

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

**FORM 8-K/A
(Amendment No. 1)**

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 12, 2021 (October 21, 2021)

Bakkt Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39544
(Commission
File Number)

98-1550750
(IRS Employer
Identification No.)

10000 Avalon Boulevard, Suite 1000, Alpharetta, Georgia
(Address of principal executive offices)

30009
(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Introductory Note

This Amendment No. 1 on Form 8-K/A (“Amendment No. 1”) amends the Current Report on Form 8-K of Bakkt Holdings, Inc., a Delaware corporation (the “Company”), filed on October 21, 2021 (the “Original Report”), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Amendment No. 1 is being filed in order to include (1) the unaudited consolidated financial statements of Bakkt Opco Holdings, LLC (“Opco”), as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020, (2) Management’s Discussion and Analysis of Financial Condition and Results of Operations of Opco for the three and nine months ended September 30, 2021 and 2020 and (3) the unaudited pro forma condensed combined financial information of the Company as of and for the nine months ended September 30, 2021 and for the year ended December 31, 2020.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries, including Opco, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Form 8-K/A.

Item 9.01. Financial Statements and Exhibits.

- (a) Financial statements of businesses acquired.

Included as Exhibit 99.1 and 99.2, respectively, and incorporated herein by reference are the (1) the unaudited consolidated financial statements of Opco as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020, and the related notes thereto; and (2) Management’s Discussion and Analysis of Financial Condition and Results of Operations of Opco for the three and nine months ended September 30, 2021 and 2020.

- (b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company as of and for the nine months ended September 30, 2021 and for the year ended December 31, 2020 is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

- (d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Unaudited Consolidated Financial Statements of Opco as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020.</u>
99.2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations of Opco for the three and nine months ended September 30, 2021 and 2020.</u>
99.3	<u>Unaudited Pro Forma Condensed Combined Financial Statements of the Company as of and for the nine months ended September 30, 2021 and for the year ended December 31, 2020.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: November 12, 2021

BAKKT HOLDINGS, INC.

By: /s/ Gavin Michael

Name: Gavin Michael

Title: Chief Executive Officer

Bakkt Holdings, LLC
Consolidated Balance Sheets
(in thousands, except unit data)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 22,106	\$ 75,361
Restricted cash	16,500	16,500
Customer funds	357	81
Accounts receivable, net	13,280	10,408
Investment in shares of affiliate stock, current	—	1,823
Deposits with clearinghouse affiliate, current	—	20,200
Other current assets	7,232	7,690
Total current assets	59,475	132,063
Property, equipment and software, net	28,067	19,957
Goodwill	233,429	233,429
Intangible assets, net	57,336	62,199
Deposits with clearinghouse affiliate, noncurrent	15,151	15,150
Other assets	4,272	5,578
Total assets	<u>\$ 397,730</u>	<u>\$ 468,376</u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 57,286	\$ 42,915
Customer funds payable	357	81
Deferred revenue, current	4,255	4,282
Due to affiliates	2,312	1,856
Other current liabilities	2,380	1,943
Total current liabilities	66,590	51,077
Deferred revenue, noncurrent	4,111	4,103
Deferred tax liabilities, net	95	95
Other liabilities	3,179	3,319
Total liabilities	73,975	58,594
Mezzanine equity:		
Incentive units (156,000,000 authorized, 100,192,510 unvested units and 85,875,000 unvested units issued and outstanding as of September 30, 2021 and December 31, 2020, respectively)	23,574	21,452
Members' equity:		
Class A voting units (413,000,000 units authorized, 400,000,000 units issued and outstanding as of September 30, 2021 and December 31, 2020)	3,071	2,613
Class B voting units (212,500,000 units authorized, 192,453,454 and 182,500,000 units issued and outstanding as of September 30, 2021 and December 31, 2020, respectively)	187,926	182,500
Class B warrant (see Note 8)	—	5,426
Class C voting units (284,000,000 units authorized, 270,270,270 units issued and outstanding as of September 30, 2021 and December 31, 2020)	310,104	310,104
Class C warrant (see Note 8)	969	—
Accumulated other comprehensive income	173	191
Accumulated deficit	(202,062)	(112,504)
Total members' equity	300,181	388,330
Total liabilities and members' equity	<u>\$ 397,730</u>	<u>\$ 468,376</u>

