spent, and his or her interests are aligned with PROHASHING's in that more money is earned if the buyer works to attract more customers to PROHASHING.

On June 1, 2023, the pay-per-share payouts would be expected to total about $1,500 per day, with the expected value paid when a block is found being about $190,000.

As part of this deal, it would be imperative for the buyer to assist with advertising. Using the numbers above, if PROHASHING were able to capture 0.5% of the bitcoin network's hashrate and prices double to $55,000, the buyer would have an expected profit of $1,000,000 per year.

We do not anticipate any additional financing being required if this arrangement is offered and if the buyer is able to draw in a customer base to mine bitcoins, because even a small increase in hashrate will be sufficient to turn the base business profitable.

3. GO SMALL

In the "go small" scenario, current or new ownership can make the decision that it will not be possible to market to, or even figure out how to contact, large farms. It is projected that layoffs of two of the six current employees can bring costs down to breakeven. While the smaller firm would not be able to expand as there would be no marketing, the

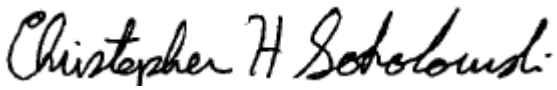
company can survive without any additional money being spent until even a small uptrend returns it to profitability.

Because PROHASHING's software is ready to support many more customers and because we believe that the software's features exceed that of competing pools, this option is the least preferred because it leaves a lot of potential profit unearned.

Contact

CONTACT INFORMATION

We look forward to learning how we can work together to make PROHASHING a profitable asset in the cryptocurrency industry!



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