Z Squared CEO to Shareholders: "The Scarcest Thing in AI is Not Chips. It is Power."

FT. LAUDERDALE, Fla., Aug. 14, 2026 /PRNewswire/ -- Z Squared Inc. (Nasdaq: ZSQR) ("Z Squared" or the "Company"), a computing infrastructure company expanding into AI infrastructure, today issued a letter to shareholders from Chief Executive Officer David Halabu reviewing the Company's power-first acquisition strategy, its site pipeline, and the four priorities management is accountable for over the year ahead.

Fellow Shareholders,

Before turning my focus to AI infrastructure, I spent much of my career underwriting real assets: buildings, land, the things you can put your hand on and know what they are worth. The lesson that stuck with me is simple: value follows scarcity, and the scarcest thing in AI right now is not chips. It is power. Every operator racing to stand up AI infrastructure is discovering the same bottleneck at the same time. New grid interconnection queues now run three to five years in most of the country, while demand for compute is not waiting for anyone.

That gap between what the market needs and what the grid can deliver on any reasonable timeline is the opportunity Z Squared was built to capture.

We are not the first to see it. Operators with energized digital asset mining sites have already leased hundreds of megawatts of that power to AI tenants under long-term contracts. We believe the same trade, buy power first and decide what to put behind it second, is available to any operator disciplined enough to run it well, and Z Squared is built around that belief.

We have evolved from a company focused primarily on digital asset mining into one assembling a targeted portfolio of power-rich infrastructure assets, beginning with the proposed acquisition of Paradox Data and its Union County campus in Arkansas. Our approach is deliberately narrow. We do not begin with unpowered greenfield sites and wait years for a utility connection. We seek to acquire grid-connected sites with existing power infrastructure and a clear pathway to additional capacity, then convert them into AI-ready infrastructure. We lead with power because everything else is downstream of it. We build with speed because the next wave of AI demand is here and needs capacity now. And we scale with discipline, seeking to stage our capital deployment against signed customer commitments and operational milestones rather than speculative buildout.

In our first three months as a public company we have built the leadership team, the capital structure, the acquisition pipeline, and we are focused on building the operating platform required to convert power into contracted AI capacity as we expand beyond our digital asset mining origin. The proof phase begins now with Paradox. I would rather earn your confidence with delivered megawatts than ask for it with words, and I intend to hold myself to that standard in every letter I write to you.

With that context, here is how we are thinking about the year ahead, and the four priorities I am personally accountable to you for.

1. Power-First Acquisitions

Our acquire-and-convert model only works if we buy the right sites. On July 31, we signed a definitive agreement to acquire Paradox Data and its Union County campus in El Dorado, Arkansas. The site has approximately 8 megawatts of energized capacity operating today, a targeted 50 megawatt utility interconnection, and a longer-term objective of up to 150 megawatts of firm power through a hybrid of utility supply and on-site generation. That acquisition, together with the rest of our site pipeline, anchors our Phase 1 objective: 100 megawatts of AI-ready capacity across multiple U.S. sites. That is a target we are underwriting toward, not a commitment. It turns on interconnection queues, permitting, and capital availability, much of which sits outside our control. Not every site we evaluate, and not every deal we announce, will close on the terms or the timeline we first describe. I will not pretend otherwise. But I can tell you every one of them is underwritten against the same question: does this site give us energized power faster than building new would and can it support the standards future customers will require?

2. Building the Platform

Underneath every acquisition is a three-layer platform we have to get right: power infrastructure, digital infrastructure, and customer compute. Generally speaking, our target customers are what the industry calls NeoCloud operators, companies that rent out AI computing power the way a landlord rents space, and they bring their own hardware. We are the building and the power behind their machines, not the machines themselves. Our job is everything around it: power, cooling, fiber, security, and operations, delivered reliably enough that a customer can put production AI workloads on top of it. This is less visible from the outside than an acquisition announcement, but it is the work that determines whether the megawatts we acquire actually convert into revenue.

3. Capital Discipline

We begin this AI infrastructure buildout debt free and as of June 30, 2026: $15.5 million of cash, $13.5 million of working capital, no outstanding debt, and what management estimates, under our current operating plan, to be over a year of operating runway. That runway supports our presently planned operations. Full execution of our AI infrastructure strategy will require additional capital, which we intend to raise and deploy in stages against customer commitments, site readiness and defined operating milestones. Our target acquisitions to date have been structured in stock, not cash, and during the quarter we raised $15.4 million of gross proceeds by issuing 1.3 million shares under our standby equity purchase agreement, which is now fully drawn and terminated. As of August 11 we had 53,000,397 shares outstanding. In July we terminated both our $300 million at-the-market sales agreement and our committed equity forward purchase agreement, without drawing a single share under either and without paying a termination fee. We would rather close a facility we are not using than leave it open as a source of perceived overhang. I know dilution is the first question on many of your minds every time we announce a site, so let me be plain about how Paradox is paid for. It is paid for entirely in stock: $5 million of Series A convertible preferred at closing, with up to $20 million more only if defined power milestones are achieved. No cash leaves the balance sheet and no debt is incurred, but preferred stock is not free, and this deal is structured to align the seller with the shareholders of Z Squared. The full terms, including the dividend rate and the conversion price, are set out in our filings with the Securities and Exchange Commission, available at www.sec.gov.