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

Bakkt Holdings, LLC
Consolidated Statements of Operations and Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Net revenues (net revenues from affiliate of \$111, \$1,149, \$154 and \$2,153, respectively)	\$ 9,142	\$ 6,629	\$ 25,773	\$ 19,067
Operating expenses:				
Compensation and benefits	22,225	12,637	57,375	30,508
Professional services	3,334	2,392	5,006	4,657
Technology and communication	3,148	2,311	9,851	6,958
Selling, general and administrative	4,449	1,664	19,514	3,472
Acquisition-related expenses	1,766	—	12,075	11,477
Depreciation and amortization	3,270	2,232	9,098	5,536
Affiliate expenses	471	471	1,413	2,611
Impairment of long-lived assets	—	2,450	—	3,843
Other operating expenses	341	180	1,038	386
Total operating expenses	<u>39,004</u>	<u>24,337</u>	<u>115,370</u>	<u>69,448</u>
Operating loss	(29,862)	(17,708)	(89,597)	(50,381)
Interest income (expense), net	(96)	(169)	(239)	255
Other income (expense), net	1,123	(83)	473	146
Loss before income taxes	(28,835)	(17,960)	(89,363)	(49,980)
Income tax expense	(12)	(11)	(195)	(36)
Net loss	<u>\$(28,847)</u>	<u>\$(17,971)</u>	<u>\$(89,558)</u>	<u>\$(50,016)</u>
Currency translation adjustment, net of tax	(191)	87	(18)	(80)
Comprehensive loss	<u>\$(29,038)</u>	<u>\$(17,884)</u>	<u>\$(89,576)</u>	<u>\$(50,096)</u>

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

Bakkt Holdings, LLC
Consolidated Statements of Changes in Members' Equity and Mezzanine Equity
(in thousands, except unit data)
(Unaudited)

	Class A Voting Units		Class B Voting Units		Class B Warrant		Class C Voting Units		Class C Warrant		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Members' Equity	Incentive Units		Total Mezzanine Equity
	Units	\$	Units	\$	Warrant	\$	Units	\$	Warrant	\$				Units	\$	
Balance as of June 30, 2021	400,000,000	\$2,897	192,453,454	\$187,926	—	\$—	270,270,270	\$310,104	—	\$—	\$ (173,215)	\$ 364	\$ 328,076	—	\$23,192	\$ 23,192
Issuance of Class A voting units in exchange of capital contribution (see Note 7)	—	174	—	—	—	—	—	—	—	—	—	—	174	—	—	—
Unit-based compensation expense for incentive units (see Note 9)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	382	382
Vesting of Class C warrant for professional services (see Note 8)	—	—	—	—	—	—	—	—	—	969	—	—	969	—	—	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	—	—	(191)	(191)	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(28,847)	—	(28,847)	—	—	—
Balance as of September 30, 2021	<u>400,000,000</u>	<u>\$3,071</u>	<u>192,453,454</u>	<u>\$187,926</u>	<u>—</u>	<u>\$—</u>	<u>270,270,270</u>	<u>\$310,104</u>	<u>—</u>	<u>\$969</u>	<u>\$ (202,062)</u>	<u>\$ 173</u>	<u>\$ 300,181</u>	<u>—</u>	<u>\$23,574</u>	<u>\$ 23,574</u>

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

Bakkt Holdings, LLC
Consolidated Statements of Changes in Members' Equity and Mezzanine Equity
(in thousands, except unit data)
(Unaudited)

	Class A Voting Units		Class B Voting Units		Class B Warrant		Class C Voting Units		Class C Warrant		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Members' Equity	Incentive Units		Total Mezza Equi
	Units	\$	Units	\$	Warrant	\$	Units	\$	Warrant	\$				Units	\$	
Balance as of December 31, 2020	400,000,000	\$2,613	182,500,000	\$182,500	—	\$ 5,426	270,270,270	\$310,104	—	\$—	\$ (112,504)	\$ 191	\$ 388,330	—	\$21,452	\$ 21
Issuance of Class A voting units in exchange of capital contribution (see Note 7)	—	458	—	—	—	—	—	—	—	—	—	—	458	—	—	—
Unit-based compensation expense for incentive units (see Note 9)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,122	2
Exercise of Class B warrant for Class B voting units (see Note 8)	—	—	9,953,454	5,426	—	(5,426)	—	—	—	—	—	—	—	—	—	—
Vesting of Class C warrant for professional services (see Note 8)	—	—	—	—	—	—	—	—	—	969	—	—	969	—	—	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	—	—	(18)	(18)	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(89,558)	—	(89,558)	—	—	—
Balance as of September 30, 2021	<u>400,000,000</u>	<u>\$3,071</u>	<u>192,453,454</u>	<u>\$187,926</u>	<u>—</u>	<u>\$ —</u>	<u>270,270,270</u>	<u>\$310,104</u>	<u>—</u>	<u>\$969</u>	<u>\$ (202,062)</u>	<u>\$ 173</u>	<u>\$ 300,181</u>	<u>—</u>	<u>\$23,574</u>	<u>\$ 23</u>

