

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM 10-Q/A
(Amendment No. 3)**

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39544

BAKKT HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

10000 Avalon Boulevard, Suite 1000
Alpharetta, Georgia

(Address of principal executive offices)

98-1550750

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

30009

(Zip Code)

Registrant's telephone number, including area code: (678) 534-5849

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	BKKT	The New York Stock Exchange
Warrants to purchase Class A Common Stock	BKKT WS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 Exchange Act). Yes No

As of November 10, 2023, there were 91,429,477 shares of the registrant's Class A common stock, 183,234,872 shares of Class V common stock, and 7,140,808 public warrants issued and outstanding.

EXPLANATORY NOTE

Bakkt Holdings, Inc. (Bakkt, “we,” “us,” “our,” or the “Company”) is filing this Amendment No. 3 to its Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2023 (this “Amended Form 10-Q” or “10-Q/A”), as originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on November 14, 2023 (the “Original Form 10-Q”). As noted below, the disclosure updates to the Original Form 10-Q included in Part II, Item 1A and Item 5 in Amendments No. 1 and 2 are restated, except as otherwise noted below, in this Amendment No. 3 for completeness.

This Amended Form 10-Q is presented as of the filing date of the Original Form 10-Q and does not (i) reflect events occurring after that date, except with respect to the information regarding our ability to continue as a going concern and certain business updates, each as noted below, or (ii) modify or update disclosures in any way other than as required to reflect the amendment and restatement as described below. Accordingly, this Amended Form 10-Q should be read in conjunction with the Original Form 10-Q and our filings with the SEC subsequent to the date on which we filed the Original Form 10-Q.

The purpose of this Amended Form 10-Q is to (i) revise the disclosure in Note 20 “Subsequent Events” in Part I, Item 1, Notes to Unaudited Consolidated Financial Statements to include updates related to events subsequent to the filing of the Original Form 10-Q related to our ability to continue as a going concern, (ii) update the risk factor in Part II, Item 1A “Risk Factors” that was filed with prior amendments to the Original Form 10-Q related to our ability to continue as a going concern, as we have subsequently deemed there to be substantial doubt regarding our ability to continue as a going concern 12 months following the date of this Amended Form 10-Q without raising capital, (iii) restate the other disclosure included in Part II, Item 1A “Risk Factors” of Amendments No. 1 and 2 to the Original Form 10-Q, which amended and restated Part II, Item 1A “Risk Factors” to provide further updates to certain risks resulting from changes to the Company’s business following its acquisition (the “Bakkt Crypto Acquisition”) of Bakkt Crypto Solutions, LLC (“Bakkt Crypto”), formerly Apex Crypto LLC (“Apex Crypto”), and (iv) restate the disclosure included in Part II, Item 5 of Amendments No. 1 and 2 to the Original Form 10-Q, which amended and restated Part II, Item 5 to provide an update to the Company’s business activities following the Bakkt Crypto Acquisition. Part II, Item 6 “Exhibits” has also been amended and restated to include currently dated certifications of the Company’s principal executive officer and principal financial officer as required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002. The certifications are attached to this Amended Form 10-Q as Exhibits 31.1, 31.2, 32.1 and 32.2.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context otherwise requires, all references to “Bakkt,” “we,” “us,” “our,” or the “Company” in this Quarterly Report on Form 10-Q (this “Report”) refer to Bakkt Holdings, Inc. and its subsidiaries.

This Amended Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. You can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would,” the negative of such terms, and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on management’s current expectations, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our business. Forward-looking statements in this Amended Form 10-Q may include, for example, statements about:

- our future financial performance;
- changes in the market for our products and services;
- the expected impacts from the Bakkt Crypto Acquisition; and
- expansion plans and opportunities, including our plans to expand to international markets.

These forward-looking statements are based on information available as of the date of this Amended Form 10-Q and management’s current expectations, forecasts and assumptions, and involve a number of judgments, known and/or unknown risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable law.

You should not place undue reliance on these forward-looking statements. Should one or more of a number of known and unknown risks and uncertainties materialize, or should any of our assumptions prove incorrect, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to:

- our ability to grow and manage growth profitably;
- changes in our business strategy;
- changes in the markets in which we compete, including with respect to our competitive landscape, technology evolution or changes in applicable laws or regulations;
- changes in the markets that we target;
- disruptions in the crypto market that subject us to additional risks, including the risk that banks may not provide banking services to us;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- the inability to launch new services and products or to profitably expand into new markets and services, or the inability to continue offering existing services or products;
- the inability to execute our growth strategies, including identifying and executing acquisitions and our initiatives to add new clients;
- our ability to achieve the expected benefits from the acquisition of Bakkt Crypto;

- our failure to comply with extensive government regulation, oversight, licensure and appraisals;
- the uncertain regulatory regime governing blockchain technologies and crypto;
- the inability to develop and maintain effective internal controls and procedures;
- the exposure to any liability, protracted and costly litigation or reputational damage relating to our data security;
- the impact of any goodwill or other intangible assets impairments on our operating results;
- the impact of any pandemics or other public health emergencies;
- our inability to maintain the listing of our securities on the New York Stock Exchange (the “NYSE”); and
- other risks and uncertainties indicated in this Amended Form 10-Q, including those set forth under “*Risk Factors*.”

PART I—FINANCIAL INFORMATION
Item 1. Financial Statements.

Bakkt Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	As of September 30, 2023 (Unaudited)	As of December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 68,219	\$ 98,332
Restricted cash	28,262	16,500
Customer funds	28,223	591
Available-for-sale securities	22,678	141,062
Accounts receivable, net	21,699	25,306
Prepaid insurance	12,050	22,822
Safeguarding asset for crypto	505,697	15,792
Other current assets	7,329	6,060
Total current assets	694,157	326,465
Property, equipment and software, net	20,508	19,744
Goodwill	66,500	15,852
Intangible assets, net	41,738	55,833
Deposits with clearinghouse	159	15,150
Other assets	23,672	22,458
Total assets	\$ 846,734	\$ 455,502
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,192	\$ 66,787
Customer funds payable	28,223	591
Deferred revenue, current	4,370	3,972
Due to related party	1,770	1,168
Safeguarding obligation for crypto	505,697	15,792
Other current liabilities	4,303	3,819
Total current liabilities	593,555	92,129
Deferred revenue, noncurrent	2,850	3,112
Warrant liability	1,642	785
Other noncurrent liabilities	37,612	23,402
Total liabilities	635,659	119,428
Commitments and contingencies (Note 14)		
Class A common stock (\$0.0001 par value, 750,000,000 shares authorized, 91,414,923 shares issued and outstanding as of September 30, 2023 and 80,926,843 shares issued and outstanding as of December 31, 2022)	9	8
Class V common stock (\$0.0001 par value, 250,000,000 shares authorized, 183,249,426 shares issued and outstanding as of September 30, 2023 and 183,482,777 shares issued and outstanding as of December 31, 2022)	19	19
Additional paid-in capital	794,199	772,973
Accumulated other comprehensive loss	(293)	(290)
Accumulated deficit	(724,602)	(676,447)
Total stockholders' equity	69,332	96,263
Noncontrolling interest	141,743	239,811
Total equity	211,075	336,074
Total liabilities and stockholders' equity	\$ 846,734	\$ 455,502

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

Bakkt Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues:				
Crypto services	\$ 191,750	\$ 471	\$ 527,526	\$ 1,464
Loyalty services, net	13,024	12,742	38,096	38,852
Total revenues	204,774	13,213	565,622	40,316
Operating expenses:				
Crypto costs	189,428	353	521,601	1,352
Execution, clearing and brokerage fees	697	—	2,902	—
Compensation and benefits	24,608	37,800	85,818	107,135
Professional services	1,962	2,707	7,204	9,291
Technology and communication	5,536	4,137	15,647	12,659
Selling, general and administrative	7,447	7,792	21,722	26,995
Acquisition-related expenses	(739)	454	17,053	1,148
Depreciation and amortization	3,959	6,391	10,843	18,340
Related party expenses	1,033	267	3,145	901
Goodwill and intangible assets impairments	23,325	1,547,711	23,325	1,547,711
Impairment of long-lived assets	56	15	56	15
Restructuring expenses	—	—	4,471	—
Other operating expenses	322	487	1,231	1,706
Total operating expenses	257,634	1,608,114	715,018	1,727,253
Operating loss	(52,860)	(1,594,901)	(149,396)	(1,686,937)
Interest income, net	1,177	623	3,502	838
(Loss) gain from change in fair value of warrant liability	(214)	428	(857)	13,139
Other income, net	379	696	33	607
Loss before income taxes	(51,518)	(1,593,154)	(146,718)	(1,672,353)
Income tax (expense) benefit	(231)	606	(401)	8,844
Net loss	(51,749)	(1,592,548)	(147,119)	(1,663,509)
Less: Net loss attributable to noncontrolling interest	(34,418)	(1,124,416)	(98,964)	(1,184,352)
Net loss attributable to Bakkt Holdings, Inc.	\$ (17,331)	\$ (468,132)	\$ (48,155)	\$ (479,157)
Net loss per share attributable to Class A common stockholders:				
Basic	\$ (0.19)	\$ (6.11)	\$ (0.55)	\$ (7.00)
Diluted	\$ (0.19)	\$ (6.11)	\$ (0.55)	\$ (7.00)

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

Bakkt Holdings, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net loss	\$ (51,749)	\$ (1,592,548)	\$ (147,119)	\$ (1,663,509)
Currency translation adjustment, net of tax	(397)	(777)	(36)	(971)
Unrealized gains (losses) on available-for-sale securities, net of tax	16	(165)	20	(178)
Comprehensive loss	\$ (52,130)	\$ (1,593,490)	\$ (147,135)	\$ (1,664,658)
Comprehensive loss attributable to noncontrolling interest	(34,669)	(1,125,081)	(98,977)	(1,185,157)
Comprehensive loss attributable to Bakkt Holdings, Inc.	<u>\$ (17,461)</u>	<u>\$ (468,409)</u>	<u>\$ (48,158)</u>	<u>\$ (479,501)</u>

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

Bakkt Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share data)
(Unaudited)

	Class A Common Stock		Class V Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	\$	Shares	\$						
Balance as of December 31, 2022	80,926,843	\$ 8	183,482,777	\$ 19	\$ 772,973	\$ (676,447)	\$ (290)	\$ 96,263	\$ 239,811	\$ 336,074
Share-based compensation	—	—	—	—	6,713	—	—	6,713	—	6,713
Unit-based compensation	—	—	—	—	—	—	—	—	542	542
Shares issued upon vesting of share-based awards, net of tax withholding	1,495,040	—	—	—	—	—	—	—	—	—
Exchange of Class V shares for Class A shares	202,890	—	(202,890)	—	345	—	—	345	(345)	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	7	7	15	22
Unrealized losses on available-for-sale securities, net of tax	—	—	—	—	—	—	(72)	(72)	(157)	(229)
Net loss	—	—	—	—	—	(13,976)	—	(13,976)	(30,883)	(44,859)
Balance as of March 31, 2023	82,624,773	\$ 8	183,279,887	\$ 19	\$ 780,031	\$ (690,423)	\$ (355)	\$ 89,280	\$ 208,983	\$ 298,263
Share-based compensation	—	—	—	—	4,614	—	—	4,614	—	4,614
Unit-based compensation	—	—	—	—	—	—	—	—	377	377
Shares issued upon vesting of share-based awards, net of tax withholding	2,520,711	—	—	—	(2,502)	—	—	(2,502)	—	(2,502)
Shares issued in connection with Apex acquisition	6,140,611	1	—	—	9,062	—	—	9,063	—	9,063
Exchange of Class V shares for Class A shares	—	—	—	—	—	—	—	—	—	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	112	112	227	339
Unrealized losses on available-for-sale securities, net of tax	—	—	—	—	—	—	77	77	156	233
Net loss	—	—	—	—	—	(16,848)	—	(16,848)	(33,663)	(50,511)
Balance as of June 30, 2023	91,286,095	\$ 9	183,279,887	\$ 19	\$ 791,205	\$ (707,271)	\$ (166)	\$ 83,796	\$ 176,080	\$ 259,876
Share-based compensation	—	—	—	—	2,957	—	—	2,957	—	2,957
Unit-based compensation	—	—	—	—	—	—	—	—	385	385
Forfeiture and cancellation of common units	—	—	(4,845)	—	—	—	—	—	(13)	(13)
Shares issued upon vesting of share-based awards, net of tax withholding	103,212	—	—	—	—	—	—	—	—	—
Exchange of Class V shares for Class A shares	25,616	—	(25,616)	—	37	—	—	37	(37)	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	(133)	(133)	(264)	(397)
Unrealized losses on available-for-sale securities, net of tax	—	—	—	—	—	—	6	6	10	16
Net loss	—	—	—	—	—	(17,331)	—	(17,331)	(34,418)	(51,749)
Balance as of September 30, 2023	91,414,923	\$ 9	183,249,426	\$ 19	\$ 794,199	\$ (724,602)	\$ (293)	\$ 69,332	\$ 141,743	\$ 211,075

	Class A Common Stock		Class V Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	\$	Shares	\$						
Balance as of December 31, 2021	57,164,388	\$ 6	206,271,792	\$ 21	\$ 566,766	\$ (98,342)	\$ (55)	\$ 468,396	\$ 1,825,775	\$ 2,294,171
Share-based compensation	—	—	—	—	13,190	—	—	13,190	—	13,190
Unit-based compensation	—	—	—	—	—	—	—	—	1,118	1,118
Forfeiture and cancellation of common units	—	—	(268,522)	—	—	—	—	—	(60)	(60)
Exercise of warrants	100	—	—	—	1	—	—	1	—	1
Currency translation adjustment, net of tax	—	—	—	—	—	—	41	41	147	188
Net loss	—	—	—	—	—	(7,128)	—	(7,128)	(36,193)	(43,321)
Balance as of March 31, 2022	57,164,488	\$ 6	206,003,270	\$ 21	\$ 579,957	\$ (105,470)	\$ (14)	\$ 474,500	\$ 1,790,787	\$ 2,265,287
Share-based compensation	—	—	—	—	8,016	—	—	8,016	—	8,016
Unit-based compensation	—	—	—	—	—	—	—	—	1,063	1,063
Forfeiture and cancellation of common units	—	—	(9,693)	—	—	—	—	—	(15)	(15)
Exercise of warrants	100	—	—	—	1	—	—	1	—	1
Shares issued upon vesting of share-based awards, net of tax withholding	624,497	—	—	—	(2,586)	—	—	(2,586)	—	(2,586)
Exchange of Class V shares for Class A shares	17,554,639	2	(17,554,639)	(2)	152,235	—	—	152,235	(152,235)	—
Increase in deferred tax liability from step-up tax basis related to exchanges of Opco Common Units	—	—	—	—	(19,063)	—	—	(19,063)	—	(19,063)
Currency translation adjustment, net of tax	—	—	—	—	—	—	(105)	(105)	(277)	(382)
Unrealized losses on available-for-sale securities	—	—	—	—	—	—	(4)	(4)	(9)	(13)
Net loss	—	—	—	—	—	(3,897)	—	(3,897)	(23,744)	(27,641)
Balance as of June 30, 2022	75,343,724	\$ 8	188,438,938	\$ 19	\$ 718,560	\$ (109,367)	\$ (123)	\$ 609,097	\$ 1,615,570	\$ 2,224,667
Share-based compensation	—	—	—	—	7,657	—	—	7,657	—	7,657
Unit-based compensation	—	—	—	—	—	—	—	—	1,045	1,045
Forfeiture and cancellation of common units	—	—	(34,929)	—	—	—	—	—	(110)	(110)
Exercise of warrants	21	—	—	—	—	—	—	—	—	—
Shares issued upon vesting of share-based awards, net of tax withholding	287,491	—	—	—	—	—	—	—	—	—
Exchange of Class V shares for Class A shares	2,051,166	—	(2,051,166)	—	17,914	—	—	17,914	(17,914)	—
Decrease in deferred tax liability due to tax impact of goodwill and intangible assets impairments	—	—	—	—	19,056	—	—	19,056	—	19,056
Currency translation adjustment, net of tax	—	—	—	—	—	—	(228)	(228)	(549)	(777)
Unrealized losses on available-for-sale securities	—	—	—	—	—	—	(49)	(49)	(116)	(165)
Net loss	—	—	—	—	—	(468,132)	—	(468,132)	(1,124,416)	(1,592,548)
Balance as of September 30, 2022	77,682,402	\$ 8	186,352,843	\$ 19	\$ 763,187	\$ (577,499)	\$ (400)	\$ 185,315	\$ 473,510	\$ 658,825

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

Bakkt Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	\$ (147,119)	\$ (1,663,509)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	10,843	18,340
Non-cash lease expense	2,298	1,893
Share-based compensation expense	14,284	28,863
Unit-based compensation expense	1,300	322
Forfeiture and cancellation of common units	(13)	(185)
Deferred income taxes	—	(8,858)
Impairment of long-lived assets	56	15
Goodwill and intangible assets impairments	23,325	1,547,711
Loss on disposal of assets	70	—
Loss (gain) from change in fair value of warrant liability	857	(13,139)
Other	19	213
Changes in operating assets and liabilities:		
Accounts receivable	3,607	(3,964)
Prepaid insurance	10,772	11,629
Deposits with clearinghouse	14,991	1
Accounts payable and accrued liabilities	(14,243)	(10,668)
Due to related party	602	284
Deferred revenue	136	(2,033)
Operating lease liabilities	(2,088)	4,261
Customer funds payable	27,632	41
Other assets and liabilities	(1,220)	(5,122)
Net cash used in operating activities	(53,891)	(93,905)
Cash flows from investing activities:		
Capitalized internal-use software development costs and other capital expenditures	(7,905)	(22,533)
Purchase of available-for-sale securities	(44,599)	(188,759)
Proceeds from the maturity of available-for-sale securities	163,165	74,714
Acquisition of Bumped Financial, LLC	(631)	—
Acquisition of Apex Crypto LLC, net of cash acquired	(44,320)	—
Net cash provided by (used in) investing activities	65,710	(136,578)
Cash flows from financing activities:		
Proceeds from the exercise of warrants	—	3
Repurchase and retirement of Class A common stock	(2,502)	—
Net cash (used in) provided by financing activities	(2,502)	3
Effect of exchange rate changes	(36)	(968)
Net increase (decrease) in cash, cash equivalents, restricted cash and customer funds	9,281	(231,448)
Cash, cash equivalents, restricted cash and customer funds at the beginning of the period	115,423	408,415
Cash, cash equivalents, restricted cash and customer funds at the end of the period	\$ 124,704	\$ 176,967
Supplemental disclosure of cash flow information:		
Non-cash operating lease right-of-use asset acquired	\$ 3,783	\$ 11,021
Supplemental disclosure of non-cash investing and financing activity:		
Capitalized internal-use software development costs and other capital expenditures included in accounts payable and accrued liabilities.	548	2,756
Reconciliation of cash, cash equivalents, restricted cash and customer funds to consolidated balance sheets:		
Cash and cash equivalents	\$ 68,219	\$ 159,850
Restricted cash	28,262	16,525
Customer funds	28,223	592
Total cash, cash equivalents, restricted cash and customer funds	\$ 124,704	\$ 176,967

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

Bakkt Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

Organization

VPC Impact Acquisition Holdings (“VIH”) was a blank check company incorporated as a Cayman Islands exempted company on July 31, 2020. VIH was incorporated for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities.

On October 15, 2021 (the “Closing Date”), VIH and Bakkt Opco Holdings, LLC (then known as Bakkt Holdings, LLC, “Opco”) and its operating subsidiaries consummated a business combination (the “VIH Business Combination”) contemplated by the definitive Agreement and Plan of Merger entered into on January 11, 2021 (as amended, the “Merger Agreement”). In connection with the VIH Business Combination, VIH changed its name to “Bakkt Holdings, Inc.” and changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware (the “Domestication”).

Unless the context otherwise provides, “we,” “us,” “our,” “Bakkt”, the “Company” and like terms refer to Bakkt Holdings, Inc. and its subsidiaries, including Opco.

Immediately following the Domestication, we became organized in an umbrella partnership corporation, or “up-C,” structure in which substantially all of our assets and business are held by Opco, and our only direct assets consist of common units in Opco (“Opco Common Units”), which are non-voting interests in Opco, and the managing member interest in Opco.

In connection with the VIH Business Combination, a portion of VIH shares were exchanged for cash for shareholders who elected to execute their redemption right. The remaining VIH shares were exchanged for newly issued shares of our Class A common stock. Additionally, all outstanding membership interests and rights to acquire membership interests in Opco were exchanged for Opco Common Units and an equal number of newly issued shares of our Class V common stock. The existing owners of Opco other than Bakkt are considered noncontrolling interests in the accompanying consolidated financial statements.

On April 1, 2023 we completed the acquisition of 100% of the ownership interests of Apex Crypto LLC (“Apex Crypto”) and subsequently changed the name of the legal entity to Bakkt Crypto Solutions, LLC (“Bakkt Crypto”).

Description of Business

We provide, or are working to provide, simplified solutions focused in the following areas:

Crypto

- **Custody:** Our institutional-grade qualified custody solution caters to more experienced market participants and also supports a portion of our consumer-facing crypto business. This solution is primarily provided by our subsidiary, Bakkt Trust Company LLC (“Bakkt Trust”), a limited purpose trust company that is supervised by the New York State Department of Financial Services (“NYDFS”) and governed by an independent Board of Managers. In connection to the acquisition of Apex Crypto, we acquired third-party custodial relationships with BitGo and Coinbase Custody, which are currently used by Bakkt Crypto for custody and coin transfers, where applicable. In addition, Bakkt Crypto also self-custodies select coins to facilitate consumer withdrawals. Our intention is to consolidate our self-custodial services while still offering diversification across custodians for clients that request it.

- **Trading:** Bakkt Marketplace, LLC (“Bakkt Marketplace”), together with its wholly owned subsidiary Bakkt Crypto, operates platforms that provide consumers with the ability to buy, sell and store crypto in a simple, intuitive digital experience accessed via application programming interfaces or embedded web experience. We aim to enable businesses in various industries - such as fintechs, financial institutions and wallet providers - to provide their customers with the ability to transact in crypto directly in their trusted environments. We currently facilitate transactions in the crypto assets listed in the table below.

Crypto Asset	Symbol
Bitcoin	BTC
Bitcoin Cash	BCH
Dogecoin	DOGE
Ether	ETH
Ether Classic	ETC
Litecoin	LTC
Shiba Inu	SHIB
USD Coin	USDC

We also intend to expand our services to include crypto rewards, as described in more detail below. As part of our ongoing review of potential services we have de-prioritized investment in Bakkt Payouts as a service offering as we work with our clients to understand the desired feature set and their timelines to implementation. Any new services will be subject to governance and regulatory approvals.