4. Positioning for Scale

We were added to the Russell 2000 and Russell 3000 indexes this year, which brings a different class of investor to our register and a different level of scrutiny to our reporting, both of which I welcome. Our task now is to convert the sites we place under agreement into energized, contracted capacity, and to do it in a way that gives you a clean, honest picture of progress every quarter, not just on the days we issue a press release.

We will keep sending you a letter like this at least once a quarter, in addition to the disclosures we are required to make. If you have questions in the meantime, send them to ZSQR@mzgroup.us.

Where a question comes up often enough that other shareholders are probably asking it too, I will answer it in the next letter so everyone gets the answer at the same time.

So what is next for the Company, and how will you know whether we are delivering? First, whether the Paradox acquisition closes, and when. Second, whether we sign our first paying tenant, and for how many megawatts. Third, whether energized capacity at Union County moves up from the roughly 8 megawatts running there today. Fourth, whether we add more sites without adding debt. If those four things move, we are working. If they do not, you should ask me why.

We have not earned anything yet. We have a plan, a team, a balance sheet, and a market that badly needs what we are building. Now we have to go deliver it.

We lead with power. We build with speed. We scale with discipline.

David Halabu

Chief Executive Officer

Z Squared Inc. (Nasdaq: ZSQR)

Glossary:

Megawatt (MW): a unit of electrical capacity. One megawatt powers roughly 750 homes, or about a hundred high-density AI servers. "Energized" means the power is physically flowing today; a "targeted" megawatt is one we still have to earn.

Interconnection queue: the waiting line to connect a new site to the electric grid. In most of the country that wait now runs three to five years, which is why we buy sites that are already connected.

Colocation: renting out powered, cooled, connected space where a customer installs and runs their own equipment. We provide the building and the power; the customer brings the computers.

About Z Squared Inc.

Z Squared Inc. is a computing infrastructure company operating advanced computing equipment and expanding into AI infrastructure. The Company's strategy is built on three principles: lead with power by acquiring operating sites where power is already flowing; build for AI workloads by converting that capacity into AI-ready colocation where the customer brings the compute and runs what they need; and scale with discipline by deploying conversion capital site by site, against signed contracts and operational readiness. Z Squared's common stock began trading on the Nasdaq Global Market under the symbol "ZSQR" in April 2026.

For more information, visit www.zsquaredinc.com.

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Forward-Looking Statements

This press release, including the shareholder letter contained in it, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, made in reliance on the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "should," "expects," "plans," "anticipates," "intends," "seeks," "targets," "projects," "believes," "estimates," "potential," and "continue," and the negatives of these terms and similar expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements in this press release include, among others, statements regarding: the anticipated closing of the Paradox Data acquisition and the achievement of the power milestones on which the contingent milestone consideration depends; the targeted utility interconnection and longer-term power capacity at the Union County site; the Company's Phase 1 objective of 100 megawatts of AI-ready capacity across multiple U.S. sites; the Company's ability to identify, acquire, and convert additional energized sites and to do so without incurring debt; the Company's ability to attract and enter into contracts with AI colocation customers and convert acquired capacity into revenue; management's estimate of the Company's operating runway; and the Company's strategy, priorities, and expected future performance.

Forward-looking statements are not guarantees of future performance or results and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by the forward-looking statements, including, among others: the Company's ability to continue as a going concern and to obtain the financing necessary to fund its operations and growth strategy; the risk that the Paradox Data acquisition does not close on the anticipated terms or timeline, or at all, or that the power milestones are not achieved; risks relating to utility interconnection queues, permitting, regulatory approvals, and the availability of capital, much of which is outside the Company's control; volatility in the prices of Dogecoin, Litecoin, and other digital assets and in the price of the Company's common stock; the Company's ability to operate its digital asset mining infrastructure profitably, including in periods in which prevailing digital asset prices are below its estimated breakeven level; the Company's limited operating history in AI, high-density compute, data center, and power infrastructure; and dilution resulting from the issuance of preferred stock, common stock, or securities convertible into common stock. These and other risks and uncertainties are described under "Risk Factors" in the Company's registration statement on Form S-1 (File No. 333-296653), in its Current Report on Form 8-K/A filed with the SEC on June 1, 2026, and in its Quarterly Reports on Form 10-Q and other filings with the SEC, available at www.sec.gov.

Forward-looking statements speak only as of the date of this press release. Except as may be required by applicable law, the Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date of this press release or the occurrence of unanticipated events. Readers are cautioned not to place undue reliance on forward-looking statements.

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