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

Bakkt Holdings, LLC
Consolidated Statements of Changes in Members' Equity and Mezzanine Equity
(in thousands, except unit data)
(Unaudited)

	Class A Voting Units		Class B Voting Units		Class B Warrant		Class C Voting Units		Accumulated Deficit	Accumulated Other Comprehensive Income	Total Members' Equity	Incentive Units		Total Mezzanine Equity
	Units	\$	Units	\$	Warrant	\$	Units	\$				Units	\$	
Balance as of June 30, 2020	400,000,000	\$2,099	182,500,000	\$182,500	—	\$5,426	270,270,270	\$310,104	\$ (64,944)	\$ (167)	\$ 435,018	—	\$19,584	\$ 19,584
Issuance of Class A voting units in exchange of capital contribution (see Note 7)	—	334	—	—	—	—	—	—	—	—	334	—	—	—
Unit-based compensation expense for incentive units (see Note 9)	—	—	—	—	—	—	—	—	—	—	—	—	730	730
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	87	87	—	—	—
Net loss	—	—	—	—	—	—	—	—	(17,971)	—	(17,971)	—	—	—
Balance as of September 30, 2020	<u>400,000,000</u>	<u>\$2,433</u>	<u>182,500,000</u>	<u>\$182,500</u>	<u>—</u>	<u>\$5,426</u>	<u>270,270,270</u>	<u>\$310,104</u>	<u>\$ (82,915)</u>	<u>\$ (80)</u>	<u>\$ 417,468</u>	<u>—</u>	<u>\$20,314</u>	<u>\$ 20,314</u>

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

Bakkt Holdings, LLC
Consolidated Statements of Changes in Members' Equity and Mezzanine Equity
(in thousands, except unit data)
(Unaudited)

	Class A Voting Units		Class B Voting Units		Class B Warrant		Class C Voting Units		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Members' Equity	Incentive Units		Total Mezzanine Equity
	Units	\$	Units	\$	Warrant	\$	Units	\$				Units	\$	
Balance as of December 31, 2019	400,000,000	\$ 1,916	182,500,000	\$ 182,500	—	\$ —	—	\$ —	(32,899)	\$ —	\$ 151,517	—	\$ 10,515	\$ 10,515
Issuance of Class A voting units in exchange of capital contribution (see Note 7)	—	517	—	—	—	—	—	—	—	—	517	—	—	—
Unit-based compensation expense for incentive units (see Note 9)	—	—	—	—	—	—	—	—	—	—	—	—	9,799	9,799
Issuance of Class B warrant (see Note 8)	—	—	—	—	—	5,426	—	—	—	—	5,426	—	—	—
Issuance of Class C voting units (see Note 8)	—	—	—	—	—	—	270,270,270	300,000	—	—	300,000	—	—	—
Pushdown accounting for deferred income tax liabilities resulting from Bridge2 Solutions acquisition (See Note 4)	—	—	—	—	—	—	—	10,104	—	—	10,104	—	—	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—	(80)	(80)	—	—	—
Net loss	—	—	—	—	—	—	—	—	(50,016)	—	(50,016)	—	—	—
Balance as of September 30, 2020	<u>400,000,000</u>	<u>\$ 2,433</u>	<u>182,500,000</u>	<u>\$ 182,500</u>	<u>—</u>	<u>\$ 5,426</u>	<u>270,270,270</u>	<u>\$ 310,104</u>	<u>\$ (82,915)</u>	<u>\$ (80)</u>	<u>\$ 417,468</u>	<u>—</u>	<u>\$ 20,314</u>	<u>\$ 20,314</u>