- **Bakkt Rewards:** Subject to regulatory approval, we are in the process of enabling clients of all sizes to offer their customers the ability to convert loyalty points earned through participation in the client's loyalty program into bitcoin (and, in the future, into other crypto assets depending on demand). We initially expect to offer this service in the first quarter of 2024.

Bakkt Trust's custody solution provides support to Bakkt Marketplace with respect to bitcoin and ether functionality. The list of crypto assets for which Bakkt Trust provides custody services will expand by the end of this year to include more of the crypto assets which we support for trading. In addition, Bakkt Crypto provides custodial services that support certain crypto tokens offered on the consumer platform. Additionally, until October 2, 2023, Bakkt Trust operated, in conjunction with Intercontinental Exchange, Inc. ("ICE"), regulated infrastructure for trading, clearing, and custody services for physically-delivered bitcoin futures (See Note 8 "Related Parties" below for a description of a recent delisting of some Bakkt Bitcoin futures and option contracts by ICE Futures U.S., Inc. ("IFUS")). Bakkt Marketplace and Bakkt Crypto each hold a New York State virtual currency license (commonly referred to as a "BitLicense"), and money transmitter licenses from all states throughout the U.S. where such licenses are required for the operation of their business, and both are registered as a money services business with the Financial Crimes Enforcement Network of the United States Department of the Treasury.

We are also expanding into new international markets. We are currently offering crypto services in Latin America, and expect crypto services to launch in the United Kingdom, Hong Kong, Dubai, Australia and Spain by the end of this year. We expect to continue to pursue new international markets in the future by working with our existing client base as well as targeting new clients.

Loyalty

- We offer a full spectrum of content that our clients can make available to their customers when redeeming loyalty currencies. Our redemption solutions span a variety of rewards categories including merchandise (such as Apple products and services), gift cards and digital experiences. Our travel solution offers a retail e-commerce booking platform, as well as live-agent booking and servicing. Our platform provides a unified shopping experience that is

configurable for our clients and their loyalty programs. Capabilities include a mobile-first user experience, a multi-tier construct to accommodate loyalty tiers, comprehensive fraud protection capabilities and a split-tender payments platform to accept both points and credit cards as a form of payment.

2. Summary of Significant Accounting Policies

Our accounting policies are as set forth in the notes to our Annual Report on Form 10-K for the year ended December 31, 2022 (our "Form 10-K").

Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited interim consolidated financial statements include the accounts of the Company and our subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In addition, certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to conform to current presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation have been included. The interim results for the nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or for any other future annual or interim period. These consolidated financial statements should be read in conjunction with the Company's audited financial statements and accompanying notes thereto included in our Form 10-K.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our audited consolidated financial statements and accompanying notes. We base our estimates and assumptions on various judgments that we believe to be reasonable under the circumstances. The significant estimates and assumptions that affect the financial statements may include, but are not limited to, those that are related to going concern, income tax valuation allowances, useful lives of intangible assets and property, equipment and software, fair value of financial assets and liabilities, determining provision for doubtful accounts, valuation of acquired tangible and intangible assets, the impairment of intangible assets and goodwill, and fair market value of Bakkt common units, incentive units and participation units. Actual results and outcomes may differ from management's estimates and assumptions and such differences may be material to our audited consolidated financial statements.

Liquidity and Going Concern

The accompanying unaudited Consolidated Financial Statements are prepared in accordance with U.S. GAAP applicable to a going concern. This presentation contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described below.

At each reporting period, in accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, we evaluate whether there are conditions or events that raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. In accordance with ASC 250-40, our initial evaluation can only include management's plans that have been fully implemented as of the issuance date. Operating forecasts for new products/markets cannot be considered in the initial evaluation as those product/market launches have not been fully implemented.

Accordingly, our evaluation entails analyzing prospective fully implemented operating budgets and forecasts for expectations of our cash needs and comparing those needs to the current cash and cash equivalent balances. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, we evaluate whether the mitigating effect of its plans sufficiently alleviates substantial doubt about our ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Evaluation in conjunction with the issuance of the September 30, 2023 unaudited Consolidated Financial Statements

We have incurred net losses and consumed cashflow from operations since our inception. For the nine months ended September 30, 2023 we incurred a net loss of \$147.1 million and consumed \$53.9 million of cash in operations. The Company has historically relied on its existing cash and available-for-sale securities portfolio to fund operations. As of September 30, 2023 the Company had \$68.2 million of available cash and cash equivalents that was not restricted or required to be held for regulatory capital (see Note 13) and \$22.7 million in available-for-sale securities. The Company does not have any debt to service but has commitments under long-term cloud computing, lease and marketing contracts as described in Notes 14 and 17. We expect to continue to incur losses and consume cash for the foreseeable future and will require additional capital to continue to fund operations or will need to take other measures to reduce our cash burn. Due to the challenging nature of our business and regulatory environment, we have limited prospects to secure additional debt or equity financing. In forecasting our expectation of cash needs for the initial ASC 205-40 evaluation, the crypto revenue growth projections exclude expansion to international retail crypto markets where such arrangements are not signed, as well as activation of new partners currently not live on our platform as of the date of release of these Consolidated Financial Statements.

Our losses and projected cash needs, combined with our current liquidity level, initially raised substantial doubt about our ability to continue as a going concern. Management's plan to improve our liquidity and mitigate the substantial doubt includes integrating our regulated entities to reduce regulatory capital and insurance requirements. We expect these actions will increase available cash by approximately \$11.5 million. Additionally, we have been executing a strategic plan to optimize our capital allocation and expense base since the fourth quarter of 2022. Management's plans over the next twelve months include the further reduction of cash expenses through continued alignment of headcount and vendor spend, and further reductions in our non-essential operating footprint.

Management believes the expected impact on our liquidity and cash flows resulting from the entity integration and the operational initiatives outlined above are probable of occurring, sufficient to enable us to meet our obligations for at least twelve months from the date the financial statements are issued and alleviate the conditions that initially raised substantial doubt about our ability to continue as a going concern.

Bakkt Crypto Revenue Recognition

Bakkt Crypto offers customers the ability to purchase or sell certain crypto on its platform. Bakkt Crypto partners with a number of liquidity providers to provide customers with immediate liquidity and access to crypto. Bakkt Crypto settles with the liquidity partners on a daily basis. The contract with a customer is created when a customer agrees to execute a trade on our platform. Each customer purchase transaction includes multiple performance obligations including execution, custody of the customer's purchased crypto, and material rights for ongoing custody beyond the original contractual period. Customer sales only carry a single performance obligation which is execution of the trade. We consider the sale of customer crypto associated with delisted crypto to be revenue in the context of our contracts with customers. We own the crypto as it crosses our platform and accordingly act as a principal in the arrangement. We report the gross proceeds of a sale to a customer or liquidity provider, including a spread on the market price of the crypto as revenue. Substantially all of the consideration is allocated to the execution performance obligation, which is satisfied when we

record the transaction to the customer's account. Custody services are rendered over the initial contract term which we have concluded is one day. Customers have a material right to obtain additional custody services at no cost by not selling the purchased crypto, which is recognized over the period that the assets are held on our platform. The consideration allocated to the custody and material right performance obligations is estimated on the basis of a cost plus a margin approach and was not material to the three or nine months ended September 30, 2023.

Judgment is required in determining whether the Company is the principal or the agent in our contracts with customers. We have determined that we are the principal in transactions with customers as we control the crypto prior to its delivery to the customer and we are primarily responsible for the delivery of the crypto to the customer. Accordingly, revenue and costs associated with Bakkt Crypto's services are presented gross in our consolidated statement of operations.

Where applicable, we make payments to introducing brokers based on the transaction volume from resulting customer volume. These payments are expensed in the period they are incurred and are included in "Clearing, Execution and Brokerage Fees" on the consolidated statement of operations.

Recently Adopted Accounting Pronouncements

For the nine months ended September 30, 2023, there were no significant changes to the recently adopted accounting pronouncements applicable to us from those disclosed in Note 2 to the consolidated financial statements included in our Form 10-K.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

We disaggregate revenue by service type and by platform, respectively, as follows (in thousands):

Service Type	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Transaction revenue ^(a)	\$ 198,526	\$ 6,927	\$ 548,774	\$ 21,477
Subscription and service revenue	6,248	6,286	16,848	18,839
Total revenue	<u>\$ 204,774</u>	<u>\$ 13,213</u>	<u>\$ 565,622</u>	<u>\$ 40,316</u>

(a) Amounts are net of rebates and incentive payments of less than \$0.1 million for both the three and nine months ended September 30, 2023, respectively, and less than \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2022, respectively. Included in these amounts are amounts earned from related parties of less than \$0.1 million for both the three and nine months ended September 30, 2023 and September 30, 2022, respectively.

Platform	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Loyalty redemption platform	\$ 13,024	\$ 12,742	\$ 38,096	\$ 38,852
Crypto services ^(b)	191,750	471	527,526	1,464
Total revenue	<u>\$ 204,774</u>	<u>\$ 13,213</u>	<u>\$ 565,622</u>	<u>\$ 40,316</u>

(b) Amounts are net of rebates and incentive payments of less than \$0.1 million for both the three and nine months ended September 30, 2023, respectively, and less than \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2022, respectively. Included in these amounts are amounts earned from related parties of less than \$0.1 million for both the three and nine months ended September 30, 2023 and September 30, 2022, respectively.

We recognized revenue from foreign jurisdictions of \$1.1 million and \$2.8 million for the three and nine months ended September 30, 2023, respectively, and \$0.8 million and \$2.8 million for the three and nine months ended September 30, 2022, respectively.

We have one reportable segment to which our revenues relate.

Deferred Revenue

Contract liabilities consist of deferred revenue for amounts invoiced prior to us meeting the criteria for revenue recognition. We invoice customers for service fees at the time the service is performed, and such fees are recognized as revenue over time as we satisfy its performance obligation. Contract liabilities are classified as “Deferred revenue, current” and “Deferred revenue, noncurrent” in our consolidated balance sheets. The activity in deferred revenue for the nine months ended September 30, 2023 and September 30, 2022, respectively, was as follows (in thousands):

	<u>Nine Months Ended September 30, 2023</u>	<u>Nine Months Ended September 30, 2022</u>
Beginning of the period contract liability	\$ 7,084	\$ 9,448
Revenue recognized from contract liabilities included in the beginning balance	(3,055)	(3,629)
Increases due to cash received, net of amounts recognized in revenue during the period	3,191	1,596
End of the period contract liability	<u>\$ 7,220</u>	<u>\$ 7,415</u>

Remaining Performance Obligations

As of September 30, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts is \$20.5 million, comprised of \$13.3 million of subscription fees and \$7.2 million of service fees that are deferred. We recognize our subscription fees as revenue over a weighted-average period of 29 months (ranges from 1 month – 36 months) and our service fees as revenue over approximately 14 months.

As of September 30, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts is \$21.9 million, comprised of \$14.5 million of subscription fees and \$7.4 million of service fees that are deferred. We recognize our subscription fees as revenue over a weighted-average period of 41 months (ranges from 3 months – 48 months) and our service fees as revenue over approximately 24 months.

Contract Costs

For the three and nine months ended September 30, 2023 and September 30, 2022, we incurred no incremental costs to obtain and/or fulfill contracts with customers.

4. Business Combination and Asset Acquisition

Apex Crypto

On April 1, 2023 we completed the acquisition of 100% of the ownership interests of Apex Crypto. We recognized goodwill from the acquisition due to the assembled, experienced workforce and anticipated growth we expect to achieve from Apex Crypto’s sales pipeline and product capabilities. The total consideration as measured at April 1, 2023 included \$55.0 million in cash, approximately \$9.1 million in Class A common stock payable based on Apex Crypto’s performance in the fourth quarter of 2022, and \$12.2 million of cash paid for net working capital, which was predominantly cash held in banks. In addition, we may pay up to \$100.0 million of our Class A common stock as additional consideration depending on Apex Crypto’s achievement of certain financial targets through 2025 (the “contingent consideration”). As part of the purchase price allocation the value of the contingent consideration was estimated to be \$2.9 million. The Company has since recognized expense of \$(0.3) million and \$10.1 million during the

three and nine months ended September 30, 2023, respectively, to adjust the value of the contingent consideration. The Company's evaluation of the fair value of the contingent consideration and of the assets acquired and the liabilities assumed is preliminary. Accordingly, the adjustments to record the assets acquired and the liabilities assumed at fair value reflect the best estimates of the Company based on the information currently available and are subject to change once additional analyses are completed.

The following is a preliminary reconciliation of the fair value of consideration transferred in the acquisition to the fair value of the assets acquired and liabilities assumed.

(\$ in millions)

Cash consideration paid	55.0
Cash paid for working capital and cash	12.2
Class A common stock at transaction close	9.1
Estimated fair value of Class A common stock contingent consideration	2.9
Total consideration	\$ 79.2
Current assets	32.0
Safeguarding asset for crypto	682.2
Property, equipment and software, net	0.1
Non-current assets	0.3
Intangible assets - developed technology	5.6
Intangible assets - customer relationships	10.2
Goodwill	51.0
Current liabilities	(20.0)
Safeguarding obligation for crypto	(682.2)
Net assets acquired	\$ 79.2

The above fair values are as of the acquisition date. The acquired intangible assets and goodwill required the use of significant unobservable inputs including partner activation forecasts, expectations about customer trading volume and frequency, customer attrition rates, and estimated useful lives of acquired technology and discount rates. The acquired customer relationships were valued using a multi-period excess earnings model. The acquired developed technology was valued using a relief from royalty method. Acquired crypto safeguarding asset and obligation were valued based on the midpoint of a bid-ask spread as of the acquisition date. Other assets and liabilities were carried over at their acquired costs which was not materially different than their fair values.

The contingent consideration payable in Class A common stock to Apex Crypto's former owners based on the performance of the business in the 2023-2025 annual periods was estimated using a Monte Carlo model given the range of possible outcomes.

Revenue generated by Apex Crypto for the three and nine months ended September 30, 2023 was \$191.4 million and \$526.7 million, respectively, and is included in the Company's statements of operations. Net loss generated by Apex Crypto for the three and nine months ended September 30, 2023 was \$8.4 million and \$17.0 million, respectively, and is included in the Company's statements of operations.

The following unaudited pro forma financial information presents the Company's results of operations as if the acquisition of Apex Crypto had occurred on January 1, 2022. The unaudited pro forma financial information as presented below is for illustrative purposes and does not purport to represent what the results of operations would actually have been if the acquisition of Apex Crypto occurred as of the date indicated or what the results would be for any future periods. The unaudited pro forma results reflect the step-up amortization adjustments for the fair value of intangible assets acquired, acquisition-related expenses, and share-based compensation expense for newly issued restricted stock units. Proforma revenue for the nine months ended September 30, 2023 would be \$1,011.0 million. Proforma revenue for the three and nine

months ended September 30, 2022 would be \$496.2 million and \$2,695.6 million, respectively. Proforma net loss for the nine months ended September 30, 2023 would be \$148.3 million. Proforma net loss for the three and nine months ended September 30, 2022 would be \$1,601.9 million and \$1,675.4 million, respectively.

Subsequent to the acquisition, we changed the name of Apex Crypto to Bakkt Crypto Solutions, LLC ("Bakkt Crypto").

Bumped Financial, LLC

On February 8, 2023, we acquired 100% of the units of Bumped Financial, LLC, which we subsequently renamed Bakkt Brokerage, LLC ("Bakkt Brokerage"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc., for cash consideration of \$631,000. Because of the limited scope of its historical operations, we determined that substantially all of the purchase consideration in the transaction would be allocated to the in-place licenses Bakkt Brokerage held and as such, have accounted for this as an asset acquisition.

5. Goodwill and Intangible Assets, Net

Changes in goodwill consisted of the following (in thousands):

Balance as of December 31, 2022	\$	15,852
Apex acquisition		50,648
Balance as of September 30, 2023	<u>\$</u>	<u>66,500</u>

During the period ended September 30, 2023, we concluded it was more likely than not the fair value of our equity was lower than book basis as of September 30, 2023, and our indefinite-lived intangible assets, long-lived assets and goodwill should be evaluated for impairment as of September 30, 2023. Our conclusion was based on several determinative factors, including the sustained decline in our market capitalization as of September 30, 2023 and failure to achieve our projected growth. We conducted a quantitative test for our various long-lived asset groups, indefinite lived intangible assets and single reporting unit's goodwill. We concluded in the quantitative assessment that the fair value of our loyalty-related customer relationships and developed technology and our trademark/trade name indefinite-lived intangible asset fell below their carrying values as of September 30, 2023 and recorded impairments of \$16.6 million, \$3.1 million and \$3.7 million, respectively. No impairment of the recently acquired Apex Crypto customer-relationships or developed technology was indicated. No goodwill impairment was indicated by the quantitative assessment and no goodwill impairment charges have been recognized in the nine months ended September 30, 2023.

Our goodwill impairment analyses involved the use of a market approach and an income approach, with equal weighting given to both approaches. The market approach valuation was derived from metrics of publicly traded companies, which are Level 2 inputs. A significant judgment in using the market approach included the selection of comparable businesses with consideration of risk profiles, size, geography, and business operations. Significant assumptions used in the income approach included growth (revenue, earnings before interest, taxes, depreciation, and amortization ("EBITDA") and earnings before interest and taxes ("EBIT") margin, and terminal value) and discount rates. We used historical performance and management estimates of future performance to estimate margins and revenue growth rates. Our growth rates and margins are impacted significantly by our ability to grow crypto trading volumes and our ability to expand to international markets. The income approach utilized our projected cash flow estimates to determine fair value, which were unobservable, Level 3 inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available. We developed our estimates using the best information available as of September 30, 2023 and in consultation with third party valuation specialists. We used discount rates that were intended to be commensurate with the risks and uncertainty inherent in our business. Assumptions used, such as forecasted growth rates, capital expenditures, and our cost of capital, were consistent with our internal projections and operating plans as of September 30, 2023.

Our quantitative impairment analysis for the loyalty-related customer relationships and developed technology intangible asset involved the use of a market approach which estimated the sale value of the asset group associated with the loyalty business. Significant judgments included the scope of the asset group and the hypothetical proceeds associated with the transaction, which are level 3 inputs.

Our impairment analysis for the trademark/trade name involved the use of a relief from royalty approach, which estimated the value of the stream of payments a market participant would pay to make use of the in-place trade name. Significant judgments in this analysis included forecasted revenue growth rates, the royalty rate and the discount rate.

The discount rate used in the valuations described above ranged from 13.5% (used in the loyalty asset group valuations) to 35% (used in the crypto services asset group valuations) The crypto services discount rate increased by approximately 400 basis points from the rate used in the Apex Crypto acquisition described in Note 4 due to the additional uncertainty around our international expansion. The discount rate used in the income approach in the goodwill quantitative test and the valuation of the trademark/tradename indefinite-lived intangible asset was a weighted average 25%.

During the period ended September 30, 2022, we concluded it was more likely than not the fair value of our equity was lower than book basis as of September 30, 2022, and our indefinite-lived intangible assets, long-lived assets and goodwill should be evaluated for impairment as of September 30, 2022. Our conclusion was based on several determinative factors, including the elongated timing for expected crypto product activations and the sustained decline in our market capitalization as of September 30, 2022.

After assessing the totality of circumstances and giving effect to the indefinite-lived intangible asset impairment described below, as of September 30, 2022 we concluded that the carrying value of our reporting unit exceeded its fair value and recorded a goodwill impairment of \$1,389.9 million.

Our goodwill impairment analysis involved the use of a market approach and an income approach, with equal weighting given to both approaches. The market approach valuation was derived from metrics of publicly traded companies, which are Level 2 inputs. A significant judgment in using the market approach included the selection of comparable businesses with consideration of risk profiles, size, geography, and business operations. Significant assumptions used in the income approach included growth (revenue, earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings before interest and taxes (EBIT) margin, and terminal value) and discount rates. We used historical performance and management estimates of future performance to estimate margins and revenue growth rates. Our growth rates and margins are impacted significantly by our ability to grow loyalty redemption transactions, crypto trading volumes and subscription services. The income approach utilized our projected cash flow estimates to determine fair value, which were unobservable, Level 3 inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available. We developed our estimates using the best information available as of September 30, 2022 and in consultation with third party valuation specialists. We used discount rates that were commensurate with the risks and uncertainty inherent in our business. Assumptions used, such as forecasted growth rates, capital expenditures, and our cost of capital, were consistent with our internal projections and operating plans as of September 30, 2022.

During the period ended September 30, 2022, we also concluded that the fair value of our licenses and trademark/trade name indefinite-lived intangible assets fell below their carrying values as of September 30, 2022 and recorded impairments of \$131.3 million and \$26.5 million, respectively.

Our impairment analysis for the licenses intangible asset involved the use of an income approach which estimated the value of the in-place licenses as compared to cash flows if the licenses had to be obtained at a delay. Significant judgments used in this analysis were consistent with the inputs used in the income approach for the goodwill impairment analysis and the assumed time to obtain the licenses.

Our impairment analysis for the trademark/trade name involved the use of a relief from royalty approach, which estimated the value of the stream of payments a market participant would pay to make use of the in-place trade name. Significant judgments in this analysis included forecasted revenue growth rates and the royalty rate.

The discount rate used in the valuations described above was 15.5%, which was 400 basis points higher than the discount rate assumed in the valuation of these intangibles for the VIH Business Combination. The higher discount rate reflected the higher risk-free rate and beta observed as of September 30, 2022 as compared to the October 15, 2021 VIH Business Combination valuation date.

Our quantitative analysis of long-lived assets involved a comparison of undiscounted cash flows against the carrying value of the related assets which included finite-lived intangible assets and property, plant, and equipment. We concluded no impairment existed for the long-lived assets as of September 30, 2022. Significant judgments in this analysis were consistent with the inputs used in the income approach for the goodwill impairment analysis.

Intangible assets consisted of the following (in thousands):

September 30, 2023					
	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Licenses	Indefinite	\$ 611	\$ —	\$ —	\$ 611
Trademarks / trade names	Indefinite	8,000	—	(3,700)	4,300
Technology	5	18,360	(5,558)	(3,069)	9,733
Customer relationships	8.4	55,170	(11,520)	(16,556)	27,094
Total		\$ 82,141	\$ (17,078)	\$ (23,325)	\$ 41,738

December 31, 2022					
	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Licenses	Indefinite	\$ 241,320	\$ —	\$ (241,320)	\$ —
Trademarks / trade names	Indefinite	39,470	—	(31,470)	8,000
Technology	4.2	67,310	(19,605)	(38,035)	9,670
Customer relationships	8	44,970	(6,807)	—	38,163
Total		\$ 393,070	\$ (26,412)	\$ (310,825)	\$ 55,833

Amortization of intangible assets for the three and nine months ended September 30, 2023 was \$2.6 million and \$7.2 million, respectively, and is included in “Depreciation and amortization” in the statements of operations. Amortization of intangible assets for the three and nine months ended September 30, 2022 was \$5.5 million and \$16.3 million, respectively, and is included in “Depreciation and amortization” in the statements of operations.