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

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

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (89,558)	\$ (50,016)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,995	5,385
Non-cash lease expense	918	1,027
Unit-based compensation expense (see Note 9)	3,116	9,937
Recognition of affiliate capital contribution (see Note 7)	458	517
Amortization of Class B warrant asset (see Note 8)	1,743	—
Impairment of long-lived assets	—	3,843
Acquisition-related expenses paid by affiliate	—	1,378
Unrealized loss (gain) on investment in shares of affiliate stock	—	(387)
Loss on sale of shares of affiliate stock	63	—
Vesting of Class C warrant for professional services	969	—
Other	347	39
Changes in operating assets and liabilities:		
Accounts receivable	(2,872)	345
Other receivables	—	115
Deposits with clearinghouse affiliate	20,199	11,002
Accounts payable and accrued liabilities	12,956	947
Due to affiliates	456	(8,372)
Deferred revenues	(19)	(3,703)
Operating lease liabilities	(799)	(873)
Customer funds payable	276	1
Other assets and liabilities	(1,025)	(730)
Net cash used in operating activities	<u>(43,777)</u>	<u>(29,545)</u>
Cash flows from investing activities:		
Capitalized internal-use software development costs and other capital expenditures	(10,874)	(16,868)
Acquisitions, net of cash acquired	—	10,652
Proceeds from sale of shares of affiliate stock	1,759	—
Proceeds from sale of equipment	28	—
Short-term investments	—	1,988
Net cash provided by (used in) investing activities	<u>(9,087)</u>	<u>(4,228)</u>
Cash flows from financing activities:		
Payment of finance lease liability	(97)	(282)
Proceeds from issuance of Class C voting units (see Note 7)	—	37,800
Net cash provided by (used in) financing activities	<u>(97)</u>	<u>37,518</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(19)	(80)
Net increase (decrease) in cash, cash equivalents, restricted cash and customer funds	(52,980)	3,665
Cash, cash equivalents, restricted cash and customer funds at the beginning of the year	91,943	93,134
Cash, cash equivalents, restricted cash and customer funds at the end of the quarter	<u>\$ 38,963</u>	<u>\$ 96,799</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ —	\$ —
Supplemental disclosure of non-cash investing and financing activity:		
Issuance of Class A voting units in exchange of capital contribution	\$ 458	\$ 517
Capitalized internal-use software development costs and other capital expenditures included in accounts payable and accrued liabilities	\$ 2,980	\$ 1,733
Issuance of Class B warrant	\$ —	\$ 5,426
Exercise of Class B warrant for Class B voting units	5,426	—
Non-cash contribution of Bridge2 Holdings by affiliate	\$ —	\$ 260,811
Reconciliation of cash, cash equivalents, restricted cash and customer funds to consolidated balance sheets		
Cash and cash equivalents	\$ 22,106	\$ 80,298
Restricted cash	16,500	16,500
Customer funds	357	1
Total cash, cash equivalents, restricted cash and customer funds	<u>\$ 38,963</u>	<u>\$ 96,799</u>

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

Bakkt Holdings, LLC
Notes to Consolidated Financial Statements
(Unaudited)

1. Description of Business

Bakkt Holdings, LLC (“Bakkt” or “the Company”) and Bakkt, LLC, a wholly owned subsidiary of Bakkt, were formed on July 31, 2018 and each entered into a limited liability company agreement with its members on August 2, 2018. On December 19, 2018, Bakkt entered into an amended and restated limited liability company agreement and issued Class A and Class B voting units on this date. On February 28, 2020, Bakkt entered into a second amended and restated limited liability company agreement and issued Class C voting units on March 12, 2020. Until October 15, 2021, the date of closing of the business combination described below, Bakkt was a majority-owned subsidiary of Intercontinental Exchange Holdings, Inc. (“ICEH”), which itself is a wholly-owned subsidiary of Intercontinental Exchange, Inc. (“ICE”). All of Bakkt’s Class A voting units were held by ICE and its Class B and Class C voting units were held by ICE and minority investors.

Bakkt owns the following entities: Bakkt Trust Company LLC (“Bakkt Trust”), Bakkt Marketplace, LLC (“Bakkt Marketplace”), DACC Technologies, Inc. and Digital Asset Custody Company, Inc. (collectively with DACC Technologies, Inc., “DACC”), and Bakkt Clearing, LLC (“Bakkt Clearing”). Bakkt also acquired Bridge2 Solutions, LLC and certain of its affiliated companies (collectively, “Bridge2 Solutions”) during the three months ended March 31, 2020 (see Note 4). All subsidiaries of the Company, other than DACC and two foreign legal entities acquired as part of the Bridge2 Solutions acquisition, are structured as limited liability companies.