Estimated future amortization for definite-lived intangible assets as of September 30, 2023 was as follows (in thousands):

	September 30, 2023
Remainder of 2023	\$ 1,654
2024	6,581
2025	6,564
2026	6,234
2027	5,021
Thereafter	10,773
Total	\$ 36,827

Intangible assets include crypto we own, which are accounted for as indefinite-lived intangible assets and are initially measured at cost (under a first-in, first-out basis) under the guidance in ASC 350 *Intangibles - Goodwill and Other*. These assets are not amortized, but assessed for impairment continually given the volatility of markets for these assets. Impairment exists when the carrying amount exceeds its fair value. The fair value of crypto is determined as the lowest price of executed transactions during the measurement or holding period using the quoted price of the crypto in our principal market. The carrying amount of a crypto asset after its impairment becomes its new cost basis. Impairment losses are not reversible or recoverable and are included in Crypto Costs in the consolidated statement of operations. Impairment losses were not material to the three or nine months ended September 30, 2023. Our owned crypto are typically liquidated on a daily basis during the fulfillment of customer orders and settlement with our liquidity providers. We classify cash flows from crypto within cash flows from operating activities.

6. Consolidated Balance Sheet Components

Accounts Receivable, Net

Accounts receivable, net consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Trade accounts receivable	\$ 12,596	\$ 16,284
Deposits at brokers or dealers	1,590	—
Crypto receivable from liquidity providers	186	—
Unbilled receivables	6,003	6,445
Other receivables	1,864	2,787
Total accounts receivable	22,239	25,516
Less: allowance for doubtful accounts	(540)	(210)
Total	\$ 21,699	\$ 25,306

Amounts payable and receivable to our liquidity providers are reported net by counterparty when the right of offset exists.

Other Current Assets

Other current assets consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Prepaid expenses	\$ 7,297	\$ 6,060
Other	32	—
Total	\$ 7,329	\$ 6,060

Property, Equipment and Software, Net

Property, equipment and software, net consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Internal-use software	\$ 8,218	\$ 4,383
Purchased software	105	99
Office furniture and equipment	2,311	2,303
Other computer and network equipment	5,132	4,732
Leasehold improvements	10,280	10,102
Property, equipment and software, gross	26,046	21,619
Less: accumulated amortization and depreciation	(5,538)	(1,875)
Total	<u>\$ 20,508</u>	<u>\$ 19,744</u>

For the three and nine months ended September 30, 2023, depreciation and amortization expense related to property, equipment and software amounted to \$1.4 million and \$3.7 million, respectively, of which \$0.5 million and \$1.2 million, respectively, related to amortization expense of capitalized internal-use software placed in service.

For the three and nine months ended September 30, 2022, depreciation and amortization expense related to property, equipment and software amounted to \$0.9 million and \$2.0 million, respectively, of which \$0.4 million and \$0.7 million, respectively, related to amortization expense of capitalized internal-use software placed in service.

Deposits with Clearinghouse

Total deposits at clearinghouses amounted to \$0.2 million and \$15.2 million as of September 30, 2023 and December 31, 2022, respectively. Deposits with clearinghouse historically have primarily consisted of the ICE Clear US, Inc. ("ICUS") default resource contribution; however, as described further in Note 8, ICUS returned the contribution on September 29, 2023, as a result of the recent delisting of Bakkt Bitcoin futures and option contracts by IFUS.

Other Assets

Other assets consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 21,116	\$ 19,632
Other	2,556	2,826
Total	<u>\$ 23,672</u>	<u>\$ 22,458</u>

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Accounts payable	\$ 3,729	\$ 25,975
Payables to clients	70	—
Accrued expenses	19,116	15,537
Purchasing card payable	12,502	10,686
Salaries and benefits payable	8,019	13,926
Loyalty revenue share liability	3,479	43
Other	2,277	620
Total	<u>\$ 49,192</u>	<u>\$ 66,787</u>

Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Participation units liability, current	\$ 221	\$ 275
Current maturities of operating lease liability	3,555	3,014
Other	527	530
Total	<u>\$ 4,303</u>	<u>\$ 3,819</u>

Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Operating lease liability, noncurrent	\$ 24,547	\$ 23,402
Contingent consideration	13,065	—
Total	<u>\$ 37,612</u>	<u>\$ 23,402</u>

7. Tax Receivable Agreement

On October 15, 2021, we entered into a Tax Receivable Agreement (the "TRA") with certain Opco equity holders. Each Opco common unit, when coupled with one share of our Class V common stock is referred to as a "Paired Interest." Pursuant to the TRA, among other things, holders of Opco common units may, subject to certain conditions, from and after April 16, 2022, exchange such Paired Interests for Class A common stock on a one-for-one basis, subject to the terms of the Exchange Agreement, including our right to elect to deliver cash in lieu of Class A common stock and, in certain cases, adjustments as set forth therein. Opco will have in effect an election under Section 754 of the Internal Revenue Code for each taxable year in which an exchange of Opco common units for Class A common stock (or cash) occurs.

The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Opco. These increases in tax basis may reduce the amount of tax that we would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

The TRA provides for the payment by us to exchanging holders of Opco common units of 85% of certain net income tax benefits, if any, that we realize (or in certain cases are deemed to realize) as a result of these increases in tax

basis related to entering into the TRA, including tax benefits attributable to payments under the TRA. This payment obligation is an obligation of the Company and not of Opco. For purposes of the TRA, the cash tax savings in income tax will be computed by comparing our actual income tax liability (calculated with certain assumptions) to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of Opco as a result of Opco having an election in effect under Section 754 of the Code for each taxable year in which an exchange of Opco common units for Class A common stock occurs and had we not entered into the TRA. Such change will be calculated under the TRA without regard to any transfers of Opco common units or distributions with respect to such Opco common units before the exchange under the Exchange Agreement to which Section 743(b) or 734(b) of the Code applies. As of September 30, 2023, 22,704,377 Opco common units had been exchanged for Class A common stock. Refer to Note 14 regarding the contingency related to the TRA.

8. Related Parties

ICE Management and Technical Support

Upon consummation of the VIH Business Combination, we entered into a Transition Services Agreement (the "ICE TSA") with ICE, pursuant to which ICE provides insurance, digital warehouse, data center, technical support, and other transition-related services in exchange for quarterly service fees payable by us. We recognized \$0.6 million and \$2.2 million of expense related to the ICE TSA for the three and nine months ended September 30, 2023, respectively, which is reflected as "Related party expenses" in the consolidated statements of operations. We recognized \$0.3 million and \$0.9 million of expense related to the ICE TSA for the three and nine months ended September 30, 2022, respectively, which is reflected as "Related party expenses" in the consolidated statements of operations. As of September 30, 2023 and December 31, 2022, we had \$1.6 million and \$1.2 million, respectively, reflected as "Due to related party" in the consolidated balance sheets related to the ICE TSA.

Triparty Agreement

The Digital Currency Trading, Clearing, and Warehouse Services Agreement ("Triparty Agreement") provided for IFUS to list for trading one or more digital currency futures and/or options contracts, and for ICUS to serve as the clearing house to provide central counterparty and ancillary services for such contracts.

Effective July 28, 2023, IFUS delisted all Bakkt Bitcoin futures contracts other than the August and September 2023 expiry months, and also delisted all Bakkt Bitcoin Option contracts. Following the delisting, no new Bakkt Bitcoin futures or option expiry months were listed for trading. The August and September 2023 expiry months continued to be listed for trading through their regular last trading days, which were August 24 and September 28, 2023 respectively. No material revenues associated with the Triparty Agreement were recognized during the three and nine months ended September 30, 2023 and September 30, 2022, respectively. The Triparty Agreement also required Bakkt Trust to make, and, subject to certain limits, to replenish as needed a contribution to ICUS, to be used by ICUS in accordance with the ICUS rules. On September 29, 2023, ICUS returned the Company's \$15.2 million contribution, and effective October 2, 2023, the parties terminated the Triparty Agreement. The contribution requirement was \$15.2 million as of December 31, 2022. The contribution was reflected as "Deposits with clearinghouse" in the consolidated balance sheets.

As of September 30, 2023 and December 31, 2022, we had no amount recorded within "Due to related party" in the consolidated balance sheets related to the Triparty Agreement. As of September 30, 2023 and December 31, 2022, we had no amount recorded within "Accounts receivable, net" in the consolidated balance sheets related to the Triparty Agreement.

Apex Crypto Technical Support

In connection with our acquisition of Apex Crypto, we entered into a Transition Services Agreement (the "Apex TSA") with Apex Fintech Solutions, Inc. ("AFS"), pursuant to which AFS provides technical support and other transition-related services in exchange for quarterly service fees payable by us. We recognized \$0.4 million of expense related to the

Apex TSA for the three months ended September 30, 2023, which are reflected as “Related party expenses” in the consolidated statements of operations. As of September 30, 2023, we had approximately \$0.2 million reflected as “Due to related party” in the consolidated balance sheets related to the Apex TSA.

9. Warrants

As of September 30, 2023 and December 31, 2022, there were 7,140,808 public warrants outstanding. Public warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the public warrant. Each warrant entitles its holders to purchase one share of Class A common stock at an exercise price of \$11.50 per share. The public warrants became exercisable on November 15, 2021. The public warrants will expire on October 15, 2026, or earlier upon redemption or liquidation. We may redeem the outstanding warrants when various conditions are met, such as specific stock prices, as detailed in the specific warrant agreements. The warrants are recorded as a liability and reflected as “Warrant liability” in the consolidated balance sheets.

During the three and nine months ended September 30, 2023, we did not receive any proceeds from the exercise of the public warrants. During the three and nine months ended September 30, 2022, we received less than \$0.1 million in proceeds from the exercise of the public warrants. We recognized a loss from the change in fair value of the warrant liability during the three and nine months ended September 30, 2023 of \$0.2 million and \$0.9 million, respectively. We recognized a gain from the change in fair value of the warrant liability during the three and nine months ended September 30, 2022 of \$0.4 million and \$13.1 million, respectively.

10. Stockholders' Equity

Preferred Stock

We are authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share. The holders of a series of preferred stock shall be entitled only to such voting rights as shall expressly be granted thereto by the Certificate of Incorporation (including any certificate of designation relating to such series of preferred stock). As of September 30, 2023, no shares of preferred stock have been issued.

Common Stock

Class A Common Stock

We are authorized to issue 750,000,000 shares with a par value of \$0.0001 per share. Each holder of record of Class A common stock is entitled to one vote for each share of Class A common stock held on all matters on which stockholders generally or holders of Class A common stock as a separate class are entitled to vote, including the election or removal of directors (whether voting separately as a class or together with one or more classes of our capital stock). As of September 30, 2023 and December 31, 2022, there were 91,414,923 and 80,926,843 shares of Class A common stock issued and outstanding, respectively.

Dividends

Subject to preferences that may be applicable to any outstanding preferred stock, the holders of shares of Class A common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our Board out of funds legally available therefor. As of September 30, 2023, no dividends have been declared.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Class A common stock are entitled to share ratably in all assets remaining after payment of our debts and other liabilities,

subject to prior distribution rights of preferred stock or any class or series of stock having a preference over the Class A common stock, then outstanding, if any.

Class V Common Stock

We are authorized to issue 250,000,000 shares with par value \$0.0001 per share. These shares have no economic value but entitle the holder to one vote per share. Paired Interests may be exchanged for one share of our Class A common stock or a cash amount in accordance with the Third Amended and Restated Limited Liability Company Agreement of Opco and the Amended and Restated Exchange Agreement. Holders of Paired Interests became eligible on April 16, 2022 under the Exchange Agreement to exchange their Paired Interests for Class A common stock or, at our election, cash in lieu thereof. During the three and nine months ended September 30, 2023, there were less than 0.1 million and 0.2 million Paired Interests exchanged for our Class A common stock, and the Company did not elect to settle any such exchanges in cash. As of September 30, 2023 and December 31, 2022, there were 183,249,426 and 183,482,777 shares of Class V common stock issued and outstanding, respectively.

Dividends

Dividends will not be declared or paid on the Class V common stock.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Class V common stock shall not be entitled to receive any of our assets.

Restrictions

In the event that any outstanding share of Class V common stock ceases to be held directly or indirectly by a holder of Opco common units, such share will automatically be transferred to us and cancelled for no consideration. We will not issue additional shares of Class V common stock, other than in connection with the valid issuance or transfer of Opco common units in accordance with Opco's Third Amended and Restated Limited Liability Company Agreement (the "LLC Agreement").

Noncontrolling Interest

The following table summarizes the ownership interest in Opco as of September 30, 2023 and December 31, 2022.

	September 30, 2023		December 31, 2022	
	Opco Common Units	Ownership %	Opco Common Units	Ownership %
Opco common units held by Bakkt Holdings, Inc.	91,414,923	34 %	80,926,843	31 %
Opco common units held by noncontrolling interest holders	183,249,426	66 %	183,482,777	69 %
Total Opco common units outstanding	274,664,349	100 %	264,409,620	100 %

The weighted average ownership percentages for the applicable reporting periods are used to attribute net loss and other comprehensive loss to the Company and the noncontrolling interest holders. The noncontrolling interest holders' weighted average ownership percentage for the three and nine months ended September 30, 2023 was 66.5% and 67.4%, respectively.

Members' Equity

Prior to the VIH Business Combination, Opco had three classes of voting units – Class A, Class B and Class C voting units – and incentive units granted under the Opco Incentive Equity Plan (the “Opco Plan”).

In connection with the VIH Business Combination, the Opco equity holders converted 400,000,000 Opco Class A voting units, 192,453,454 Opco Class B voting units, and 270,270,270 Opco Class C voting units to 189,933,286 shares of Class V common stock on a pro rata basis. Additionally, we issued 17,473,362 shares of Class V common stock related to the outstanding Opco incentive units.

Issuance of Class C Warrant

In May, 2020, Opco issued a warrant to a minority investor to purchase 3,603,600 of Opco’s Class C voting units (“Class C Warrant”), at an exercise price of \$1.11 per unit. Refer to Note 10 to the consolidated financial statements included in our Form 10-K for additional information.

In connection with the VIH Business Combination, the modified warrant units automatically converted into the right to purchase 793,352 Paired Interests in Opco at an exercise price of \$5.04 per Paired Interest. As of September 30, 2023, 172,055 modified warrant units have vested but have not been exercised, and the remaining 621,297 warrant units have not vested or been exercised. No expenses were recorded during the three and nine months ended September 30, 2023 and September 30, 2022, since the service conditions were not probable of being met in those periods.

11. Share-Based and Unit-Based Compensation

2021 Incentive Plan

Our 2021 Omnibus Incentive Plan (the “2021 Incentive Plan”) became effective on the Closing Date with the approval of VIH’s shareholders and the Board of Directors. The 2021 Incentive Plan allows us to make equity and equity-based incentive awards to employees, non-employee directors and consultants. There were initially 25,816,946 shares of Class A common stock reserved for issuance under the 2021 Incentive Plan which can be granted as stock options, stock appreciation rights, restricted shares, restricted stock units (“RSUs”), performance stock units (“PSUs”), dividend equivalent rights and other share-based awards. On June 6, 2023, the 2021 Incentive Plan was amended to increase by 26,590,466 shares the number of authorized shares of Class A common stock available for issuance for a new total of 52,407,412 shares authorized. No award may vest earlier than the first anniversary of the date of grant, subject to limited exceptions.

Share-Based Compensation Expense

During the three and nine months ended September 30, 2023, we granted 92,820 and 7,783,077 RSUs, respectively, to employees and directors. We did not grant any PSUs to employees or directors during the three months ended September 30, 2023. During the nine months ended September 30, 2023, we granted 673,627 PSUs to employees which represents 100% of the target award. During the three and nine months ended September 30, 2022, we granted 869,589 and 10,162,061 RSUs, respectively, to employees and directors. During the three and nine months ended September 30, 2022, we granted 225,000 and 5,116,984 PSUs, respectively, to employees which represents 100% of the target award.

We recorded \$2.7 million and \$12.1 million of share-based compensation expense related to RSUs during the three and nine months ended September 30, 2023, respectively. We recorded \$4.0 million and \$20.7 million of share-based compensation expense related to RSUs during the three and nine months ended September 30, 2022, respectively. We recorded \$0.3 million and \$2.2 million of share-based compensation expense related to PSUs during the three and nine months ended September 30, 2023, reflecting expected performance relative to PSU performance targets. We recorded \$3.6 million and \$8.2 million of share-based compensation expense related to PSUs during the three and nine months ended

September 30, 2022, respectively. Share-based compensation expense for both RSUs and PSUs is included in “Compensation and benefits” in the consolidated statements of operations.

Unrecognized compensation expense as of September 30, 2023 and December 31, 2022 was \$19.4 million and \$29.9 million, respectively, for the RSUs and PSUs. The unrecognized compensation expense as of September 30, 2023 and December 31, 2022 will be recognized over a weighted-average period of 1.57 years and 2.05 years, respectively.

RSU and PSU Activity

The following tables summarize RSU and PSU activity under the 2021 Incentive Plan for the nine months ended September 30, 2023 (in thousands, except per unit data):

RSUs and PSUs	Number of RSUs and PSUs	Weighted Average Contractual Term (years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	13,782	2.05	\$ 4.05	
Granted	8,457		\$ 1.49	\$ 12,596
Forfeited	(3,635)			
Vested	(5,282)			
Outstanding as of September 30, 2023	13,322	1.57	\$ 2.93	

During the nine months ended September 30, 2023, we recorded \$2.3 million of share-based compensation expense related to the accelerated vesting for certain employees that were terminated, primarily related to the Company's restructuring efforts. Acceleration of share-based compensation expense related to the Company's restructuring efforts is included in “Restructuring expenses” in the consolidated statements of operations. We also recorded reversal of share-based compensation expense of \$2.0 million during the nine months ended September 30, 2023 for forfeitures, primarily related to executive resignations and the Company's restructuring efforts. Reversal of share-based compensation expense related to the Company's restructuring efforts is included in “Restructuring expenses” in the consolidated statements of operations.

The fair value of the RSUs and PSUs used in determining share-based compensation expense is based on the closing price of our common stock on the grant date.

PSUs provide an opportunity for the recipient to receive a number of shares of our common stock based on various performance metrics. Upon vesting, each performance stock unit equals one share of common stock of the Company. We accrue compensation expense for the PSUs based on our assessment of the probable outcome of the performance conditions. The metrics for PSUs granted during 2022 relate to our performance during fiscal years 2022, 2023 and 2024, as measured against objective performance goals approved by the Board. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of each year's performance goals. PSUs granted in 2022 vest in three equal annual installments, subject to a catch-up provision over the three annual performance targets. The metrics for PSUs granted during 2023 relate to our performance during fiscal year 2023, as measured against objective performance goals approved by the Board. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of the 2023 performance goals. PSUs granted in 2023 vest in three equal annual installments.

Opco Plan

Preferred incentive units and common incentive units (collectively, “incentive units”) represent an ownership interest in Opco and are entitled to receive distributions from Opco, subject to certain vesting conditions. Opco classifies incentive units as equity awards on its consolidated balance sheets. Participation units, issued directly by Opco to Opco Plan participants, do not represent an ownership interest in Opco but rather provide Opco Plan participants the contractual

right to participate in the value of Opco, if any, through either a cash payment or issuance of Class A common stock upon the occurrence of certain events following vesting of the participation units. Because participation units have historically been settled in cash at the Company's discretion, Opco classifies participation units as liability awards on its consolidated balance sheets. Refer to Note 11 to our consolidated financial statements included in our Form 10-K where the modifications to the Opco Plan are described in detail.

Upon consummation of the VIH Business Combination, the 76,475,000 outstanding preferred incentive units and 23,219,745 outstanding common incentive units were converted into 17,473,362 common incentive units, and the 10,811,502 outstanding participation units were converted into 1,197,250 participation units. Contemporaneously with the conversion, approximately one-third of the awards in the Opco Plan vested. The second tranche vested on the one-year anniversary of the Closing Date and the third tranche will vest on the two-year anniversary of the Closing Date, although under the terms of the Opco Plan, employees who are terminated without cause after the Closing Date will vest in the unvested portion of their awards immediately upon their termination date. There has not been, and will not be, any additional awards made under the Opco Plan following the VIH Business Combination.

Unit-Based Compensation Expense

Unit-based compensation expense for the three and nine months ended September 30, 2023 and September 30, 2022, was as follows (in thousands):

Type of unit	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Common incentive unit	\$ 372	\$ 950	\$ 1,291	\$ 3,041
Participation unit	(32)	74	(4)	(2,904)
Total	\$ 340	\$ 1,024	\$ 1,287	\$ 137

Unrecognized compensation expense as of September 30, 2023 was \$0.1 million for common incentive units. The unrecognized compensation expense will be recognized over a weighted-average period of 0.04 years. There was no unrecognized compensation expense for participation units as of September 30, 2023.

Unrecognized compensation expense as of December 31, 2022 was \$1.4 million for common incentive units. The unrecognized compensation expense will be recognized over a weighted-average period of 0.79 years. There was no unrecognized compensation expense for participation units as of December 31, 2022.

Unit Activity

The following table summarizes common incentive unit activity under the Opco Plan for the nine months ended September 30, 2023 (in thousands, except per unit data):

Common Incentive Units	Number of Common Incentive Units	Weighted Average Remaining Contractual Term (years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	8,294	0.79	\$ 6.30	\$ 67,635
Granted	—			
Forfeited	(5)			
Exchanged	(229)			
Outstanding as of September 30, 2023	8,060	0.04	\$ 6.30	\$ 65,727

The following table summarizes common incentive unit activity under the Opco Plan for the nine months ended September 30, 2022 (in thousands, except per unit data):

Common Incentive Units	Number of Common Incentive Units	Weighted Average Remaining Contractual Term (years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	16,339	1.79 \$	6.30 \$	133,240
Granted	—			
Forfeited	(313)			
Exchanged	(7,041)			
Outstanding as of September 30, 2022	8,985	1.04 \$	6.30 \$	72,349

There were no participation units granted during the three and nine months ended September 30, 2023 or September 30, 2022. As of September 30, 2023 and December 31, 2022, the total number of participation units outstanding was 0.2 million and 0.2 million, respectively. The fair value of the participation units as of September 30, 2023 and December 31, 2022 was \$0.2 million and \$0.3 million, respectively. We did not make any cash payments to settle vested participation units during the three months ended September 30, 2023. We made cash payments of less than \$0.1 million to settle vested participation units during the nine months ended September 30, 2023. We did not make any cash payments to settle vested participation units during the three and nine months ended September 30, 2022.

Determination of Fair Value

The fair value of incentive and participation units granted is calculated through a Monte Carlo simulation based on various outcomes. Opco determined that a Monte Carlo simulation was an appropriate estimation model because of the market conditions associated with the vesting of the units. The determination of the fair value of the units is affected by Opco's stock price and certain assumptions such as Opco's expected stock price volatility over the term of the units, risk-free interest rates, and expected dividends, which are determined as follows:

- Expected term – The expected term represents the period that a unit is expected to be outstanding.
- Volatility – Opco has limited historical data available to derive its own stock price volatility. As such, Opco estimates stock price volatility based on the average historic price volatility of comparable public industry peers.
- Risk-free interest rate – The risk-free rate is based on the U.S. Treasury yield curve in effect on the grant date for securities with similar expected terms to the term of Opco's incentive units.
- Expected dividends – Expected dividends is assumed to be zero as Opco has not paid and does not expect to pay cash dividends or non-liquidating distributions.
- Discount for lack of marketability – an estimated two-year time to exit Predecessor awards and the six-month lock-up restriction on Successor awards is reflected as a discount for lack of marketability estimated using the Finnerty model.

12. Net Loss per share

Basic earnings per share is based on the weighted average number of shares of Class A common stock issued and outstanding. Diluted earnings per share is based on the weighted average number shares of Class A common stock issued and outstanding and the effect of all dilutive common stock equivalents and potentially dilutive share-based awards outstanding. There is no difference in the number of shares used to calculate basic and diluted shares outstanding due to our

net loss position. The potentially dilutive securities that would be anti-dilutive due to our net loss are not included in the calculation of diluted net loss per share attributable to controlling interest.

The following is a reconciliation of the denominators of the basic and diluted per share computations for net loss (in thousands, except share and per share data):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net Loss per share:				
Numerator – basic and diluted:				
Net loss	\$ (51,749)	\$ (1,592,548)	\$ (147,119)	\$ (1,663,509)
Less: Net loss attributable to noncontrolling interest	(34,418)	(1,124,416)	(98,964)	(1,184,352)
Net loss attributable to Bakkt Holdings, Inc. – basic	(17,331)	(468,132)	(48,155)	(479,157)
Net loss and tax effect attributable to noncontrolling interests	—	—	—	—
Net loss attributable to Bakkt Holdings, Inc. – diluted	<u>\$ (17,331)</u>	<u>\$ (468,132)</u>	<u>\$ (48,155)</u>	<u>\$ (479,157)</u>
Denominator – basic and diluted:				
Weighted average shares outstanding – basic	91,357,858	76,591,676	87,726,210	68,408,530
Weighted average shares outstanding – diluted	91,357,858	76,591,676	87,726,210	68,408,530
Net loss per share – basic	\$ (0.19)	\$ (6.11)	\$ (0.55)	\$ (7.00)
Net loss per share – diluted	\$ (0.19)	\$ (6.11)	\$ (0.55)	\$ (7.00)

Potential common shares issuable to employees or directors upon exercise or conversion of shares under our share-based and unit-based compensation plans and upon exercise of warrants are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive.

No shares that are contingently issuable as part of the Bakkt Crypto acquisition have been included in the calculation of diluted EPS as no amounts are payable as of September 30, 2023. The following table summarizes the total potential common shares excluded from diluted loss per common share as their effect would be anti-dilutive (in thousands):

	As of September 30, 2023
RSUs and PSUs	13,026
Public warrants	7,141
Participation units	189
Opco warrants	793
Opco unvested incentive units	2,125
Opco common units	181,125
Total	<u>204,398</u>

13. Capital Requirements

Bakkt Trust is subject to certain regulatory capital requirements imposed by NYDFS. These capital requirements require Bakkt Trust to maintain the greater of a defined positive net worth or the sum of the required percentage established for transmitted assets, cold wallet, and hot wallet custody assets.

Bakkt Clearing, LLC ("Bakkt Clearing") was registered as a futures commission merchant ("FCM") with the Commodity Futures Trading Commission ("CFTC") and was a member of the National Futures Association ("NFA").

Bakkt Clearing was subject to CFTC Regulation 1.17 and the NFA capital requirements. On May 20, 2022, we withdrew Bakkt Clearing's registration with the CFTC and membership in the NFA, which was effective on June 20, 2022. Accordingly, as of September 30, 2023, Bakkt Clearing was no longer required to maintain capital under the rules described above.

Bakkt Marketplace is required to maintain tangible net worth of a minimum amount. Several states have adopted the Model Money Transmission Modernization Act ("MMTMA"), which defined tangible net worth as the aggregate assets of a licensee excluding all intangible assets, less liabilities. In addition to the tangible net worth requirement, Bakkt Marketplace is also required to maintain tangible member's equity of a minimum amount, plus the amount of customer funds held in transit since it holds a number of money transmitter licenses and has a BitLicense from the NYDFS, which subjects it to NYDFS' oversight with respect to such business activities conducted in New York State and with New York residents. Bakkt Marketplace is also required to maintain positive net worth equal to its wind-down costs, or expected costs associated with the orderly wind-down of the business.

Bakkt Crypto is also required to maintain tangible net worth of a minimum amount, as defined by the MMTMA. In addition to the tangible net worth requirement, Bakkt Crypto also holds a BitLicense from the NYDFS and a number of money transmitter licenses, for the same licensure and compliance reasons as Bakkt Marketplace, and is required to maintain minimum positive net worth held as cash in excess of the sum of crypto asset requirements and predefined wind-down costs.

Bakkt Brokerage is registered as a broker-dealer with the Financial Industry Regulatory Authority and is required to maintain a minimum amount of net capital. Bakkt Brokerage's net capital requirement is not material.

As of September 30, 2023, the above mentioned subsidiaries were in compliance with their respective regulatory capital requirements. The minimum capital requirements to which our subsidiaries are subject may restrict their ability to transfer cash. We may also be required to transfer cash to our subsidiaries such that they may continue to meet these minimum capital requirements.

14. Commitments and Contingencies

401(k) Plan

We sponsor a 401(k) defined contribution plan covering all eligible U.S. employees. Both Company and employee contributions to the 401(k) plan are discretionary. For the three and nine months ended September 30, 2023, we recorded approximately \$0.7 million and \$2.4 million, respectively, of expenses related to the 401(k) plan, which is included in "Compensation and benefits" in the consolidated statement of operations. For the three and nine months ended September 30, 2022, we recorded approximately \$0.8 million and \$2.1 million, respectively, of expenses related to the 401(k) plan, which is included in "Compensation and benefits" in the consolidated statement of operations.

Tax Receivable Agreement

The Company is party to a TRA with certain Opco equity holders. As of September 30, 2023, the Company has not recorded a liability under the TRA related to the income tax benefits originating from the exchanges of Opco common units as it is not probable that the Company will realize such tax benefits. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Should the Company determine that the payment of the TRA liability becomes probable at a future date based on new information, any changes will be recorded on the Company's condensed consolidated statement of operations and comprehensive loss at that time.

Litigation

As described above, in October 2021, we completed the VIH Business Combination with VIH, pursuant to which VIH changed its name to Bakkt Holdings, Inc. and the current directors and officers of the Company replaced the directors and officers in place prior to the VIH Business Combination. On April 21, 2022, a putative class action was filed against Bakkt Holdings, Inc. and certain of its directors and officers prior to the VIH Business Combination in the U.S. District Court for the Eastern District of New York on behalf of certain purchasers of securities of VIH and/or purchasers of Bakkt Class A common stock issued in connection with the VIH Business Combination. On August 3, 2022, the Court appointed lead plaintiffs and lead counsel and on October 18, 2022, lead plaintiffs filed an amended complaint (the "Amended Complaint"). The Amended Complaint alleges that VIH made false or misleading statements and omissions of material fact in the registration statement and prospectus/proxy statement filing in connection with the VIH Business Combination and in other SEC filings made by VIH, in violation of federal securities laws in connection with disclosures relating to certain of VIH's financial statements, accounting, and internal controls and that, as a result, VIH securities traded at artificially inflated prices. Plaintiffs sought certification of a class of purchasers of (1) VIH/Bakkt's publicly traded securities between March 31, 2021 and November 19, 2021, and/or (2) Bakkt's publicly traded securities pursuant and/or traceable to the registration statement. The Amended Complaint sought damages, as well as fees and costs. The Amended Complaint named as defendants only one current director, and no current officers, of Bakkt. On March 14, 2023, the parties reached a settlement in principle. On April 12, 2023, the parties completed a stipulation of settlement resolving the litigation for \$3.0 million, subject to Court approval. A motion for preliminary approval was filed with the Court on April 17, 2023. The motion remains pending. We expect the settlement will be covered by our insurance less our contractual retention.

On June 23, 2023, an "opt-out" action related to the foregoing class action was filed against Bakkt Holdings, Inc. and the individuals named in the class action. We intend to vigorously defend against the allegations.

On February 20, 2023, a derivative action related to the foregoing class action was filed against Bakkt Holdings, Inc. and all of its directors in the U.S. District Court for the Eastern District of New York. On June 13, 2023, the defendants filed with the Court a pre-motion letter setting forth the reasons for the dismissal of the action. On July 20, 2023, the parties filed with the Court a stipulation of a voluntary dismissal of the action without a settlement or compromise between them. On July 31, 2023, the Court issued an order to dismiss the action.

Prior to its acquisition by the Company, Bakkt Crypto received requests from the SEC for documents and information about certain aspects of its business, including the operation of its trading platform, processes for listing assets, the classification of certain listed assets, and relationships with customers and service providers, among other topics. The SEC has since made a number of follow-up requests for additional documents and information, and the Company has continued to respond to those requests on a timely basis. Based on the ongoing nature of this matter, the outcome remains uncertain and the Company cannot estimate the potential impact, if any, on its business or financial statements at this time.

Other legal and regulatory proceedings have arisen and may arise in the ordinary course of business. However, we do not believe that the resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows. However, future results could be materially and adversely affected by new developments relating to the legal proceedings and claims.

Commercial Purchasing Card Facility

We, through our loyalty business, had a purchasing card facility with a bank that we utilized for redemption purchases made from vendors as part of our loyalty redemption platform. Expenditures made using the purchasing card facility were payable monthly, were not subject to formula-based restrictions and did not bear interest if amounts outstanding were paid when due and in full. Among other covenants, the purchasing card facility required us to maintain a month-end cash balance of \$40.0 million. In January 2021, the purchasing card facility was extended to April 15, 2022 in order to facilitate a long-term agreement on more favorable terms to us. Bakkt Holdings, Inc. served as the guarantor on behalf of our subsidiary under the commercial purchasing card facility. In April 2022, we further extended the maturity

date of the purchasing card facility to August 12, 2022, to transition over to the purchasing card facility with Bank of America described below. The maturity date of the purchasing card facility was further extended as of August 12, 2022 to January 13, 2023. During September 2022, we paid off the majority of the remaining balance of the purchasing card facility. The purchasing card facility was closed during October 2022.

On April 7, 2022, we entered into a corporate card services agreement with Bank of America to provide a new purchasing card facility. Total borrowing capacity under the facility is \$35.0 million and there is no defined maturity date. Expenditures made using the purchasing card facility are payable monthly, are not subject to formula-based restrictions and do not bear interest if amounts outstanding are paid when due and in full. The purchasing card facility requires us to maintain a concentration account with the lender subject to a minimum liquidity maintenance requirement of \$7.0 million as collateral along with the accounts receivable of our subsidiary, within the loyalty business. Bakkt Holdings, Inc. serves as the guarantor on behalf of our subsidiary under the commercial purchasing card facility. We began using the purchasing card facility in August 2022.

Purchase Obligations

In December 2021, we entered into a four-year cloud computing arrangement which includes minimum contractual payments due to the third-party provider. During the nine months ended September 30, 2023, we entered into a five-year strategic marketing agreement which required a committed spend. As of September 30, 2023, our outstanding purchase obligations consisted of the following future minimum commitments (in thousands):

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Purchase obligations	\$ 4,050	\$ 19,100	\$ —	\$ —	\$ 23,150

15. Income Taxes

As a result of the VIH Business Combination, the Company acquired a controlling interest in Opco, which is treated as a partnership for U.S. federal income tax purposes, and in most applicable state and local income tax jurisdictions. As a partnership, Opco is not itself subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Opco is passed through to and included in the taxable income or loss of its partners, including the Company following the VIH Business Combination, on a pro rata basis. The Company's U.S. federal and state income tax expense primarily relates to the Company's allocable share of any taxable income or loss of Opco following the VIH Business Combination. In addition, Opco's wholly owned corporate subsidiaries that are consolidated for U.S. GAAP purposes but separately taxed for federal, state, and foreign income tax purposes as corporations are generating federal, state, and foreign income tax expense.

Our effective tax rate of less than 1% for the three and nine months ending September 30, 2023, respectively, differ from statutory rates primarily due to the loss that is not taxed to the Company and the absence of taxable income to realize the Company's net operating losses and other deferred tax assets.

Our effective tax rate of less than 1% for the three and nine months ending September 30, 2022, respectively, differ from statutory rates primarily due to the loss allocated to noncontrolling interest that is not taxed to the Company and the non-deductible fair value gains and losses related to the changes in our warrant liability and nondeductible compensation.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our realizability of our deferred tax assets, in each jurisdiction, is dependent upon the generation of future taxable income sufficient to utilize the deferred tax assets on income tax returns, including the reversal of existing temporary differences, historical and projected operating

results and tax planning strategies. As of September 30, 2023 and December 31, 2022, the Company believed it was not more likely that not that the net deferred tax assets would be realizable and thus has maintained a full valuation allowance.

The effects of uncertain tax positions are recognized in the consolidated financial statements if these positions meet a “more-likely-than-not” threshold. For those uncertain tax positions that are recognized in the consolidated financial statements, liabilities are established to reflect the portion of those positions it cannot conclude “more-likely-than-not” to be realized upon ultimate settlement. The Company had no unrecognized tax benefits or related interest and penalties accrued as of September 30, 2023 or December 31, 2022.

16. Fair Value Measurements

Financial assets and liabilities that are measured at fair value on a recurring basis are classified as Level 1, Level 2 and Level 3 as follows (in thousands):

	As of September 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
U.S. Treasury debt securities	\$ 22,678	\$ 22,678	\$ —	\$ —
Safeguarding asset for crypto	505,697	—	505,697	—
Total Assets	\$ 528,375	\$ 22,678	\$ 505,697	\$ —
Liabilities:				
Safeguarding obligation for crypto	505,697	—	505,697	—
Contingent consideration	13,065	—	—	13,065
Warrant liability—public warrants	1,642	1,642	—	—
Total Liabilities	\$ 520,404	\$ 1,642	\$ 505,697	\$ 13,065

	As of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
U.S. Treasury debt securities	\$ 141,062	\$ 141,062	\$ —	\$ —
Safeguarding asset for crypto	15,792	—	15,792	—
Total Assets	\$ 156,854	\$ 141,062	\$ 15,792	\$ —
Liabilities:				
Safeguarding obligation for crypto	\$ 15,792	\$ —	\$ 15,792	\$ —
Warrant liability—public warrants	785	785	—	—
Total Liabilities	\$ 16,577	\$ 785	\$ 15,792	\$ —

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivables, unbilled accounts receivables, due from related party, deposits with clearinghouse, due to related party, accounts payable and accrued liabilities, and operating lease obligations approximate their fair values due to their short-term nature. The balance of deposits with clearinghouse not invested in U.S. government securities are in the form of cash, and therefore approximate fair value.

Our investments in debt securities consist of U.S. Treasury debt securities held in the custody of a major financial institution. As of September 30, 2023, the Company’s investment in available-for-sale debt securities was determined to be

a Level 1 investment based on quoted prices in active markets and was recorded in the consolidated balance sheet at fair value.

The fair value of the safeguarding obligation for crypto and the corresponding safeguarding asset for crypto was determined using Level 2 inputs which included using the value of the safeguarded asset determined as the mid-point of a bid-ask spread in the market we determine to be the principal market for the related crypto as of September 30, 2023.

The contingent consideration associated with the acquisition of Bakkt Crypto is valued using Level 3 inputs, which includes a Monte Carlo model. The inputs for the Monte Carlo model included forecasted financial performance of Bakkt Crypto and estimated earnings volatility. The contingent consideration liability is revalued each reporting period and any change in the liability is reflected in the Company's statements of operations in "Acquisition-related expenses". As of the acquisition date, the fair value of the contingent consideration was estimated to be \$2.9 million and used an estimated gross profit volatility of 66%. During the three and nine months ended September 30, 2023, the Company recognized expense of \$(0.3) million and \$10.1 million, respectively, related to the change in the fair value of the contingent consideration. The change in fair value reflects our current forecasts for the performance of Bakkt Crypto during the earnout period and an estimated gross profit volatility of 78.3%.

Our public warrant liability is valued based on quoted prices in active markets and is classified within Level 1.

As described in Note 5 our owned crypto is continually evaluated for impairment using the lowest quoted price in the market we determine to be the principal market for the related crypto, which we determined was a Level 2 input. Other fair value inputs associated with non-recurring impairment analyses are discussed in the notes of the related assets.

17. Leases

The Company leases real estate for office space under operating leases. On March 15, 2023, we signed an amendment to our Scottsdale, Arizona lease that extended the lease term. The amended lease has a term of 90 months and total fixed lease payments over the term of the amended lease are \$5.7 million. During the year ended December 31, 2022, we entered into a new real estate lease for office space in New York, New York, that commenced on January 31, 2022. The lease has a term of 94 months and the total fixed lease payments over the term of the lease are \$7.3 million. On April 25, 2022, we signed a lease agreement for call center office space in Alpharetta, Georgia. On May 12, 2022, we executed our option to lease additional space for the Alpharetta call center. The call center lease commenced on June 3, 2022. The lease has a term of 47 months and total fixed lease payments over the term of the lease are \$5.9 million. We consider a lease to have commenced on the date when we are granted access to the leased asset. Several of these leases include escalation clauses for adjusting rentals. As of September 30, 2023, we do not have any active finance leases.

Our real estate leases have remaining lease terms as of September 30, 2023 ranging from 31 months to 108 months, with three of our leases containing an option to extend the term for a period of 5 years exercisable by us, which we are not reasonably certain of exercising at commencement. None of our leases contain an option to terminate the lease without cause at the option of either party during the lease term.

Certain of our real estate leasing agreements include terms requiring us to reimburse the lessor for its share of real estate taxes, insurance, operating costs and utilities which we account for as variable lease costs when incurred since we have elected to not separate lease and non-lease components, and hence are not included in the measurement of lease liability. There are no restrictions or covenants imposed by any of the leases, and none of our leases contain material residual value guarantees.

The discount rates for all of our leases are based on our estimated incremental borrowing rate since the rates implicit in the leases were not determinable. Our incremental borrowing rate is based on management's estimate of the rate of interest we would have to pay to borrow on a fully collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We have elected the practical expedient under which lease components would not be separated from the non-lease components for all our classes of underlying assets. Accordingly, each lease component and the non-lease components related to the lease component are accounted for as a single lease component. The weighted average remaining lease term for our operating leases was approximately 87 months, and the weighted average discount rate for our operating leases was 5.3%. We were party to short-term leases during the three and nine months ended September 30, 2023, which resulted in less than \$0.1 million and \$0.1 million of rent expense, respectively. We were party to short-term leases during the three and nine months ended September 30, 2022, which resulted in less than \$0.1 million and less than \$0.1 million of rent expense, respectively.

18. Safeguarding Obligation For Crypto

We provide custody services for Bakkt Crypto's customers and for Bakkt Trust's standalone custody customers. Bakkt Trust also provides custody services for Bakkt Marketplace crypto customers as described in Note 1. We do not own crypto held in a custodial capacity on behalf of our customers. We maintain the internal recordkeeping of those assets and are obligated to safeguard the assets and protect them from loss or theft. We hold the controlling majority of cryptographic key information on behalf of our Bakkt Trust custodial customers. Subcustodians used by Bakkt Crypto hold our customer cryptographic key information and are not permitted to move assets without our specific authorization.

As of September 30, 2023, we have a safeguarding obligation for crypto of \$505.7 million. The safeguarding liability, and corresponding safeguarding asset for crypto on the balance sheet, are measured at the fair value of the crypto held for our customers. We are not aware of any actual or possible safeguarding loss events as of September 30, 2023. Therefore, the safeguarding obligation for crypto and the related safeguarding asset for crypto are recorded at the same amount.

We are responsible for holding the following crypto on behalf of our customers as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Bitcoin	\$ 178,726	\$ 15,717
Ether	148,733	75
Shiba Inu	105,181	—
Dogecoin	53,626	—
Other	19,431	—
Safeguarding obligation for crypto	<u>\$ 505,697</u>	<u>\$ 15,792</u>
Safeguarding asset for crypto	<u>\$ 505,697</u>	<u>\$ 15,792</u>

19. Investment in Debt Securities

We have investments in certain debt securities, which we record at fair value and present as "Available-for-sale securities" in the consolidated balance sheets.

Unrealized gains and temporary losses, net of related taxes, are included in accumulated other comprehensive income (loss) ("AOCI"). Upon realization, those amounts are reclassified from AOCI to earnings. The amortization of premiums and discounts on the investments are included in our results of operations. Realized gains and losses are calculated based on the specific identification method. We classify our investments as current or noncurrent based on the nature of the investments and their availability for use in current operations.

The cost basis and fair value of available-for-sale debt securities with unrealized gains and losses included in "Accumulated other comprehensive loss" in the consolidated balance sheets were as follows (in thousands):

	September 30, 2023			December 31, 2022		
	Cost Basis	Unrealized Gains/(Losses), net	Fair Value	Cost Basis	Unrealized Gains/(Losses), net	Fair Value
Available-for-sale securities						
Government debt						
U.S. treasury bonds	22,600	78	22,678	141,003	59	141,062
Total available-for-sale securities	\$ 22,600	\$ 78	\$ 22,678	\$ 141,003	\$ 59	\$ 141,062

	September 30, 2023		December 31, 2022	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities in an unrealized loss position				
Government debt				
U.S. treasury bonds:				
Less than 12 months ⁽¹⁾	\$ —	\$ —	\$ 39,574	\$ (381)
12 months or more ⁽¹⁾	—	—	—	—
Total available-for-sale securities	\$ —	\$ —	\$ 39,574	\$ (381)

⁽¹⁾ Indicates the length of time that individual securities have been in a continuous unrealized loss position.

The unrealized gains on our investments in government debt securities relate to changes in interest rates since the time of purchase. We may sell certain investments depending on liquidity needs of the business; however, it is not likely that we will be required to sell the investments before recovery of their respective amortized cost basis. In addition, there were no credit losses on these investments as of September 30, 2023.