Bakkt Trust is a New York limited-purpose trust company that is chartered by and subject to the supervision and oversight of the New York Department of Financial Services (“NYDFS”). In September 2019, Bakkt Trust, along with ICE Futures U.S., Inc. (“IFUS”) and ICE Clear US, Inc. (“ICUS”), both of which are wholly-owned subsidiaries of ICE, brought to market an institutional-grade, regulated infrastructure for trading, clearing, and custody services for bitcoin. Bakkt Trust acts as a qualified custodian for bitcoin, which enables Bakkt Trust to offer end-to-end regulated, physically-delivered bitcoin futures and options contracts to financial institutions and market makers. In addition, Bakkt Trust has been approved by the NYDFS to, and does, offer non-trading-related, standalone custody of Bitcoin to institutional customers and certain high net worth individuals in cryptoassets, subject to NYDFS regulatory oversight. On November 2, 2021, Bakkt Trust, in accordance with its internal coin listing policy (as approved by the NYDFS), self-certified the addition of ether (ETH) to its non-trading-related, standalone custody service.

Bakkt Marketplace has created an integrated platform that enables consumers and enterprises to transact in digital assets. Bakkt Marketplace users have a digital wallet that enables them to purchase, sell, convert and or spend digital assets. Users can also use their digital wallet to spend fiat currency with various retailers and convert loyalty and rewards points into fiat currency. Bakkt Marketplace has received money transmitter licenses from all states throughout the U.S. where such licenses are required, has obtained a New York State virtual currency license, and is registered as a money services business with the Financial Crimes Enforcement Network of the United States Department of the Treasury. Bakkt Trust’s custody solution provides support to Bakkt Marketplace with respect to cryptocurrency functionality within the consumer app.

Bakkt Clearing is registered as a futures commission merchant (“FCM”) with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”).

Founded in 2006, Bridge2 Solutions is a leading software as a service provider, which connects loyalty programs to leading commerce partners allowing consumers to redeem a spectrum of loyalty currencies for merchandise, services and gift cards. The Bridge2 Solutions platform is cloud-based and delivered through major web browsers and mobile devices.

On January 11, 2021, the Company entered into a definitive agreement to combine with VPC Impact Acquisition Holdings (“VIH”), a special purpose acquisition company sponsored by Victory Park Capital. The transaction

Bakkt Holdings, LLC
Notes to Consolidated Financial Statements
(Unaudited)

closed on October 15, 2021. The business combination between Bakkt and VIH resulted in approximately \$479 million of cash (net of transaction expenses) on the combined company's balance sheet, reflecting a contribution of \$123 million of cash held in VIH's trust account, net of redemptions and transaction expenses, and a \$325 million concurrent private placement of Class A common stock of the combined company, priced at \$10.00 per share, including a \$47 million commitment from ICE, and \$31 million cash held in Bakkt accounts as of the transaction date. As a result of the business combination, the Company also incurred a \$12,143,000 success fee for an investment bank advising Bakkt. The newly combined company has been renamed Bakkt Holdings, Inc. and has its Class A common stock and warrants listed on the New York Stock Exchange under the ticker symbols "BKKT" and "BKKT WS," respectively. Following the transaction closing, the Company is no longer a consolidated subsidiary of ICE.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited interim consolidated financial statements ("interim consolidated financial statements") are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") assuming the Company will continue as a going concern and include the accounts of Bakkt Holdings, LLC and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to state fairly the Company's consolidated financial position, results of operations, comprehensive loss, and cash flows for the interim periods. All intercompany transactions and balances have been eliminated in consolidation. The interim results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, or for any other future annual or interim period.

The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As of September 30, 2021, the Company's liquidity position raised substantial doubt about its ability to continue as a going concern for the 12 months following the issuance of the September 30, 2021 unaudited interim consolidated financial statements without additional capital investment. The closing of the business combination with VIH on October 15, 2021, which resulted in approximately \$479 million of cash on the combined company's balance sheet, alleviated the concern about the ability of the Company to continue as a going concern.

The information included in these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2020, which financial statements were included within VIH's definitive proxy statement filed with the Securities and Exchange Commission on September 17, 2021.

Use of Estimates

The preparation of interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. The Company bases its estimates and assumptions on various judgments that it believes to be reasonable under the circumstances. The significant estimates and assumptions that affect the Company's interim consolidated financial statements may include, but are not limited to, estimates

Bakkt Holdings, LLC
Notes to Consolidated Financial Statements
(Unaudited)

related to 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 voting units, preferred incentive units, common incentive units and participation units. Actual results and outcomes may differ from management's estimates and assumptions and such differences may be material to the interim consolidated financial statements.