The cost basis and fair value of available-for-sale debt securities at September 30, 2023, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to prepay and creditors may have the right to call obligations.

	September 30, 2023	
	Cost Basis	Fair Value
Due in one year or less	\$ 22,600	\$ 22,678
Due after one year through five years	—	—
Total debt securities - available-for-sale	\$ 22,600	\$ 22,678

20. Subsequent Events

Subsequent to the filing of the Original Form 10-Q, and in connection with the filing of this Amended Form 10-Q, we evaluated our ability to continue as a going concern using the information available to us as of the date of this filing.

We have incurred net losses and consumed cashflow from operations since our inception and incurred losses and consumed cash through the date of this filing in excess of our budgets, due to increased cash utilization in operations and lower realization of actual revenues. We have historically relied on our existing cash and available-for-sale securities portfolio to fund operations. We do not have any long-term debt to service but have commitments under long-term cloud computing, lease and marketing contracts. We expect to continue to incur losses and consume cash for the foreseeable future, which has raised substantial doubt about our ability to continue as a going concern.

We do not believe that our cash, short-term securities, and restricted cash are sufficient to fund our operations for the next 12 months, without raising additional capital in the near future. We have been executing a strategic plan to optimize our capital allocation and expense base since the fourth quarter of 2022, which has reduced our annual cash expenses year over year and which we expect will continue to reduce our cash expenses in 2024. We are also planning to integrate our regulated entities to reduce regulatory capital and insurance requirements. However, it is critical to our plan to

mitigate our cash burn that we significantly expand our revenue base to be able to generate a sustainable operating profit. There is significant uncertainty associated with our expansion to new markets and the growth of our revenue base given the uncertain and rapidly evolving environment associated with crypto assets. Accordingly, we cannot conclude that it is probable we will be able to increase revenues substantially beyond levels that we have attained in the past in order to generate sustainable operating profit to continue doing business, and, as a result, we have concluded these plans do not alleviate substantial doubt about our ability to continue as a going concern. We are seeking additional financing and evaluating financing alternatives in order to meet our cash requirements for the next 12 months. We cannot be certain that raising additional capital, whether through selling additional equity or debt securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us.

PART II—OTHER INFORMATION

Item 1A. Risk Factors.

In addition to the information set forth in this Report, you should carefully consider the risk factors and other cautionary statements described under the heading “Item 1A. Risk Factors” included in our Form 10-K, which could materially affect our businesses, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. There have been no material changes in our risk factors from those described in our Form 10-K, other than as set forth below:

If we are unable to attract, retain or grow our relationships with our existing clients, our business, financial condition, results of operations and future prospects would be materially and adversely affected. Moreover, sales efforts to large clients involve risks that may not be present or that are present to a lesser extent with respect to sales to smaller organizations.

For our platform to be successful, we must continue our existing partnerships, and successfully develop new, partnerships with clients. Our ability to retain and grow our relationships with our clients depends on the willingness of those clients to establish a commercial relationship with us. Moreover, our growth plan includes marketing expense to incentivize clients with whom we develop partnerships to market our platform to their customers, which we expect would accelerate customer adoption of our platform and lower our overall customer acquisition cost. If clients with whom we develop partnerships fail to market or do not effectively market our platform to their customers, or customers fail to adopt our platform through these marketing efforts in such numbers as we have projected, our customer acquisition costs may increase and our business, financial condition and results of operations may be adversely affected.

Sales to large clients involve risks that may not be present or that are present to a lesser extent with sales to smaller organizations, such as longer sales cycles, more complex requirements and substantial upfront sales costs. For example, large clients may require considerable time to evaluate and test our platform prior to making a decision, or may request pricing models that may decrease our potential margins. Several factors influence the length and variability of our sales cycle, including the need to educate potential clients about the uses and benefits of our platform, the discretionary nature of purchasing and budget cycles, and the competitive nature of evaluation and purchasing approval processes. In order for our sales efforts to large organizations to be successful, we often must be able to engage with senior officers of the organization. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, may vary significantly for each client, with sales to large enterprises typically taking longer to complete. If we fail to effectively manage the risks associated with sales cycles and sales to large clients, our business, financial condition and results of operations may be adversely affected.

Moreover, when we execute an agreement with a client, we are still dependent on that client to deploy our platform. Larger clients, in particular, often delay deployment for a lengthy period of time after executing an agreement. Even when clients begin their integration into our platform, they do so on a limited basis while frequently requiring that we provide implementation services, which may include customization and controls that limit the functionality of our platform, and negotiate pricing discounts, which increases our upfront investment in the sales effort with no guarantee that sales to these clients will justify our upfront investment, which can be substantial. If a client delays deployment for lengthy periods of time, our consumer and revenue growth may not achieve expectations and our business, financial condition and results of operations may be adversely affected.

Our agreements with our clients have terms that range from approximately one to three years, and in some cases, our existing clients can generally terminate these agreements without cause upon 30 to 90 days’ prior written notice. In addition, many of those agreements also provide for the right of the client to terminate the agreement, or for us to pay financial penalties, in the event that we breach certain service level agreements with respect to the operation of our platform. The termination of one or more of our agreements with a client would result in a reduction in a loss of transacting

accounts, transaction volume and revenue attributable to customers generated from that client relationship, and our business, financial condition, results of operations and future prospects would be materially and adversely affected.

Additionally, certain terms of our partner agreements remain subject to further discussion and refinement before they can be implemented, including the potential products and services to bring to market. Our ability to realize the intended benefits of these partnerships will depend on our ability to finalize such agreements, for such products and services, and to do so on terms sufficiently favorable to us. While we continue to negotiate partnership terms, we may be unable to agree to terms with such clients on commercially advantageous terms or at all, which may adversely affect our business and prospects.

Furthermore, our ability to retain existing, or obtain new, partners and customers may be impacted to the extent that clients choose not to partner with us, or customers choose not to transact or to engage in fewer transactions on our platform, in each case, because we do not currently offer or plan to cease offering certain crypto assets. For example, Bakkt has delisted or determined to delist a substantial majority of the crypto assets that had historically been available for trading on the Bakkt Crypto platform. The decision to delist those crypto assets has impacted, and may in the future further impact, our revenues as additional crypto assets are delisted and may impact the expected synergies and benefits from the Bakkt Crypto acquisition. If partners do not engage with us, or if customers choose not to transact or make fewer transactions on our platform, as a result of the decision to delist those crypto assets or our decision not to offer other crypto assets, our revenues will be adversely impacted.

Any of the foregoing could, among other things, adversely impact our stock price, make us less competitive compared to our peers and otherwise significantly adversely affect our business.

Excessive redemptions or withdrawals, or a suspension of redemptions or withdrawals, of crypto assets could adversely impact our business.

We have procedures to process redemptions and withdrawals promptly in accordance with the terms of the applicable user agreements. Although we have not experienced excessive redemptions or withdrawals, or suspensions of redemptions or withdrawals, of crypto assets to date, we could experience process-related withdrawal or redemption delays in the future if there were to be a significant and unexpected volume of withdrawal or redemption requests. To the extent we have process-related delays, even if the delays are brief or due to blockchain network congestion or heightened redemption activity, and even if the delays are within the terms of an applicable user agreement or otherwise communicated by us, we may nonetheless experience, among other things, increased customer complaints, damage to our brand and reputation and additional regulatory scrutiny, any of which could adversely affect our business.

Acquisitions, strategic investments, partnerships, or alliances may be difficult to identify. We may not realize the anticipated benefits of past or future investments, strategic transactions or acquisitions, including our acquisition of Apex Crypto, and integration of these acquisitions may pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value or otherwise adversely affect our business, financial condition and results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, partnerships, alliances and platform technologies that we believe could complement or expand our platform, enhance our technology, or otherwise offer growth opportunities. For example, on April 1, 2023, we consummated our agreement to acquire all of the membership interests of Apex Crypto, which we have since renamed Bakkt Crypto.

We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions, including the acquisition of Bakkt Crypto, and these transactions involve numerous risks that are not within our control. These risks include the following, among others:

- obtaining the requisite regulatory approvals necessary to consummate the transaction the acquisition, or to integrate the acquired business with our own;
- difficulty in assimilating the operations, systems, and personnel of the acquired business;

- difficulty in effectively integrating the acquired technologies or products with our current products and technologies;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- difficulty integrating the acquired business's accounting, management information and other administrative systems;
- inability to retain key technical and managerial personnel of the acquired business;
- inability to retain key customers, vendors and other business clients of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our results of operations;
- regulatory changes that affect the value of the businesses we acquire or our plans for integration of those businesses, or that expose us to additional regulation or litigation in connection with the acquired businesses;
- significant post-acquisition investments which may lower the actual benefits realized through the acquisition;
- potential failure of the due diligence process to identify significant issues with product quality, legal, and financial liabilities among other things; and
- potential inability to assert that internal controls over financial reporting are effective.

In particular, the acquisition of Bakkt Crypto presents risks to our business, including because:

- our ability to retain the legacy clients of Apex Crypto, and expand those relationships, is a key growth driver for us;
- we are in the process of replacing and/or augmenting many of our existing systems and relationships (e.g., agreements with crypto liquidity providers) with those historically used by Apex Crypto;
- we may need to be able to accommodate the significantly increased volume on our platform;
- the completion of the integration of the Bakkt Crypto business—which includes, among other things, merging legal entities, eliminating duplicative licenses, and adjusting the amount of regulatory capital associated therewith—remains subject to regulatory approval, the delay of which extends the timeline for our recognition of the full benefits of the transaction;
- we may have increased liability and/or regulatory risk from the list of additional crypto assets on our platform and from the pre-acquisition activities of Bakkt Crypto, even after we elected to delist certain of the crypto assets on the Bakkt Crypto platform; and
- the commercial relationship with Apex Clearing Corporation that is a part of the acquisition is a key growth driver for us, but that relationship may not produce the benefits that we envision.

Our failure to address these risks, or other problems encountered in connection with our past or future investments, strategic transactions, or acquisitions, could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental expenses or the write-off of goodwill, any of which could harm our financial condition or results of operations, and the trading price of our common stock could decline. For example, under the purchase agreement for the acquisition of Apex Crypto, we agreed to pay or issue an aggregate of \$200 million in cash and/or common stock as

contingent consideration in respect of Bakkt Crypto achieving certain financial targets through 2025. Through November 13, 2023, we have delivered approximately \$9.1 million of shares of Class A common stock in respect of such obligations.

Our failure to safeguard and manage our customers' crypto could adversely impact our business, operating results, and financial condition.

In our capacity as a crypto custodian, our platform holds crypto for individual and institutional customers, and buys, sells, sends and receives crypto to fulfill buy and sell orders of such customers. Specifically, Bakkt Trust Company LLC (“Bakkt Trust”) provides custody services to customers of Bakkt Marketplace and to its own institutional customers with respect to all crypto assets which we support for trading. In addition, Bakkt Crypto provides custodial services that support the crypto tokens offered on the consumer platform through both third-party providers of custodial services and self-custody through the Fireblocks Vault service. Should we or one of our third-party custodians fail to implement or maintain the policies, procedures and controls necessary to secure the custody of the crypto assets entrusted to us by our customers in full compliance with applicable law and regulation, the Company could suffer reputational harm and/or significant financial losses; face litigation or regulatory enforcement action potentially leading to significant fines, penalties, and additional restrictions; and see its customers discontinue or reduce their use of our and our partners' products. Any of these occurrences could adversely impact our business, operating results, and financial condition.

We regard the crypto assets that we hold in custody for customers as the property of those customers, who benefit from the rewards and bear the risks associated with their ownership, and we believe that customer crypto assets, consistent with the nature and terms of the services we offer and applicable law, would not be made available to satisfy the claims of our general creditors in the event of our bankruptcy. In addition, since the acquisition of Bakkt Crypto, we have utilized the services of third-party custodians to hold crypto assets in custody for the benefit of Bakkt Crypto customers. These third-party custodians maintain their own bankruptcy protection procedures and contractual protections designed with the goal that the crypto assets held in custody by these third-party custodians would not be made available to satisfy the claims of such custodian's general creditors in the event of bankruptcy. However, insolvency law is not fully developed with respect to the holding of crypto assets in custodial arrangements and continues to develop. As a result, there is a risk that crypto assets held in custody could be considered to be the property of a bankruptcy estate in the event of a bankruptcy, and that the crypto assets held in custody on behalf of our customers could be subject to bankruptcy proceedings and such customers could be treated as general unsecured creditors. This prospect may result in customers finding our custodial services more risky and less attractive.

Both Bakkt Trust and Bakkt Crypto use omnibus wallets to hold crypto assets belonging to the Company as well as crypto assets held for the benefit of and on behalf of customers. The balances of Bakkt Crypto-owned assets in such wallets are de minimis and are maintained solely to facilitate customer transactions, such as by funding the payment of transfer fees and addressing rounding conventions and trade errors. Although the Company maintains detailed internal ledgers recording the ownership of crypto assets held in Company-controlled omnibus wallets, the use of omnibus wallets could complicate the disposition or treatment of customer crypto assets in the event of our bankruptcy, including by increasing the risk that crypto assets held in the omnibus wallets are considered to be the property of our bankruptcy estate.

Further, on March 31, 2022, the SEC issued Staff Accounting Bulletin No. 121, which represents a significant change regarding how a company safeguarding crypto held for its platform users reports such crypto on its balance sheet. Any future changes in U.S. generally accepted accounting principles (“GAAP”) that require us to change the manner in which we account for our crypto held for our customers could have a material adverse effect on our financial results and the market price of our securities.

See “—Risks Related to Risk Management and Financial Reporting—Future changes in financial accounting standards may significantly change our reported results of operations.”

Our business is subject to extensive government regulation, oversight, licensure and approvals. Our failure to comply with extensive, complex, uncertain, overlapping and frequently changing rules, regulations and legal interpretations could materially harm our business.

Our business is subject to laws, rules, regulations, policies and legal interpretations in the markets in which we operate, including, but not limited to, those governing money transmission, crypto asset business activity, consumer protection, anti-money laundering, counter-terrorist financing, privacy and data protection, cybersecurity, economic and trade sanctions, commodities, derivatives, and securities.

We have been, and expect to continue to be, required to apply for and maintain various licenses, certifications and regulatory approvals in jurisdictions where we provide our services, including due to changes in applicable laws and regulations or the interpretation of such laws and regulations. There can be no assurance that we will elect to pursue, or be able to obtain, any such licenses, certifications and approvals. In addition, there are substantial costs and potential product changes involved in maintaining and renewing such licenses, certifications and approvals. For instance, in the United States, each of Bakkt Marketplace and Bakkt Crypto has obtained licenses to operate as a money transmitter (or its equivalent) in the states where it operates and where such licenses are required, as well as in the District of Columbia and Puerto Rico, and as a virtual currency business with the State of New York. In these capacities, each of Bakkt Marketplace and Bakkt Crypto is subject to reporting requirements, restrictions with respect to the investment of consumer funds, bonding requirements and inspection by state regulatory agencies.

As we expand our business activities, both as to the products and services offered and into jurisdictions beyond the United States, including as a result of the Bakkt Crypto acquisition, we have become increasingly obligated to comply with new laws and regulations, including those of any additional countries and markets in which we operate, and we may be subject to increased regulatory oversight and enforcement and more restrictive rules and regulations. Laws outside of the United States often impose different, more specific, or even conflicting obligations on companies, as well as broader liability. For example, certain transactions that may be permissible in a local jurisdiction may be prohibited by regulations of U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") or U.S. anti-money laundering or counter-terrorist financing regulations. Our ability to manage our business and conduct our operations internationally will require considerable management attention and resources, particularly as we have no operating history outside the United States and limited experience with international regulatory environments and market practices. Our failure to successfully manage regulatory risks could harm our international operations and have an adverse effect on our business, operating results, and financial condition.

As we expand our international activities, we become increasingly obligated to comply with the laws, rules, regulations, policies and legal interpretations of both the jurisdictions in which we operate and those into which we offer services on a cross-border basis. For instance, financial regulators outside the United States have increased scrutiny of crypto asset platforms over time, such as by requiring crypto asset platforms operating in their local jurisdictions to be regulated and licensed under local laws. To the extent a customer accesses our services outside of jurisdictions where we have obtained required governmental licenses and authorization, we face a risk of becoming subject to regulations in that local jurisdiction. A regulator's conclusion that we are servicing customers in its jurisdiction without being appropriately licensed, registered or authorized could result in fines or other enforcement actions.

In general, any failure or perceived failure to comply with existing or new laws, regulations, or orders of any regulatory authority (including changes to or expansion of the interpretation of those laws, regulations, or orders) may subject us to liability, significant fines, penalties, criminal and civil lawsuits, forfeiture of significant assets and enforcement actions in one or more jurisdictions, result in additional compliance and licensure requirements, increase regulatory scrutiny of our business, restrict our operations and force us to change our business practices, make product or operational changes, including ceasing our operations in certain jurisdictions, or delaying planned product launches or improvements. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brand and business, impose substantial costs and adversely affect our financial condition and results of operations. The complexity of U.S. federal and state regulatory and enforcement regimes, coupled with the scope of our operations and the evolving regulatory environment, could result in a single event giving rise to a large number of overlapping investigations and legal and regulatory proceedings by multiple authorities. Moreover, we cannot provide any assurance that our employees, contractors, or agents will not violate such laws and regulations.

Regulatory regimes governing blockchain technologies and crypto are evolving and uncertain, and new legislation, regulations, guidance and enforcement actions have in the past required, and may in the future require, us to alter our business practices.

Significant parts of our business, such as our product and service offerings involving crypto, are subject to uncertain and/or evolving regulatory regimes. As crypto has grown in both popularity and market size, governments have reacted differently, with certain governments deeming it illegal and others allowing its use and trade without restriction. The failures of risk management and other control functions at other companies that played a role in the 2022 and 2023 events have accelerated, and continue to accelerate, an existing regulatory trend toward stricter oversight of crypto platforms and the crypto industry. Legislation, regulations and enforcement actions applicable to crypto in the United States include, but are not limited to the following:

- In 2023, the SEC initiated lawsuits against certain crypto asset exchanges, including Bittrex, Coinbase, Binance, and Kraken alleging among other things that those entities operated as unregistered national securities exchanges, unregistered broker-dealers and unregistered clearing agencies and alleging that certain crypto assets available on their platforms are securities.
- The Commodity Futures Trading Commission (“CFTC”) staff has publicly taken the position that certain crypto assets are commodities, and as such, exchange-traded derivatives involving bitcoin are subject to the CFTC’s jurisdiction and enforcement powers. This has been reflected in certain CFTC enforcement actions, including those against Coinflip, Inc. and certain informal CFTC guidance, such as the LabCFTC’s Primer on Virtual Currencies.
- In June 2023, the CFTC won a default judgment against Ooki DAO, a decentralized autonomous organization that the CFTC charged with operating an illegal trading platform and unlawfully offering leveraged and margined retail commodity transactions in crypto assets outside of a registered exchange, unlawfully acting as a Futures Commission Merchant (FCM), and unlawfully failing to comply with Bank Secrecy Act obligations applicable to FCMs.
- In July 2023, a court in the Southern District of New York held that Ripple’s sales of XRP to sophisticated investors pursuant to written contracts did constitute the unregistered offer and sale of investment contracts while sales of XRP to purchasers through blind bid/ask transactions on crypto asset exchanges did not constitute the sale of unregistered securities.
- On July 31, 2023, a different court in the Southern District of New York held that the SEC had asserted a plausible claim that certain inter-related crypto assets offered by Terraform Labs qualified as investment contracts.
- In September 2023, the CFTC issued orders and simultaneously filed and settled charges against Oryn, Inc., ZeroEx, Inc., and Deridex, Inc., alleging that each had offered users the ability to trade crypto asset derivatives without registering with the CFTC as one or more regulated entities.
- The U.S. Congress has expressed the need for both greater federal oversight of the crypto industry and comprehensive crypto asset legislation. In June 2023, a bill was introduced in the U.S. House of Representatives that would place certain crypto assets under SEC oversight, while placing others that qualify as commodities, under the jurisdiction of the CFTC. Under the draft bill, whether a particularly crypto asset is as a security or commodity would depend, among other things, on how decentralized its underlying blockchain is. The bill would also require crypto asset intermediaries, such as certain of our subsidiaries, to register with and be regulated by the CFTC, the SEC or both.
- Certain state regulators, such as NYDFS, have created or are in the process of creating new regulatory frameworks with respect to crypto. For example, in 2015, the State of New York adopted the “BitLicense,” the first U.S. regulatory framework for licensing participants in crypto business activity. Each of Bakkt Marketplace and Bakkt Crypto currently operates under a BitLicense. On January 25, 2023, NYDFS released guidance regarding crypto custody practices, providing that a “virtual currency entity custodian” must: (1) separately account for and segregate customer assets from proprietary assets, (2) take possession of customer assets only for the limited purpose of carrying out custody and safekeeping services, (3) request approval before implementing any sub-custody arrangements, and (4) provide adequate disclosure to customers. In addition, Louisiana has adopted a virtual currency regulation, effective as of January 1, 2023, which requires operators of virtual currency businesses to obtain a virtual

currency license in order to conduct business in Louisiana, and as such, we are in the process of applying for this license. Other states, such as Texas, have published guidance on how their existing regulatory regimes governing money transmitters apply to virtual currencies. Some states, such as New Hampshire, North Carolina and Washington, have amended their state's statutes to clarify the treatment of virtual currencies within existing licensing regimes, while others have interpreted their existing statutes as requiring a money transmitter license to conduct certain virtual currency business activities.

- FinCEN has released guidance regarding how it considers its regulations to interact with crypto businesses.
- The IRS released guidance treating crypto as property that is not currency for U.S. federal income tax purposes.
- In August 2023, the IRS published proposed regulations on tax reporting requirements for cryptocurrency brokers, which are generally expected to expand the scope of companies that are required to report basis, adjusted basis, gross proceeds and amounts realized from sales of covered crypto assets.
- In October 2023, the governor of California signed into law the Digital Financial Assets Law ("DFAL"), which establishes a required licensing framework administered by the California Department of Financial Protection and Innovation ("DFPI") for entities engaged in digital financial asset business activity in the state of California. The Company expects that its business will require licensure under the DFAL and will therefore take steps to obtain necessary licenses prior to the enactment's effective date of July 1, 2025. The Company notes that the DFAL provides that the DFPI may issue a conditional license to companies, such as our subsidiaries, that maintain licenses to conduct virtual currency business activity in New York or hold a charter as a New York limited purpose trust company with approval to conduct a virtual currency business under New York law. The Company will continue to monitor and review guidance from the DFPI clarifying the enactment's scope and interpretation.