COVID-19 Impacts

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The COVID-19 pandemic has adversely affected global economic activity and, in 2020, contributed to significant declines and volatility in financial markets. The COVID-19 pandemic had an impact on Bakkt's business during the year ended December 31, 2020, primarily in that it (i) decreased revenue from our loyalty and travel businesses, and (ii) impacted our ability to expand our relationships with existing loyalty partners, and to conclude relationships with new loyalty partners, whose businesses similarly have been adversely affected by the pandemic. For the three and nine months ended September 30, 2021, Bakkt's business operations have started to recover from the impacts of the pandemic, and revenue from the loyalty and travel business has started to recover.

As of the date of issuance of these interim consolidated financial statements, we are not aware of any specific event or circumstance related to COVID that would require us to update our estimates or judgments or adjust the carrying value of our assets or liabilities. As events continue to evolve and additional information becomes available, our estimates and assumptions may change materially in future periods.

Segment Information

The Company operates in one operating and reportable segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the Company's chief executive officer ("CEO"), in deciding how to allocate resources and assessing performance. Further, all material operations are within the United States. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue Recognition

We recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

Triparty Agreement

The Digital Currency Trading, Clearing, and Warehouse Services Agreement with IFUS and ICUS (the "Triparty Agreement") governs the trading, clearing and custody services for physically-delivered futures contracts and options contracts (collectively, "PDF Contracts"). The PDF Contracts generally have a duration of less than one month, and substantially all of the PDF Contracts are settled in the same month in which the trade execution is initiated. At expiration of a PDF Contract, physical delivery of bitcoin will occur if the counterparties to the PDF Contract have not previously settled the PDF Contract. Parties that trade PDF Contracts ("PDF Contract Traders") are generally institutional investors and market makers that enter into agreements separately with each of IFUS, ICUS and Bakkt for trading, clearing and custody related services, respectively.

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With respect to Bakkt's provision of custody services that are necessary to support the trading and clearing services provided by IFUS and ICUS for the PDF Contracts, Bakkt's customers are IFUS and ICUS, who are related parties. In this regard, Bakkt's obligation is to provide a stand-ready custody function that supports the trading and clearing services for the PDF Contracts. Bakkt's obligation to provide a stand-ready custody function includes related promises such as: (i) the initial onboarding of PDF Contract Traders to the custody warehouse, which represents the commencement of the custody services; (ii) maintaining a system of accounts within its custody warehouse on behalf of IFUS and ICUS to ensure accurate, timely transfers of bitcoin at PDF Contract maturity (thereby mitigating ICUS's clearing risk and ensuring safe storage of bitcoin, including when PDF Contracts settle through physical delivery); (iii) standing ready to accept bitcoin deposits from PDF Contract Traders at any point between execution and settlement of the PDF Contract; (iv) verifying account balances of PDF Contract Traders as their PDF Contracts approach expiration; (v) making transfers between PDF Contract Traders as instructed by ICUS when the PDF Contracts reach expiration; and (vi) permitting withdrawals of bitcoin as directed by PDF Contract Traders. In order to fulfill these promises, Bakkt has incurred significant time and expense to build, establish and maintain a fully licensed, institutional-grade bitcoin custodian.

While Bakkt's performance obligation to IFUS and ICUS is comprised of several related promises as described above, Bakkt has concluded that it has a single performance obligation to provide a stand-ready custody function that supports the trading and clearing services as required for the PDF Contracts for PDF Contract Traders, so that IFUS can execute its trading services and ICUS can clear and arrange for the settlement of the PDF Contracts. Bakkt has concluded that the related activities that collectively comprise this single performance obligation are not separately identifiable within the context of the Triparty Agreement, as all are necessary in order for IFUS and ICUS to offer PDF Contracts. The maximum duration of Bakkt's performance obligation would extend from trade execution through the later of settlement of a PDF Contract or the ultimate withdrawal of physically-delivered bitcoin underlying the PDF Contract. However, in Bakkt's experience, less than 1% of PDF Contracts go to physical settlement. Bakkt determines the obligation period associated with Triparty Agreement revenue under the portfolio method based on its historical transaction experience, as the PDF contracts have similar characteristics. The average performance obligation period is less than one month based on the application of the portfolio method. Therefore, Bakkt recognizes revenue for the stand-ready custody services that it provides to IFUS and ICUS on a straight-line basis over the average performance obligation period, which is less than one month.