Governmental and regulatory bodies may continue to adopt new laws and regulations, issue new guidance or bring new enforcement actions relating to crypto and the crypto industry generally, and crypto platforms in particular, the direction and timing of which may be influenced by changes in the governing administrations and major events in the crypto industry. In addition, regulators may establish self-regulatory bodies to set guidelines regarding crypto, which could have similar effects on new policies adopted by government bodies. To the extent regulators issue guidance, uncertainties may remain regarding the application of such guidance and any informal guidance may not be an official policy, rule or regulation, may be subject to change and is not necessarily binding on the applicable regulators. Enforcement actions may also be contested in litigation, which could take years to resolve, and can also lead to an uncertain regulatory environment.

The technologies underlying crypto are novel technologies and relatively untested, and the application of securities and other laws to aspects of these technologies and crypto is unclear in certain respects. It is difficult to predict how or whether regulatory agencies may apply existing or new regulation with respect to this technology and its applications, and whether regulators will bring enforcement actions on specific issues. For instance, U.S. bankruptcy courts are now faced with a number of questions of first impression that may determine the status of crypto in bankruptcy, and the rights and obligations of platforms that custody crypto for their customers.

New interpretations of, or changes to, existing laws, regulations and guidance, and new enforcement actions, may adversely impact the development of the crypto industry as a whole and our legal and regulatory status in particular by changing how we operate our business, how our products and services are regulated, and what products or services we and our competitors can offer, requiring changes to our compliance and risk mitigation programs, policies and procedures, imposing new licensing requirements, or imposing a total ban on certain crypto transactions, as has occurred in certain jurisdictions in the past. In addition, new or changing laws, regulations, guidance or enforcement actions, could severely or materially adversely impact, among other things, the permissibility of the operation of the blockchain networks underlying crypto and our operations; adversely impact the value or liquidity of crypto; limit the ability to access marketplaces or exchanges on which to trade crypto; adversely impact the structure, rights and transferability of crypto and the treatment of crypto and holders of crypto in insolvency proceedings; and result in further negative publicity relating to particular crypto assets or platforms or the crypto industry more generally. Any of the foregoing could significantly adversely impact our business.

See also *“—Risks Related to Regulation, Taxation and Law—A crypto asset’s status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty, and if crypto assets on our platform are later determined to be securities, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.”*

A crypto asset’s status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty, and if crypto assets on our platform are later determined to be securities, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

The SEC and its staff have taken the position that certain crypto assets fall within the definition of a “security” under the U.S. federal securities laws, and it is possible the SEC may take this position with respect to other assets that may be transacted on our platform. Certain legal tests for determining whether any given asset is a security may require highly complex and fact-driven analyses, and the outcome is difficult to predict. The SEC, as well as other regulators, have been increasingly focused on the regulation of crypto, which has impacted and will continue to impact our business. In recent months, the SEC has alleged a number of additional crypto assets to be securities in the course of enforcement actions and lawsuits brought against crypto market participants, including lawsuits brought against the crypto exchanges Bittrex, Coinbase, Binance, and Kraken. Among the crypto assets identified as securities in these actions are assets that were previously listed on Bakkt Crypto’s platform, which Bakkt has since delisted. Prior SEC enforcement activity had not alleged crypto assets made available for trading on or through a Bakkt platform to be securities. It is not clear what actions the SEC will take with respect to those or other crypto assets, including in the course of the SEC inquiry regarding the Bakkt Crypto platform that began prior to Bakkt’s acquisition, or what decisions the courts will reach regarding the status of specific crypto assets as securities. For example, in December 2020, the SEC initiated a lawsuit against Ripple Labs, Inc. (“Ripple”) and two of its executives, alleging that they engaged in the unlawful offer and sale of unregistered securities through sales of XRP, Ripple’s crypto asset, since 2012. On July 13, 2023, a court in the Southern District of New York held that Ripple’s sales of XRP to sophisticated investors pursuant to written contracts did constitute the unregistered offer and sale of investment contracts while sales of XRP to purchasers through blind bid/ask transactions on crypto asset exchanges did not constitute the sale of unregistered securities. There also remains a significant lack of clarity over whether individual crypto assets that purport to maintain a fixed or “stable” value relative to a fiat currency or other underlying asset, known as “stablecoins,” will be deemed to be “securities.”

The classification of an asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading and clearing of such assets. For example, an asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in assets that are classified as securities in the United States may be subject to registration with the SEC and states in which they offer and sell securities as a “broker” or “dealer” and subject to the corresponding rules and regulations of the SEC, relevant states and self-regulatory organizations, including FINRA. Platforms that bring together buyers and sellers of assets that are classified as securities in the United States constitute securities exchanges and will be either required to register as such with the SEC, or to operate pursuant to an exemption, as an alternative trading system (“ATS”).

We could be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to determine that a supported crypto asset bought, sold, converted, spent or sent through our platform is a “security” under applicable laws. Because our platform is not yet registered or licensed with the SEC or foreign authorities as a broker-dealer, national securities exchange, or ATS (or foreign equivalents), and we do not seek to register or rely on an exemption from such registration or license to facilitate the offer and sale of crypto assets on our platform, we currently only permit transactions in crypto assets that we have determined are not securities. We intend to offer other crypto assets on our platform in the future, although which crypto assets will be allowed on our platform, and the timing for such crypto assets to be allowed on our platform, is uncertain. We will only allow those crypto assets for which we determine there are reasonably strong arguments to conclude that the crypto asset is not a security.

However, the application of securities laws to the specific facts and circumstances of crypto may be complex and subject to change, and a listing determination does not guarantee any conclusion under the United States federal securities laws. While we have policies that are designed to help us analyze whether a particular crypto asset is a “security”, our policies and procedures are not a legal standard, but rather a framework for analysis that permits us to make a risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a “security” under applicable laws. Regardless of our conclusions, we could be subject to legal or regulatory action in the event the SEC, a state or foreign regulatory authority, or a court, were to determine that a crypto asset currently offered, sold or traded on our platform is a “security” under applicable laws. Moreover, although we expect our risk assessment policies and procedures to regularly evolve to take into account developments in case law, facts and developments in technology, regulatory clarity and changes in market acceptance and adoption of these crypto assets, these developments and changes may occur more rapidly than we are able to change our related policies and procedures. Actions may also be brought by private individuals or entities alleging illegal transactions involving crypto assets that they claim are securities, and seeking rescission of those transactions, and/or other legal and equitable relief under federal or state securities laws.

In addition, in connection with our acquisition of Bakkt Crypto we have needed to, and if we engage in any other acquisitions in the future, may further need to, update our policies and procedures to account for additional types of crypto assets or additional functionalities, and there may be a delay in adopting uniform policies and procedures relating to the acquired company or in applying such policies and procedures to an acquired company’s crypto assets. In applying our policies and procedures to an acquired company’s crypto assets, we may determine to delist some or all of such company’s crypto assets. See also *“—If we are unable to attract, retain or grow our relationships with our existing clients, our business, financial condition, results of operations and future prospects would be materially and adversely affected. Moreover, sales efforts to large clients involve risks that may not be present or that are present to a lesser extent with respect to sales to smaller organizations.”*

There can be no assurances that we will properly characterize any given crypto asset as a security or non-security for purposes of determining if that crypto asset is allowed to be offered through our platform, or that the SEC, foreign regulatory authority, or a court, if the question was presented to it, would agree with our assessment. If the SEC, foreign regulatory authority, or a court were to determine that bitcoin or any other crypto asset to be offered, sold, or traded on our platform in the future is a security, we would not be able to offer such crypto asset for trading until we are able to do so in a compliant manner, such as through an alternative trading system approved to trade crypto assets that constitute securities, and such determination may have adverse consequences for such supported crypto assets. A determination by the SEC, a foreign regulatory authority, or a court that an asset that we support for trading on our platform constitutes a security may also result in a determination that we should remove such asset from our platform, as well as other assets that have similar characteristics to such asset deemed to be a security. In addition, we could be subject to judicial or administrative sanctions for failing to offer or sell the asset in compliance with the registration requirements, or for acting as a broker, dealer, or national securities exchange without appropriate registration. Similarly, the SEC has recently alleged that certain crypto asset exchanges have acted without appropriate registration as clearing agencies. Although our platform functions differently from those alleged to have functioned as unregistered clearing agencies in actions brought by the SEC to date, we could face a similar action if the SEC and its staff take a different position with respect to our activities. An action for failure to register as a broker, dealer, national securities exchange, or clearing agency when such registration was required could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines and disgorgement, criminal liability and reputational harm. Customers that traded such supported assets on our platform and suffered trading losses could also seek to rescind a transaction that we facilitated on the basis that it was conducted in violation of applicable law, which could subject us to significant liability.

Furthermore, if we remove any assets from trading on our platform, our decision may be unpopular with our customers and may reduce our ability to attract and retain customers, especially if such assets remain traded on unregulated exchanges, which includes many of our competitors.

We are subject to significant litigation risk and risk of regulatory liability and penalties. Any current or future litigation or regulatory proceedings against us could be costly and time-consuming to defend.

We are from time to time subject to legal proceedings and claims as well as regulatory proceedings that arise in the ordinary course of business, such as securities class action litigation or other shareholder litigation, claims brought by our clients or customers in connection with commercial disputes, or employment claims made by our current or former employees, and patent litigation. For example, on April 21, 2022, a putative class action was filed against Bakkt Holdings, Inc. and certain of its directors and officers prior to the VIH Business Combination in the U.S. District Court for the Eastern District of New York on behalf of certain purchasers of securities of VIH and/or purchasers of Bakkt Class A common stock issued in connection with the VIH Business Combination, seeking damages as well as fees and costs. On March 14, 2023, the parties reached a settlement in principle. On

April 12, 2023, the parties completed a stipulation of settlement resolving the litigation for \$3.0 million, subject to Court approval. A motion for preliminary approval was filed with the Court on April 17, 2023. The motion remains pending. We expect the settlement will be covered by our insurance less our contractual retention. On June 23, 2023, an “opt-out” action related to the foregoing class action was filed against Bakkt Holdings, Inc. and the individuals named in the class action. On February 20, 2023, a derivative action related to the foregoing class action was filed against Bakkt Holdings, Inc. and all of its directors in the U.S. District Court for the Eastern District of New York. On June 13, 2023, the defendants filed with the Court a pre-motion letter setting forth the reasons for the dismissal of the action. On July 20, 2023, the parties filed with the Court a stipulation of a voluntary dismissal of the action without a settlement or compromise between them. On July 31, 2023, the Court issued an order to dismiss the action. In addition, prior to our acquisition of Bakkt Crypto, Bakkt Crypto received requests from the SEC for documents and information about certain aspects of its business, including the operation of its trading platform, processes for listing assets, the classification of certain listed assets, and relationships with customers and service providers, among other topics. We are in the process of responding to the SEC and cannot estimate the potential impact, if any, of the resolution of this matter on our business or financial statements at this time, which could be material.

Many aspects of our business involve substantial litigation risks, including potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction, that we provided materially false or misleading statements in connection with a transaction or that we failed to effectively fulfill our regulatory oversight responsibilities. We may be subject to disputes regarding the quality of customer order execution, the settlement of customer orders or other matters relating to our services.

Litigation, even claims without merit, could result in substantial costs and may divert management’s attention and resources, which might seriously harm our business, financial condition and results of operations. Insurance may not cover such claims, may not provide sufficient payments to cover all the costs to resolve one or more such claims, and may not continue to be available on terms acceptable to us (including premium increases or the imposition of large deductible or co-insurance requirements). A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position and results of operations. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms, or that our insurers will not deny coverage as to any future claim.

In light of our business model based on crypto, we are also subject to substantial regulatory risks. For more information about the regulatory risks to which our business is subject, see “A crypto asset’s status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty, and if crypto assets on our platform are later determined to be securities, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition,” “Regulatory regimes governing blockchain technologies and crypto are evolving and uncertain, and new legislation, regulations, guidance and enforcement actions have in the past required, and may in the future require, us to alter our business practices” and “Our business is subject to extensive government regulation, oversight, licensure and approvals. Our failure to comply with extensive, complex, uncertain, overlapping and frequently changing rules, regulations and legal interpretations could materially harm our business.”

Adverse resolution of any lawsuit or claim or regulatory proceeding against us, or any regulatory investigation involving us, could have a material adverse effect on our business and our reputation. To the extent we are found to have

failed to fulfill our regulatory obligations, we could lose our authorizations or licenses or become subject to conditions that could make future operations more costly and impair our profitability. Such events could also result in consumer dissatisfaction and a decline in consumers' willingness to use our platform.

We might not be able to continue as a going concern.

Our unaudited condensed consolidated financial statements as of September 30, 2023 were prepared under the assumption that we would continue as a going concern for the next twelve months from the date we filed the Original Form 10-Q, which contemplated the realization of assets and the satisfaction of liabilities in the normal course of business and did not include any adjustments relating to recoverability and the classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of certain uncertainties.

Subsequent to the filing of the Original Form 10-Q and in connection with the filing of this Amended Form 10-Q we have determined that we do not believe that our cash and restricted cash are sufficient to fund our operations for the 12 months following the date of this Amended Form 10-Q. Specifically, as of January 31, 2024, the Company had approximately \$50.0 million of cash and cash equivalents that was not restricted and approximately \$8.2 million in available-for-sale securities. We intend to use our unrestricted cash and proceeds from maturity of available-for-sale debt securities to (i) fund our day-to-day operations, including regulatory capital, compensating balance arrangements and other similar commitments which may be subject to change, (ii) activate new crypto clients, (iii) maintain our product development efforts, and (iv) optimize our technology infrastructure. Our cash and proceeds from the maturity of available-for-sale debt securities as of the date of the filing of this Amended Form 10-Q are estimated to fund our operations into the second or third quarter of 2024, depending on the results from our ongoing negotiations of requests for increased cash collateral or revised credit terms with certain of our providers.

There is significant uncertainty associated with our expansion to new markets and the growth of our revenue base given the rapidly evolving environment associated with crypto assets. Accordingly, we cannot conclude it is probable we will be able to increase revenues substantially beyond levels that we have attained in the past in order to generate sustainable operating profit and sufficient cash flows to continue doing business without raising additional capital in the near future. As a result of our expected operating losses and cash burn for the foreseeable future and recurring losses from operations, if we are unable to raise sufficient capital through additional debt or equity arrangements, there will be uncertainty regarding our ability to maintain liquidity sufficient to operate our business effectively, which has raised substantial doubt as to our ability to continue as a going concern. If we cannot continue as a viable entity, our stockholders would likely lose most or all of their investment in us.

As a result, we have experienced and may continue to experience additional impacts to our business as a result of our partners and customers concern regarding our ability to continue as a going concern. For example, since the filing of Amendment No. 2 to the Original Form 10-Q, (i) one of our partners has closed out of all customer positions, (ii) we have received inquiries from partners and prospective partners about the financial position of the Company, (iii) certain of our surety bond providers have requested additional collateral, (iv) our purchasing card provider has requested an additional collateral pledge of between \$8 million and 13 million, depending on the amount of the purchasing limit thereunder, and (v) certain of our liquidity providers have requested updated payment arrangements. There can be no assurance that we will not experience additional adverse impacts to our business, including additional or accelerated account closures, loss of future potential business, and additional demands for cash or collateral, which, individually or in the aggregate may further impair our business and exacerbate our going concerns.

As we are currently unable to generate sustainable operating profit and sufficient cash flows, we have determined that our future success will depend on our ability to raise sufficient additional capital. We are seeking additional financing and evaluating financing alternatives in order to meet our cash requirements for the next 12 months. We cannot be certain that raising additional capital, whether through selling additional equity or debt securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current

stockholders may experience dilution. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current platform expansion programs, cut operating costs, forego future development and other opportunities or even terminate our operations. In addition, even if we are able to mitigate or alleviate our going concern status, we may be unable to recover with investors, partners and customers due to the adverse reputational effects.

If we are unable to develop and maintain effective internal controls over financial reporting, we may not be able to produce timely and accurate financial statements, which could have a material adverse effect on our business.

We have limited accounting and finance personnel and other resources and must develop our own internal controls and procedures consistent with SEC regulations. We intend to continue to evaluate actions to enhance our internal controls over financial reporting, but there is no assurance that we will not identify control deficiencies or material weaknesses in the future. Furthermore, in accordance with SEC guidance, our assessment of our internal controls over financial reporting has excluded Bakkt Crypto. There is no assurance that we will not identify control deficiencies or material weaknesses when our assessment include Bakkt Crypto in future periods.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. Pursuant to the Sarbanes-Oxley Act we are required to make a formal assessment of the effectiveness of our internal control over financial reporting, and once we cease to be an “emerging growth company” under the JOBS Act, we will also be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm.

To comply with Section 404 of the Sarbanes-Oxley Act, we have incurred substantial cost, expended significant management time on compliance-related issues and hired additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. We expect these costs to increase once we cease to be an emerging growth company and be required to provide an attestation report on internal controls over financial reporting. Moreover, if we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Any failure to maintain effective disclosure controls and procedures or internal control over financial reporting could have an adverse effect on our business and operating results, and cause a decline in the price of our securities.

The NYSE may delist our securities from trading on its exchange, which could limit investors’ ability to make transactions in our securities and subject us to additional trading restrictions.

Our securities are currently listed on NYSE. However, we cannot assure you that we will be able to meet the NYSE’s continued listing requirements for our common stock or our warrants in the future. For example, as of November 13, 2023, our stock price had closed below \$1.00 for the preceding nine consecutive trading days and, if it does not increase, we may receive a written notification from the NYSE that we are not in compliance with the continued listing standard set forth in Section 802.01C of the NYSE Listed Company Manual, which requires that the closing price of our Class A Common Stock is not less than an average of \$1.00 per share over a consecutive 30 trading-day period. While the NYSE rules generally provide for a six-month period to return to compliance following delivery of a noncompliance notice including by taking an action that will require approval of our shareholders, there can be no assurances that we will be able to achieve compliance with the minimum bid price requirements or any other listing requirements during such period, or at all.

If the NYSE delists our securities from trading on its exchange and we are not able to list its securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;

- reduced liquidity for our securities;
- determination that our Class A Common Stock is a “penny stock,” which will require brokers trading in the common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Item 5. Other Information.

We are providing an update to our business activities following our acquisition of Bakkt Crypto, formerly Apex Crypto, on April 1, 2023. Effective June 12, 2023, we changed the name of Apex Crypto to Bakkt Crypto. This business update should be read together with “Item 1. Business” and “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023, “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments” in the Original Form 10-Q and “Item 1A. Risk Factors” in this Amended Form 10-Q.

Some of the information contained in this update, including information with respect to our plans and strategy for our business, includes forward-looking statements. Such forward-looking statements are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those factors discussed in “Cautionary Statement Regarding Forward-Looking Statements” and “Item 1A. Risk Factors” in this Amended Form 10-Q.

Overview

In this Amended Form 10-Q, we use the following terms, which are defined as follows:

- **Client** means businesses with whom we contract to provide services to customers on our platform, and includes financial institutions, hedge funds, merchants, retailers, third party partners, and other businesses (except in the accompanying notes to the consolidated financial statements, where we refer to revenue earned from customers, instead of clients). The term customers is in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*).
- **Crypto assets** (or **crypto**) means an asset that is built using blockchain technology, including virtual currencies (as used in the State of New York), coins, cryptocurrencies, stablecoins, and other tokens. Our platform enables transactions in certain supported crypto assets. For purposes of this Amended Form 10-Q, we use crypto assets, virtual currency, coins, and tokens interchangeably.
- **Customer** means an individual user of our platform. Customers include customers of our loyalty clients who use our platform to transact in loyalty points, as well as customers of our clients who transact in crypto through, and have accounts on, our platform (except as defined for ASC 606 purposes above).
- **Loyalty points** means loyalty and/or reward points that are issued by clients to their customers.

Our Corporate Structure

We operate primarily through the following entities:

- Bakkt Marketplace, LLC (“Bakkt Marketplace”) and Bakkt Crypto – through these entities we operate integrated platforms that provide customers with the ability to buy, sell and store crypto in a simple, intuitive digital experience accessed via application programming interfaces (“APIs”) or embedded web experience. Bakkt Marketplace holds a New York State virtual currency license (commonly referred to as a “BitLicense”), and money transmitter licenses from all states throughout the United States (“U.S.”) where such licenses are required for the operation of its business, and is registered as a money services business with the Financial Crimes Enforcement Network of the United States Department of the Treasury. Bakkt Crypto similarly holds a BitLicense and money transmitter licenses in various states, where its business requires. Currently, all of the outstanding equity interests of Bakkt Crypto are held by Bakkt Marketplace. The Bakkt Crypto and Bakkt Marketplace platforms generally are operated separately, though Bakkt Marketplace provides fiat funding services to Bakkt Crypto in instances where a client does not have that capability. The Bakkt Marketplace platform was originally conceived and built in connection with a consumer app that enabled crypto asset transactions, and, at the time, represented a direct-to consumer business model, which is no longer being pursued by the Company. In contrast, the Bakkt Crypto platform was originally conceived and built as an embedded crypto trading platform that would be integrated into client environments to service customers in those environments. Subject to applicable regulatory approvals, which we are presently pursuing, we intend to merge Bakkt Crypto with and into Bakkt Marketplace, with the surviving entity of the merger to be renamed Bakkt Crypto Solutions, LLC. The two platforms will then be combined into one business, which will be operated by the surviving entity. Similar to the Bakkt Crypto business model, the combined business will focus on a client-led, or “business-to-business-to-consumer” (“B2B2C”), strategy in which crypto asset solutions can be embedded into client environments.
- Bakkt Trust is a New York limited-purpose trust company that is chartered by and subject to the supervision and oversight of New York Department of Financial Services and governed by an independent Board of Managers. Bakkt Trust provides our institutional-grade qualified custody solution, which caters to more experienced market participants and also supports our consumer-facing crypto business. Bakkt Trust’s custody solution also provides support to Bakkt Marketplace with respect to all crypto assets supported by the Company. See “—*Crypto Assets and Services Offered by Bakkt.*”

We acquired Bumped Financial, LLC (“Bumped”) (renamed Bakkt Brokerage), a registered broker-dealer, in February 2023. Bakkt Brokerage is not engaged in any business activities at this time and we have no current plans for it to engage in future business activities.