PDF Contract Traders pay a transaction fee for trading and clearing which is collected by ICUS. Per the terms of the Triparty Agreement, IFUS and ICUS pass to Bakkt all trading and clearing transaction fees net of rebates and liquidity payments issued to PDF Contract Traders. Bakkt considers the transaction price to be the net transaction fee received from IFUS and ICUS or paid to IFUS and ICUS.

In certain arrangements with PDF Contract Traders, IFUS offers rebates to support market liquidity and trading volume, which provides qualified PDF Contract Traders customers with a discount to the applicable transaction fee. Under the terms of the Triparty Agreement, these rebates reduce the amount of the trading and clearing revenue that IFUS and ICUS pay to Bakkt. To the extent the rebates issued to PDF Contract Traders exceed the transaction fees collected by IFUS and ICUS, Bakkt pays IFUS and ICUS for the difference between the rebate amounts and the collected transaction fees. Bakkt does not receive any goods or services from IFUS or ICUS in exchange for the payment. The payment to IFUS and ICUS for such shortfall is required to be paid pursuant to the Triparty Agreement. These rebates represent consideration payable to a customer and reduce the transaction price; as such, these rebates are included in "Net revenues" in the accompanying consolidated statements of operations and comprehensive loss. Because these rebates are measured and resolved within the same reporting period, it is not necessary for Bakkt to estimate these at a given reporting period date.

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Bakkt also recognizes a capital contribution for the cost of the trading and clearing services provided by IFUS and ICUS pursuant to the Contribution Agreement (see Note 7), which reduces the revenue recognized as part of the net transaction fee.

Bakkt recognized net revenues of \$(111,000) and \$(154,000) for the three and nine months ended September 30, 2021, respectively. These amounts are net of \$2,000 and \$151,000 for rebates and incentive payments (contra-revenue) for the three and nine months ended September 30, 2021, respectively, and reduced by the capital contribution by related parties of \$174,000 and \$458,000 for the three and nine months ended September 30, 2021, respectively. Bakkt recognized net revenues of \$(1,149,000) and \$(2,153,000) for the three and nine months ended September 30, 2020, respectively. These amounts are net of \$1,809,000 and \$3,178,000 for rebates and incentive payments (contra-revenue) for the three and nine months ended September 30, 2020, respectively, and reduced by the capital contribution by related parties of \$334,000 and \$517,000 for the three and nine months ended September 30, 2020, respectively.

Revenue from the Triparty Agreement is included in “Transaction revenue, net” in the disaggregation of revenue table within Note 3.

Custody

The Company provides a bitcoin custody solution to institutions and certain high net worth individuals. For PDF Contract Traders with custody accounts related to PDF Contracts, the Company does not charge a fee specifically for the custody service. For customers using custody services on a standalone basis, the Company charges a fee, which is generally based on a fixed fee and represents fixed consideration. The Company invoices customers on a quarterly basis. Our performance obligation related to the storage and custody of a customer’s bitcoin represents a stand-ready obligation to provide custody services for digital assets. Bitcoin held in a custodial capacity on behalf of our customers is not included in the Company’s consolidated balance sheet, as the Company does not own that bitcoin. The contract for custodial services may be terminated by the applicable institution or high net worth individual at any time upon final withdrawal of all digital assets, without incurring a penalty. As a result, we believe our contracts represent a day-to-day contract with each day representing a renewal. These renewals are priced consistently with the original contract and with other similar customers and as such, we do not believe that they represent a material right.

The daily contract consists of a single performance obligation to provide custodial services, with the transaction price equal to a pro rata portion (i.e., daily) of the annual custody fee. Bakkt’s performance obligation to provide custodial services meets the criterion to be satisfied over time. Revenue from our custodial services is included in “Net revenues” in the accompanying consolidated statements of operations and comprehensive loss.

Bakkt recognized net revenues of \$121,000 and \$367,000 for the three and nine months ended September 30, 2021, respectively, and \$145,000 and \$195,000 for the three and nine months ended September 30, 2020.

Revenue from our custody services is included in “Subscription and services revenue” in the disaggregation of revenue table within Note 3.