Bakkt Crypto

In April 2023, we acquired Apex Crypto, a platform for integrated crypto trading, which we renamed Bakkt Crypto. This platform supports clients with a range of crypto solutions. We expect to leverage Bakkt Crypto’s proprietary trading platform and existing relationships with liquidity providers to provide a wider range of crypto assets and competitive pricing to our customers. Bakkt Crypto complements our B2B2C growth strategy by broadening our business partnerships to broker-dealers, registered investment advisors, fintechs and neo-banks. Specifically, Bakkt Crypto offers customers the ability to purchase, sell, store and, in approved jurisdictions, deposit and withdraw approved crypto assets, all from within the applications of our clients with whom customers already have a relationship. Using Bakkt Crypto’s platform, customers can purchase approved crypto assets, store crypto assets in custodial wallets, liquidate their holdings, and transfer supported crypto assets between a custodial wallet maintained by Bakkt Crypto and external wallets in certain jurisdictions, if enabled by the client.

As part of our acquisition of Bakkt Crypto, we also acquired its agreements with more than 30 third-party partners pursuant to which the partners made Bakkt Crypto’s crypto asset trading service available to their customer base. The agreements with these third-party fintech partners (referred to as clients) provide for licensing of their front-end trading platforms by Bakkt Crypto and cooperation between the parties in facilitating customers’ transactions in crypto assets. The agreements are for a term of either one or two years and can be terminated by either party for breach or in case of a change of control. In most cases, the agreements also contain provisions giving Bakkt Crypto discretion in the choice of crypto

assets offered to each client through its platform and, in some cases, exclusivity covenants pursuant to which clients have agreed not to refer their customers to other crypto asset trading platforms.

Bakkt Crypto is regularly exploring additional ways to innovate and provide additional products and services to its clients. Bakkt Crypto is in the process of developing, subject to applicable regulatory approvals, a solution to facilitate international remittances where users can remit fiat currency, with Bakkt leveraging crypto rails to settle the transaction, and conversion of certain loyalty and rewards points into supported crypto assets. We are actively pursuing opportunities to provide crypto asset trading services in jurisdictions outside of the United States, including the United Kingdom, Hong Kong, Spain and throughout Latin America, subject to applicable local regulatory approvals. Bakkt Crypto is currently live with customers in Spain, Mexico, Argentina, and Brazil through a partnership with Hapi Crypto. Bakkt Crypto executes a de minimis amount of trades for entity accounts in jurisdictions other than the State of New York. Subject to applicable regulatory approvals, Bakkt Crypto intends to expand the provision of trading services for institutional clients.

Crypto Market Developments

Over approximately the last eighteen months, the crypto markets were impacted by, among other developments, significant decreases and volatility in crypto asset prices, a loss of confidence in many participants in the crypto asset ecosystem, regulatory actions and adverse publicity around specific companies, the crypto industry and crypto assets more broadly, including as a result of continued industry-wide consequences from the Chapter 11 bankruptcy filings of crypto asset exchange FTX, crypto hedge fund Three Arrows, crypto miners Compute North and Core Scientific, and crypto lenders Celsius Network, Voyager Digital and BlockFi. In addition, the liquidity of the crypto asset markets has been adversely impacted by these bankruptcy filings as, among other things, certain entities affiliated with FTX and other former participants had engaged in significant trading activity. Although we did not have any exposure to these companies, and we do not have material assets that may not be recovered or may otherwise be lost or misappropriated due to the bankruptcies, we were nonetheless impacted by, and continue to be impacted by, the broader conditions in the crypto markets.

The crypto markets also have been and continue to be impacted by the broader macroeconomic conditions, including the strength of the overall macroeconomic environment, high and rising interest rates, spikes in inflation rates, general market volatility, and geopolitical concerns. We expect the macroeconomic environment and the state of the crypto markets to remain dynamic in the near-term.

In addition, crypto assets and crypto market participants have recently faced increased scrutiny by regulators. For example, in 2023, the SEC has brought charges against a number of crypto asset exchanges, including Bittrex, Coinbase, Binance, Kraken, and other crypto asset service providers, identifying a number of crypto assets as securities and alleging violations of, and non-compliance with, U.S. federal securities laws. We continue to monitor regulatory developments in this area and assess our business model and the assets we support in light of such developments. For more information see “—Regulation—Regulation of Our Virtual Currency Business,” below.

Crypto Assets and Services Offered by Bakkt

Retail Customers

We currently provide, or intend to provide, the following crypto-related services for retail customers. These services are provided through our clients which have a direct relationship with such customers and utilize our trading platform and custody services.

- crypto asset trading;
- custody services for the crypto assets supported for trading;
- external transfers of crypto assets (through Bakkt Crypto); and
- crypto rewards (expected to become available in the first quarter of 2024).

Our management regularly considers whether to make any potential additional crypto assets available on our platform, consistent with our policies and procedures. See “—Policies and Procedures—Listing-Related Policies.”

Bakkt Crypto, Bakkt Marketplace and Bakkt Trust facilitate transactions in, and provide services for, the crypto assets listed in the tables below.

Bakkt Marketplace / Bakkt Crypto

Crypto Asset	Symbol	Supported For		
		Trading	Transfers	Rewards
Bitcoin	BTC	Yes	Yes*	No Planned Q1 2024
Bitcoin Cash	BCH	Yes	Yes*	No
Dogecoin	DOGE	Yes*	Yes*	No
Ethereum	ETH	Yes	Yes*	No
Ethereum Classic	ETC	Yes*	Yes*	No
Litecoin	LTC	Yes	Yes*	No
Shiba Inu	SHIB	Yes*	Yes*	No
USD Coin	USDC	Yes*	Yes*	No

* Except for the State of New York

Bakkt Trust

Crypto Asset	Symbol	Supported for	
		Custody	Transfers
Bitcoin	BTC	Yes	Yes
Bitcoin Cash	BCH	Yes	Yes
Dogecoin	DOGE	Yes	Yes
Ethereum	ETH	Yes	Yes
Ethereum Classic	ETC	Yes	Yes
Litecoin	LTC	Yes	Yes
Shiba Inu	SHIB	Yes	Yes
USD Coin	USDC	Yes	Yes

Following the acquisition of Bakkt Crypto, and as further detailed in the table below, we delisted 37 of the 45 crypto assets that had historically been available for trading on the Bakkt Crypto platform. We first requested the delisting of certain crypto assets from the Bakkt Crypto platform in connection with our due diligence review of the Bakkt Crypto business in 2022. Following the closing of our acquisition of Bakkt Crypto on April 1, 2023, and in light of regulatory developments, we undertook an updated review of all crypto assets then available on the Bakkt Crypto platform and determined that it was appropriate to delist certain additional assets. This review took into account a number of factors, including: (i) scores assigned to each crypto asset based on a rating framework that weighs various factors drawn from SEC and judicial sources; (ii) whether the crypto asset was sold in an initial coin offering; (iii) whether the crypto asset was backed by a single entity; and (iv) whether the crypto asset used “proof of stake” validation. Our review also accounted for the potential impacts of delisting on our clients and customers. We have also directed the delisting of certain crypto assets in response to charges recently filed by the SEC against crypto asset exchanges alleging that those crypto assets are securities. We believe that these delistings will not have a material impact on our business and results of operations in future periods. While the delisted crypto assets represented approximately 15% of gross profit of Bakkt Crypto at the time of its acquisition by the Company, many of these crypto assets constitute what is referred to in the fintech industry as “meme coins.” Historically, many meme coins have been subject to anecdotal spikes in trading activity that may not repeat for a protracted period of time if at all. In implementing our coin delisting decisions, we have attempted to mitigate impacts on our business and our clients and customers by affording customers a period in which to exit their positions in the impacted crypto assets as part of an orderly wind-down. We expect our listing and delisting decisions to continue to evolve based on relevant regulatory and judicial precedent.

Crypto Asset (Symbol)	Date of Delisting
AMP	December 6, 2022
CRO; DASH; ONE; LUNA; LUNC; ZEC	February 15, 2023
ALGO; MANA	April 21, 2023
COMP; GALA; YFI; LRC; ICP; BAT; LINK; APE; MKR; REN; BNT; SNX; ATOM; GRT; AAVE; FIL; XTZ; AVAX; UNI; XLM; CHZ; SUSHI; CRV; ENJ; FTM; SOL; ADA; MATIC	September 19, 2023

Crypto Asset Trading

We have agreements with clients that entitle us to receive recurring subscription revenues in the form of platform fees from clients for the use of our platforms by their customers.

Customers may purchase approved crypto assets directly through Bakkt Crypto utilizing one of four funding sources:

- the customer’s fiat wallet (see Fig. 1 below);
- the customer’s Banking as a Service (“BaaS”) provider account (see Fig. 2 below);
- the customer’s brokerage account (see Fig. 3 below); or
- the customer’s points/rewards account with a participating loyalty client (see Fig. 4 below; expected to become available in the first quarter of 2024).

Customers may sell crypto assets through Bakkt Crypto. The sale proceeds from a sale can be directed to one of three potential customer accounts:

- the customer’s fiat wallet (see Fig. 5 below);
- the customer’s BaaS account (see Fig. 6 below); or
- the customer’s brokerage account (see Fig. 7 below).

The funding source is specific to the client relationship through which the customer account was opened and is not specified by the individual customer account holder. For example, if a customer opens an account with a client where trades are funded via a BaaS relationship, all sale and purchase transaction-related funds will flow through the customer’s BaaS account. Customers submit all purchase and sale orders through the user interface of the client with which they have opened an account.

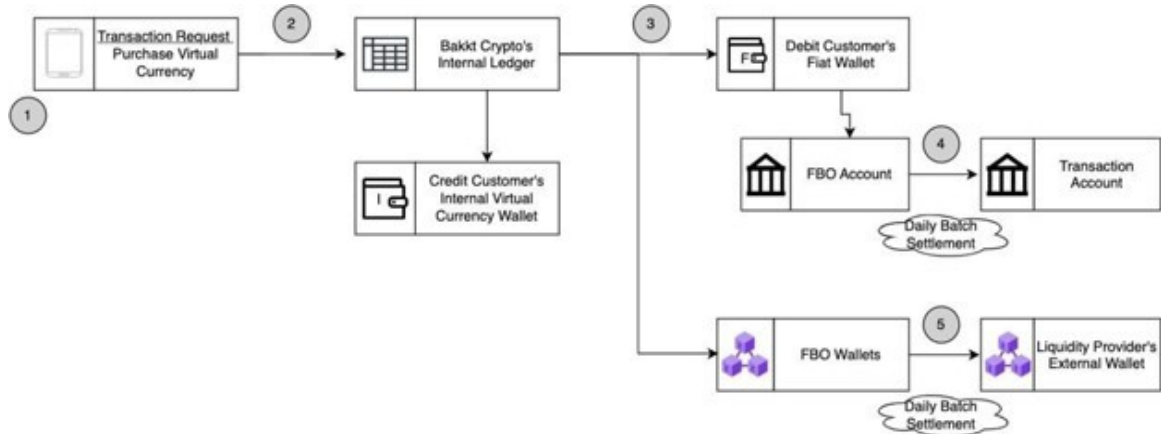
With respect to customer purchase and sale orders, Bakkt Crypto operates as a riskless principal and offsets each customer order it fills by routing a corresponding order to a liquidity provider on a one-to-one basis. Bakkt Crypto settles its transactions with liquidity providers on a net basis. For more information, see “—*Crypto Assets and Services Offered by Bakkt—Crypto Asset Trading—Liquidity Providers*” below.

Customers can submit an order request to purchase crypto assets by specifying the dollar value or coin quantity that they wish to purchase. The client’s user interface displays the estimated price or quantity, as applicable, as well as any transaction fees.

Before sending a purchase order request, the client must verify that sufficient funds are available in the applicable customer funding source. If the customer account has sufficient funds, the client then sends the order to Bakkt Crypto. Upon receipt of the purchase order, Bakkt Crypto accepts and processes the purchase order and records any order fill transactions on Bakkt Crypto’s internal ledger. Bakkt Crypto recognizes the revenue from markup and/or trade fees at this time in the flow using explicit journal types in the transaction ledgering.

If the customer's funding source is a fiat wallet, Bakkt Marketplace will debit the customer's fiat wallet on its internal ledger. During the daily net settlement period fiat funds are transmitted from the for benefit of ("FBO") account to the Bakkt Crypto transaction account.

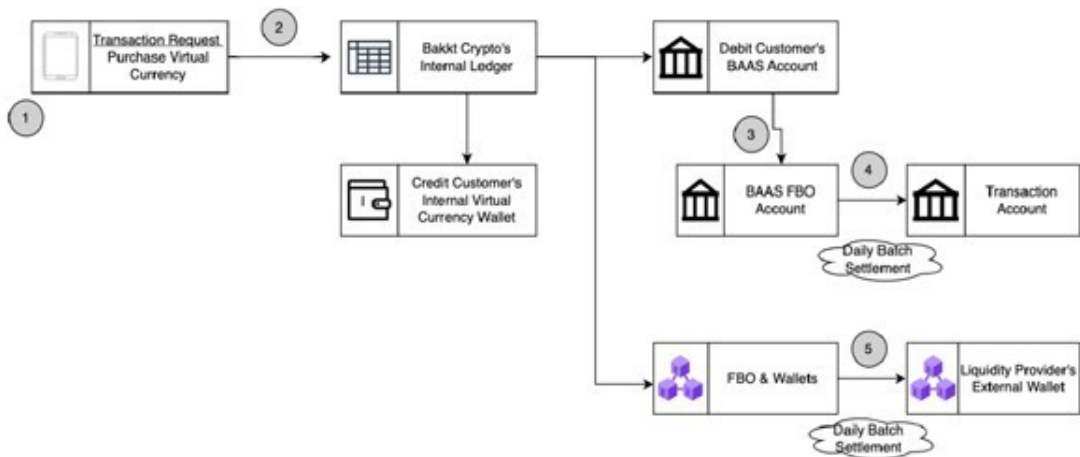
Fig. 1 Crypto Assets Purchase Through A Fiat Wallet



If the customer's funding source is a BaaS account, Bakkt Crypto sends a message to the client that a trade has been executed. The client then instructs the BaaS provider to transfer the funds from the customer's BaaS account to its BaaS FBO account. The BaaS provider will debit the customer's fiat wallet on its internal ledger. During the daily batch settlement period, fiat funds are transmitted from the BaaS FBO account to the Bakkt Crypto transaction account.

A BaaS account is one where a client, through its banking relationships, offers customers the ability to withdraw fiat currency from, or transfer or deposit fiat currency into, the customer's BaaS account with that client. In those instances, those customers would utilize their BaaS account to purchase supported crypto assets from Bakkt Crypto, as depicted in Figure 2, below, and to deposit the proceeds of sales of supported crypto assets to Bakkt Crypto, as depicted in Figure 6, below. Our client, not the Company, maintains the relationship with the BaaS provider and the Company is not itself regulated as a bank.

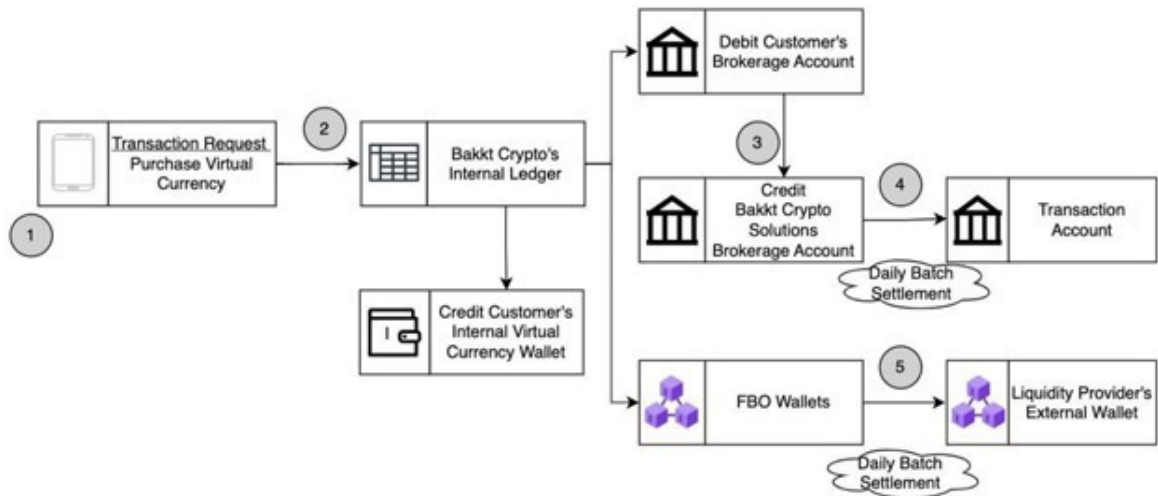
Fig. 2 Crypto Assets Purchase Through A Customer's BaaS Account



If the customer's funding source is a brokerage account, Bakkt Crypto sends a message to ledger the funds from the customer's brokerage account at the brokerage's clearing firm to Bakkt Crypto brokerage account at the brokerage's

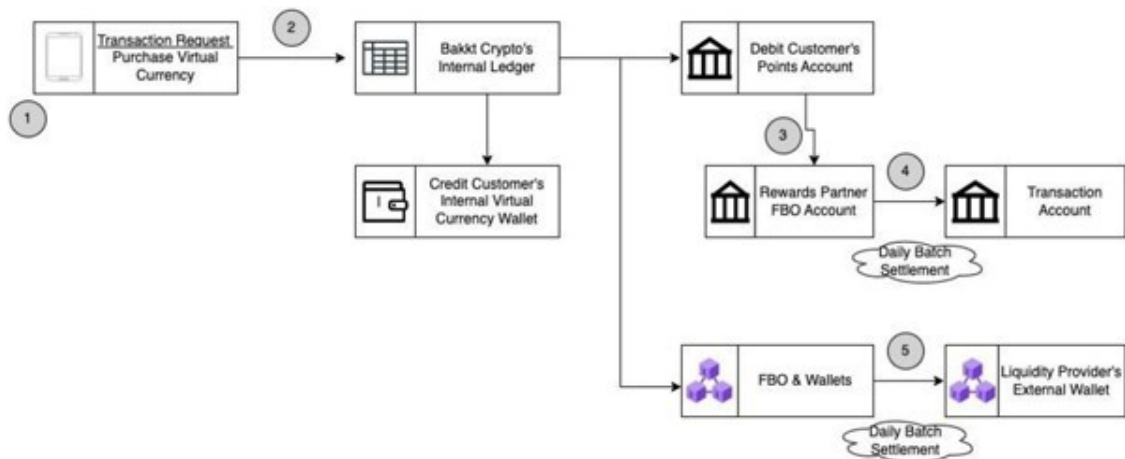
clearing firm. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto brokerage account to the Bakkt Crypto transaction account.

Fig. 3 Crypto Assets Purchase Through A Customer's Brokerage Account



If the customer's funding source is a points account at points/rewards client, Bakkt Crypto will debit the customer's points account. During the daily batch settlement, funds are transferred from the rewards client account to the Bakkt Crypto transaction account.

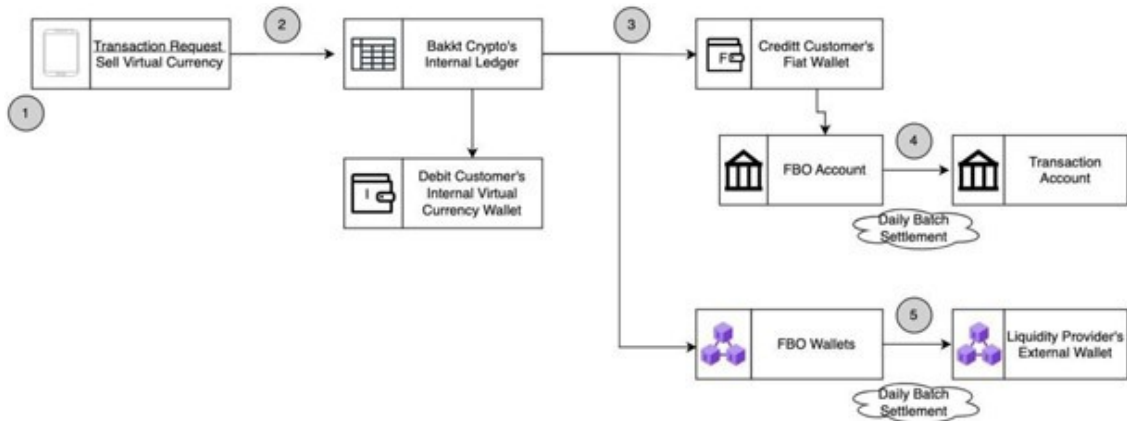
Fig. 4 Crypto Assets Purchase Through A Customer's Points/Rewards Account



For sales, customers submit an order request via the client with which they have a relationship to Bakkt Crypto to sell crypto assets by specifying the dollar value or quantity that they wish to sell. For market orders, the client displays the estimated price or estimated quantity, which is inclusive of any markup. If the client is charging any trade fees, those will be displayed and included in the total trade value. Once confirmed by the customer, the order is then sent to Bakkt Crypto by the client. Upon receipt of the order, Bakkt Crypto accepts and processes the sale order and records the order fill transaction on Bakkt Crypto's internal ledger by recording a debit to the customer's crypto asset account.

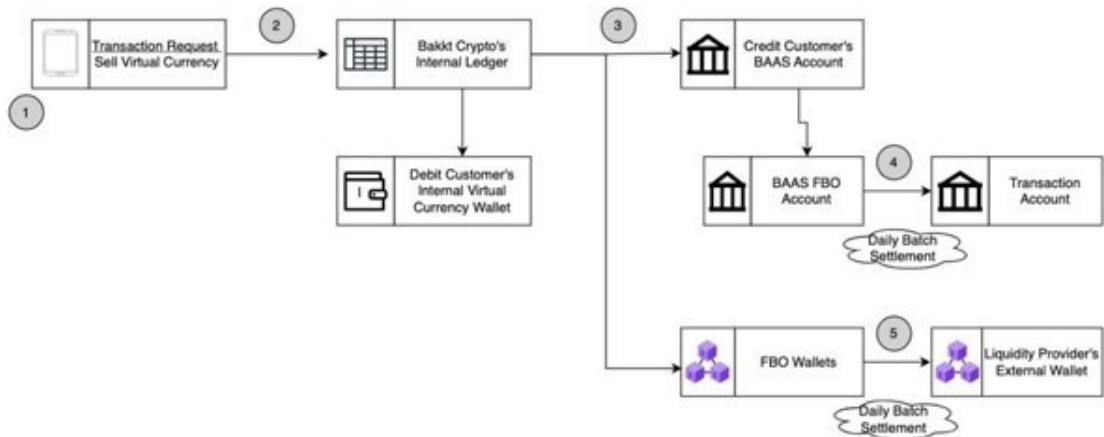
If the customer's funding source is a fiat wallet, Bakkt Marketplace will credit the customer's fiat wallet on its internal ledger. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto transaction account to the FBO account.

Fig. 5 Crypto Assets Sale with proceeds to the Customer's Fiat Wallet Hosted by Bakkt Crypto



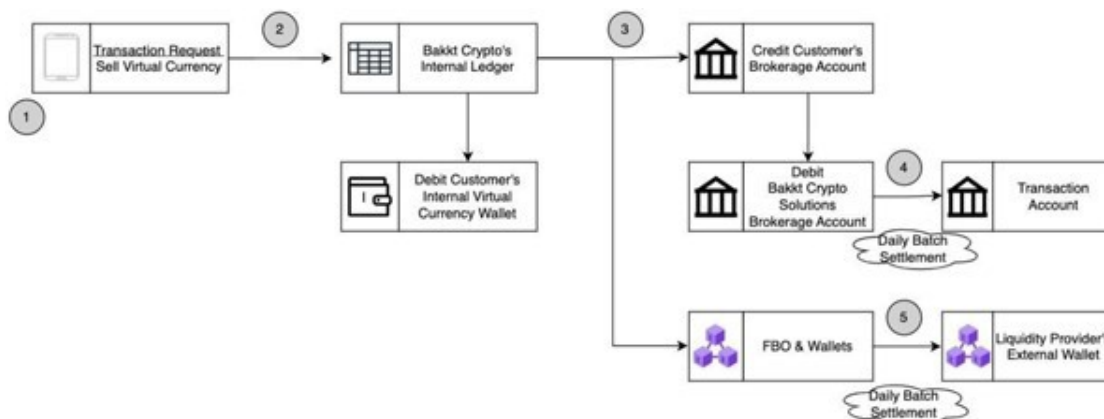
If the customer's funding source is a BaaS account, Bakkt Crypto sends a message to the client that a trade has been executed. The client then instructs the BaaS provider to transfer the funds from its BaaS FBO account to the customer's BaaS account. The BaaS will credit the customer's fiat wallet on its internal ledger. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto transaction account to the BaaS FBO account.

Fig. 6 Crypto Assets Sale with Proceeds to the Customer's BaaS Account



If the customer's funding source is a brokerage account, Bakkt Crypto sends a message to ledger the funds from the Bakkt Crypto brokerage account at the brokerage's clearing firm to the customer's brokerage account at the brokerage's clearing firm. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto transaction account to the Bakkt Crypto brokerage account.

Fig. 7 Crypto Assets Sale with Proceeds to the Customer's Brokerage Account



Liquidity Providers

Bakkt Crypto currently has relationships with seven liquidity providers, with at least three providers servicing each supported crypto asset in order to provide consistent liquidity. Bakkt Crypto utilizes a proprietary, internal system to aggregate quotes from its liquidity providers by asset, side, price and size, which Bakkt Crypto uses to determine what quotes to provide, as principal, to its clients for display to customers.

To fill customer orders as riskless principal, the Bakkt Crypto platform compares customer orders to the aggregated best bid or offer prices quoted by Bakkt Crypto's liquidity providers. If a customer order is marketable, Bakkt Crypto routes an offsetting order for its own account, on a one-to-one basis, to the liquidity provider quoting the best price. Customers may place market orders or limit orders on the Bakkt Crypto platform. Market orders are, by definition, marketable when they are placed. As such, when a customer market order is received, Bakkt Crypto will offset that order by routing an order for its own account to the relevant liquidity provider on an "immediate or cancel" basis. Limit orders may be marketable when they are placed or may become marketable when the aggregated market price, as determined by Bakkt Crypto's proprietary internal system, aligns with the limit price selected by the customer. The Bakkt Crypto platform holds customer limit orders that are not marketable at the time they are placed on Bakkt Crypto's internal order book and evaluates such orders for marketability on an ongoing basis as liquidity providers change their best bid or offer prices. Should a customer limit order become marketable as the aggregated best price changes, the Bakkt Crypto platform would, at that point, place an offsetting order for its own account with a liquidity provider.

Upon receipt of a fill confirmation from the liquidity provider servicing one of Bakkt Crypto's offsetting orders, Bakkt Crypto will fill the corresponding customer transaction out of its own account, as riskless principal. In other words, the Bakkt Crypto platform is structured to execute the offsetting order for Bakkt Crypto's own account prior to executing the corresponding customer order.

Bakkt Crypto has written agreements with all of its liquidity providers. Under these agreements, Bakkt Crypto is granted access to proprietary trading platforms of the liquidity providers for the purpose of placing orders for purchase or sale of crypto assets. Bakkt Crypto acts as principal in such transactions with liquidity providers. Orders cannot be withdrawn, cancelled or amended. After the liquidity provider accepts the order, it issues a transaction confirmation. The parties then are obligated to deliver fiat currency and crypto assets according to the terms of the transaction. The agreements contain customary representations and warranties and confidentiality, limitation of liability and indemnification provisions. The agreements do not have a set term and generally may be cancelled by either party for convenience on prior written notice of 30 to 60 days, with some agreements providing for no such notice obligations or a notice obligation of seven days.

Settlement is conducted on a net basis on the blockchain supporting the crypto asset. Bakkt Crypto is not required to pre-fund any transactions with liquidity providers. Instead, Bakkt Crypto settles with liquidity providers on a daily basis; however, in instances where a liquidity provider's settlement balance is less than \$30,000 for a given token, or \$50,000 across all tokens, Bakkt Crypto will settle with those liquidity providers on the last business day of the applicable month, or when the settlement balance exceeds those levels, if sooner. At settlement, fiat currency and crypto assets are exchanged to settle trading obligations from the previous period. In periods of heavy trading volumes, Bakkt Crypto and the liquidity providers may agree to perform more frequent settlements in order to decrease the exposure of unsettled transactions.

Custody Services for the Crypto Assets Supported for Trading

Prior to the acquisition of Bakkt Crypto, we did not use third party custodians, other than minimal amounts at liquidity providers that also provide custody for the purpose of facilitating trading and settlement. In connection with our acquisition of Bakkt Crypto, we acquired third-party custodial relationships with Coinbase Custody Trust Company ("Coinbase Custody") and BitGo Trust Company ("BitGo"), which are currently used by Bakkt Crypto for custody and crypto asset transfers, where applicable. In addition, Bakkt Crypto also self-custodies select crypto assets (less than 7.6% of total customer crypto assets were self-custodied as of December 31, 2023) to facilitate customer withdrawals utilizing the Fireblocks Vault service. Self-custodying customer crypto assets through the use of Fireblocks third-party custody software involves risks related to our reliance on the third party for the certain services. These include the implementation of Secure Multi-Party Computation (MPC) key creation software, the provision of software that facilitates a Secure Transfer Environment for the transfer of crypto assets, and workflow authorization functionality ensuring that only Bakkt Crypto specified authorized persons are able to access the wallets for authorized purposes.

Under the BitGo Custody Agreement, BitGo, at Bakkt Crypto's direction, establishes and maintains wallets for the storage of crypto assets, including cold wallets where BitGo holds all of the keys, and all of those keys are stored offline ("Vault"). BitGo serves as custodian of crypto assets stored in these wallets. BitGo is required to use reasonable best efforts to keep all custodial coins received by BitGo in safe custody on behalf of Bakkt Crypto and to keep all keys to the custodial wallet held by BitGo secure and to maintain at least one backup key. BitGo is also required to exercise all reasonable best efforts to prevent unauthorized access to or use of the keys held by BitGo to the custodial wallet. Bakkt Crypto does not have inspection rights under the BitGo Custody Agreement. The BitGo Custody Agreement has an initial one year term and renews automatically for successive one-year periods unless either party provides notice to the other party of its intent not to renew at least 60 days prior to the expiration of the then-current term.

Under the Coinbase Custody Agreement, Coinbase Custody provides Bakkt with a segregated custody account controlled and secured by Coinbase Custody to store certain crypto assets supported by Coinbase Custody on Bakkt Crypto's behalf. Crypto assets in the custodial account are not treated as general assets of Coinbase Custody, and Coinbase Custody is a fiduciary and custodian on Bakkt Crypto's behalf. Under the Coinbase Custody Agreement, Coinbase Custody securely stores crypto asset private keys in offline storage. Under the Coinbase Custody Agreement, Coinbase Custody has implemented and agrees to maintain a reasonable information security program with policies and procedures reasonably designed to safeguard its electronic systems and Bakkt Crypto's confidential information. Coinbase Custody is required to keep timely and accurate records as to the deposit, disbursement, investment and reinvestment of crypto assets and maintain accurate books and records of the custody services in accordance with applicable law and its own internal document retention policies. Bakkt Crypto does not have inspection rights under the Coinbase Custody Agreement. The Coinbase Custody Agreement remains effective until terminated by either party by providing at least 30 days' prior written notice to the other party.

Under the Fireblocks License Agreement, Fireblocks has granted Bakkt Crypto a non-exclusive, non-sublicensable, non-transferable license to generate wallets through the Fireblocks Vault service. The service allows Bakkt Crypto to access and use crypto asset wallets that store private and public keys, interact with various blockchains and monitor its balances of crypto assets.

Our intention is to consolidate our self-custodial services while still offering diversification across custodians for clients that request it.

Bakkt Trust holds at least 90% of the crypto assets held in custody in cold storage and up to 10% of crypto assets (not to exceed \$25.0 million in notional value at any one time) in warm or hot wallets.

Bakkt Crypto holds all crypto assets, including customer crypto assets and the immaterial inventory of crypto assets that Bakkt Crypto maintains for purposes such as facilitating blockchain fee payments and accommodating the impacts of rounding, in omnibus wallets. With respect to mode of storage, a small percentage of all crypto assets (generally not more than 2%) are held in warm or hot storage in order to facilitate daily settlement and customer withdrawals, while the vast majority of crypto assets are held in cold storage and accessed, as needed, to replenish the warm or hot wallets. The amounts of crypto assets held in warm/hot storage and cold storage are monitored daily by our custody operations team and reviewed by management on a monthly basis.

Assets stored by Coinbase Custody and BitGo are held 100% in segregated cold storage. “Segregated” means that Bakkt Crypto customer assets are held in unique addresses on the respective blockchains and do not include assets of other BitGo or Coinbase clients, or of BitGo or Coinbase themselves. Both entities are SOC 1 certified. At this time, Bakkt Crypto does not utilize third parties other than Coinbase Custody and BitGo to hold customer crypto assets as custodian.

To ensure the security of crypto assets, we do not disclose the geographic location where such assets are held or the identity of the persons who have access to them or the authority to release those assets from wallets. Private keys are held in controlled locations dispersed through the United States according to SOC 1 audit procedures to ensure appropriate security. There are dedicated team members responsible for daily reconciliation of wallet holdings. New members of our custody operations team are required to complete trainings and test simulations and are provided with a runbook on our custody procedures. New members of the custody operations team, like all our employees, also are subject to background checks and drug testing. The daily reconciliations prepared by the custody team are reviewed and analyzed by management monthly and provided to external auditors at least annually, or as otherwise requested. Designated individuals within the custody operations team are responsible for the initiation and approval of outbound wallet transactions, as per our policies and procedures. Access rights are managed according to the principle of least privilege. These rights are maintained according to our IT security policy and subject to quarterly review by our IT security team. The existence, exclusive ownership and software functionality of private digital keys and other ownership records are subject to annual audits conducted by external auditors.

No insurance provider has inspection rights in respect of the crypto assets held in storage.

External Transfers of Crypto Assets (through Bakkt Crypto)

Other than in the State of New York, we make available to customers the ability to transfer crypto assets to external wallets. Because we have structured our platforms to be client-configurable in several aspects, each client has the discretion to enable this transfer feature for its customers. Crypto assets made available to customers residing in the State of New York will not be transferable to external wallets until that capability is approved by NYDFS, which we plan to seek in 2024.

Institutional Client Business – Crypto Custody Services

Bakkt Trust currently provides custody services to customers of Bakkt Marketplace and to its own institutional customers with respect to all of the crypto assets which we support for trading. For a list of these crypto assets, see the table for Bakkt Trust under “—*Crypto Assets and Services Offered by Bakkt*” above.

Bakkt Rewards

We are in the process of enabling clients to offer their customers the ability to convert loyalty points earned through participation in the client's loyalty program into bitcoin (and, in the future, to other crypto assets depending on demand). We initially expect to offer this service in the first quarter of 2024.

Customers that elect this service will opt into the program through the client's loyalty program user interface and then be referred to a Bakkt-managed front end to authorize account creation and conversion of certain client loyalty points into bitcoin. The exchange rate governing the conversion will be determined by (i) the redemption rate of client loyalty points to USD (which is set by the client), and (ii) the prevailing market price for bitcoin, which includes a markup agreed upon between the client and Bakkt. The bitcoin will then be accessible to the customer via a Bakkt-managed interface, which will allow customers to sell bitcoin for USD, link their account at the client with their bank account, deposit or withdraw fiat currency, and buy, sell and hold other approved crypto assets. The Bakkt-managed interface will not allow customers to open an account directly unless they are referred via a supported client.

Bakkt Rewards will initially be supported by the Bakkt Marketplace platform and, once it combines with Bakkt Crypto, by the platform of the combined entity.

Other Potential Services

As part of our ongoing review of potential services, we continually evaluate how we can most effectively improve our platform and service offerings in a manner that is compliance with applicable governance and regulatory considerations. In such review, we may determine to stop pursuing a potential service offering in light of, among other things, revenue expectations and compliance with applicable laws. For example, we have de-prioritized investment in Bakkt Payouts as a service offering as we work with our clients to understand the desired feature set and their timelines to implementation. As such, we have elected to suspend the development of the Bakkt Payouts product indefinitely. Furthermore, we considered developing the capability for registered customers to transfer crypto assets to and from other registered customers within our platform but have indefinitely postponed further development and rollout of such functionality. In addition, we evaluated opportunities to offer staking, as well as opportunities to offer non-fungible tokens, and have postponed further development and rollout for both such functionalities indefinitely.

Policies and Procedures

We and our subsidiaries have a comprehensive set of policies and procedures relating to crypto assets and crypto asset-related services.

General

Self-dealing and other potential conflicts of interest are addressed by our Insider Trading Policy, Code of Business Conduct and Ethics, Related Person Transactions Policy and Cryptocurrency Listing Policy. Employees are trained in these areas and attest to review these documents and policies upon hire and annually. Operationally, there are segregations of duties and information tied to trading, listing and money movements, including protections for whistleblowers, compliance reviews, and blackout periods. Orders are entered into our systems where transactions are executed at best available prices with market makers and liquidity sources, designed to further insulate customer activities and prevent front-running and other illegal activities.

Custody-Related Policies

Bakkt Trust stores client and internal assets on an omnibus basis in a combination of warm and cold wallets. Bakkt Trust uses an internal ledger to delineate client and internal assets. Bakkt Trust completes hourly automated reconciliations to confirm balances across the internal ledger, internal node, and external node match. Every deposit into Bakkt Trust is checked using industry-leading "know-your-customer" ("KYC") providers to check the provenance of the assets deposited before moving the funds out of the deposit wallet. Deposited funds may be moved into a segregated quarantine wallet if they do not pass the KYC screening and require further investigation.

Bakkt Crypto makes use of third-party providers of custodial services, including Coinbase Custody Trust Company, LLC and BitGo Trust Company, to hold customer crypto assets as custodian in cold storage as well as in hot or warm wallets as necessary. Bakkt Crypto also self-custodies customer crypto assets using the Fireblocks Vault service. All wallets hosted by Bakkt Crypto are omnibus wallets, which may contain both crypto assets held for the benefit of customers and the limited quantity of crypto assets held by Bakkt Crypto in its own account as inventory. Bakkt Crypto does not, and historically did not, operate a proprietary trading business.

Listing-Related Policies

We maintain crypto asset listing policies for each of Bakkt Marketplace (which policy also covers Bakkt Crypto, as its wholly owned subsidiary) and Bakkt Trust (the “Listing Policies”), the purpose of which is to provide a framework for the review and approval of new crypto assets for customer transactions and custody services, respectively. The Listing Policies are based on guidance from NYDFS and were approved by the NYDFS. Material revisions to the Listing Policies require prior written approval from the NYDFS.

The Listing Policies require the covered entity to undertake and document a risk assessment for each new crypto asset, which considers a number of risks, including legal and regulatory risk, and entails a review of the regulatory status of the crypto asset. Other risks covered by the risk assessment include integrity and legitimacy risk (i.e., risks associated with the creation, governance, issuance, and design of the crypto asset); reputational risk; liquidity, pricing, and manipulation risk; operational risk; and cyber security risk. The Listing Policies also provide for an evaluation of actual or potential conflicts of interest with respect to the potential listing of a crypto asset, and updates to policies and procedures to ensure that monitoring and control measures are in place to manage money laundering and financial crime risk associated with the crypto asset.

Under the Listing Policies, we utilize the risk assessment to consider various factors when making a decision to approve a new crypto asset for listing, including, among others, the appropriateness of the crypto asset to our business model and client base and whether the crypto asset is supported by other reputable markets or trading venues. In order to assess the regulatory status of a crypto asset, we consider the applicable laws, rules and case law, and other factors relevant to the determination of the security status of a crypto asset, and the positions of the SEC as expressed in various crypto-related enforcement actions and lawsuits. We may also solicit the opinion of outside counsel.

The Listing Policies do not ascribe specific weighting to particular factors or inputs to be considered in connection with the potential listing or delisting of crypto assets.

Sales and Marketing

We market our platform to our clients. We do not engage in any direct-to-consumer marketing for the acquisition or engagement of end consumers, or customers. As part of client engagement, we may assist them in developing their crypto assets marketing strategy but any such strategy is ultimately executed by clients at their discretion. We also have a sponsorship agreement with Caesars Entertainment pursuant to which the theater at Planet Hollywood Resort & Casino in Las Vegas is branded as the “Bakkt Theater.” However, potential customers are not able to sign up directly with us and need to access our platform through a client environment.

Clients may choose to market our crypto asset services to customers. In order to ensure we comply with applicable laws and regulations, we retain the right to review customer-facing marketing materials proposed to be used by clients. In specific instances, we require clients to disclose the services we provide and the related risks in such materials.

We market our products and services to potential clients using multiple business-to-business channels, such as (i) Company-owned domains (e.g., our website and blog and its social media platforms), (ii) direct marketing, including email marketing and targeted digital advertisements to potential clients, and (iii) indirect marketing to potential clients via partnerships with existing clients and other third parties to promote branding and product access for potential clients through existing client channels.

Since customers must agree to our terms of use in order to utilize the services offered by our platforms, as part of customer onboarding, we collect data about customers from the applicable client and/or customer in accordance with our privacy policy. This data is used to complete required processes (e.g., Customer Identification Program and KYC verification) and to service customers.

We have built an extensive vendor network across various industries including financial services, travel and entertainment, retail and platform companies. While we have made significant headway building partnerships in these industries, there remain significant untapped growth opportunities in each area. For example, traditional financial institutions are facing increased competition from a broader group of fintech entrants. We expect that the pressure on them to provide innovative products and increased competition will continue to grow. Our ability to stand up capabilities within client ecosystems makes our platform an attractive solution for such financial institutions seeking an intuitive, tightly integrated, low risk solution to offer crypto and loyalty services.

We believe our growing network of clients provides potential for increased scale and substantiates the viability of our business plan. As our partnerships go live, we will deploy marketing resources to drive consumer adoption and usage of our platform. The successful activation and implementation of these partnerships are expected to be a significant driver for our transaction growth and associated revenue, including crypto trading revenue. We believe we will benefit from a positive network effect, where the value of our network will generally increase as we add new clients, vendors, customers and crypto to our platform.

Insurance Matters

We maintain types and amounts of insurance coverage that we believe are appropriate and consistent with customary industry practices. Our insurance policies cover employee-related accidents and injuries, property damage, business interruption, storm damage, facilities, cyber, crime and liability deriving from our activities. Our insurance policies also cover directors', employee and fiduciary liability and officers' liability.

We may also be covered for certain liabilities by insurance policies issued to third parties, including, but not limited to, our dealers and vendors.

We maintain \$230 million of insurance coverage, which includes \$200 million of cold storage coverage and \$30 million of hot storage coverage. The \$30 million of hot storage coverage is in excess of a \$10 million loss retention. There is no retention applicable to the \$200 million of cold storage coverage. All supporting insurers maintain a minimum A.M. Best rating of "A". The

\$30 million of hot storage coverage has a three-year term, expiring October 2024. The \$200 million of cold storage coverage has a one-year term, expiring November 2024.

The AXA XL-led \$30 million of hot storage coverage policy is non-cancellable, other than due to non-payment of premium. The Lloyds-led \$200 million of cold storage coverage policy may only be cancelled upon: 1) the Company's election to cancel, 2) the insurer's election to cancel, on 90 days' notice to the Company, 3) the Company's change in ownership or control or seizure by a receiver, trustee, or government entity, 4) voluntary liquidation of the Company, 5) exhaustion of the coverage limit, or 6) non-payment of premium. The AXA XL-led \$30 million of hot storage coverage policy has no automatic or guaranteed renewal provisions, although we expect to renew such coverage prior to its expiration. The Lloyds-led \$200 million of cold storage policy has a one-year guaranteed renewal provision. There are no carrier inspection rights, but an affirmative proof of loss statement would need to be completed in the event of a loss.

The insurance policies include exclusions aimed at delineating and clarifying the scope of coverage. Examples of key customary exclusions include exclusions for losses arising from force majeure events or theft, fraud, or dishonest acts committed by any principal shareholders, partners or directors of the insured entity. Losses stemming from the network failure of a digital asset cryptographic protocol, as well as those associated with illegal activities like money laundering, are expressly excluded.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Amendment No. 1 To Membership Interest Purchase Agreement, dated as of March 30, 2023, by and among the Company, Bakkt Marketplace, Apex Fintech Solutions Inc. and Apex Crypto, LLC.	8-K	001-39544	2.2	April 3, 2023
3.1	Certificate of Incorporation of the Company, as currently in effect	8-K	001-39544	3.1	October 21, 2021
3.2	By-laws of the Company, as currently in effect	8-K	001-39544	3.2	October 21, 2021
4.1	Amendment Agreement by and between Bakkt Holdings, Inc., Apex Fintech Solutions Inc. and PEA6 Investments LLC	10-Q	001-39544	4.2	August 10, 2023
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Filed herewith.

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gavin Michael, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of Bakkt Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the 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 officer(s) 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.

Date: February 14, 2024

By:

/s/ Gavin Michael

Gavin Michael
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Karen Alexander, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of Bakkt Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the 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 officer(s) 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.

Date: February 14, 2024

By:

/s/ Karen Alexander

Karen Alexander
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bakkt Holdings, Inc. (the "Company") on Form 10-Q/A for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gavin Michael, the Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 14, 2024

By: _____ /s/ Gavin Michael
Gavin Michael
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bakkt Holdings, Inc. (the "Company") on Form 10-Q/A for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karen Alexander, the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 14, 2023

By: _____ /s/ Karen Alexander
Karen Alexander
Chief Financial Officer
(Principal Financial Officer)