Loyalty redemption platform

We host, operate and maintain a loyalty redemption platform connecting loyalty programs to ecommerce merchants allowing loyalty point holders to redeem a spectrum of loyalty currencies for other digital assets, merchandise and services. Our customer in these arrangements is generally the loyalty partner. Our contracts

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related to our loyalty redemption platform consist of two performance obligations: (1) access to the Company's SaaS-based redemption platform and customer support services, and (2) order placement. We are a principal related to providing access to our redemption platform. We are acting as an agent to provide order placement services on behalf of the loyalty partner. Revenues generated from our loyalty redemption platform are included in "Net revenues" in the accompanying consolidated statements of operations and comprehensive loss and include the following:

- Platform subscription fees: Monthly fixed fee charged to loyalty partners to access the redemption platform and receive customer support services. We recognize revenue for these fees on a straight-line basis over the related contract term, as the loyalty partner receives benefits evenly throughout the term of the contract. These fees are allocated to our performance obligation to provide access to our redemption platform, and thus are recognized on a gross basis.
- Transaction fees: Transaction fees are earned for most transactions processed through our platform. These fees are allocated to our performance obligation to provide order placement services on behalf of the loyalty partner, and therefore are recognized net of the related redemption cost. We allocate transaction fees to the period in which the related transaction occurs.
- Revenue share fees: We are entitled to revenue share fees in the form of rebates from third-party commerce merchants and other partners which provide services facilitating redemption order fulfilment. We allocate revenue share fees to the period in which the related transaction occurs.
- Service fees: We earn fees for certain software development activities associated with the implementation of new customers on our loyalty redemption platform and other development activities if a loyalty partner requests that we customize certain features and functionalities for their loyalty program. We recognize service fees as revenue on a straight-line basis, beginning when the internally developed software resulting from such implementation or other development activities are operational in our platform over the longer of the remaining anticipated customer life and 3 years, which represents the estimated useful life of the Company's internally developed software. Implementation and development service fees are generally billed when the implementation and development activities are performed.

Bakkt recognized net revenues of \$9,713,000 and \$27,303,000 for the three and nine months ended September 30, 2021, respectively, and \$7,633,000 and \$21,025,000 for the three and nine months ended September 30, 2020, respectively. Revenue from our loyalty redemption platform is included in "Transaction revenue, net" and "Subscription and services revenue" in the disaggregation of revenue table within Note 3.

Strategic alliance agreement

In February 2020, the Company entered into a Strategic Alliance Agreement (the "Strategic Alliance Agreement") with a strategic partner to develop and operate a mechanism whereby a customer can purchase food and beverage items from the strategic partner using their Bakkt digital wallet.

In conjunction with this agreement, Bakkt issued the strategic partner a warrant to purchase 15 million Class B voting units. The Company accounts for the warrant as consideration payable to a customer within the scope of ASC 606, *Revenue from Contracts with Customers*, which is measured at the fair value on the grant date of the warrant. The Company recognizes the warrant as a reduction to transaction fees on a straight-line basis over 28 months, which represents the time period between the launch date of the services under the Strategic Alliance Agreement, which occurred in November 2020, and the end of the contract term. These reductions to revenue are included in "Net revenues" in the accompanying consolidated statements of operations and comprehensive loss.

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Sale of cryptocurrency

As part of the Company's operation of the Bakkt Marketplace platform, the Company transacts in bitcoin with consumers. Consumer bitcoin transactions are not material for the three and nine months ended September 30, 2021. There were no consumer bitcoin transactions for the three and nine months ended September 30, 2020.

Additionally, as part of the Company's operation of the Bakkt Marketplace platform, the Company transacts in bitcoin with its trading partners in order to adjust its bitcoin inventory based on actual consumer activity to maintain an inventory based on the Company's inventory policy. Transactions in bitcoin with our trading partners in the normal course of business is not material for the three and nine months ended September 30, 2021. There were no transactions in bitcoin with our trading partners in the normal course of business for the three and nine months ended September 30, 2020.

The Company maintains an inventory reserve of bitcoin to facilitate consumer transactions if needed. The Company may adjust its inventory reserve levels under its inventory policy. Sales of bitcoin resulting from inventory reserve adjustments is not part of the Company's normal course of business. Accordingly, proceeds from the sale of bitcoin outside of the normal course of business is included in "other income (expense), net," net of the cost of bitcoin sold, in the consolidated statements of operation and comprehensive loss. Bakkt recognized income from the sale of bitcoin, net of the cost of bitcoin sold, of \$1,024,000 for both the three months and nine months ended September 30, 2021. There were no sales of bitcoin outside of the normal course of business for the three and nine months ended September 30, 2020.

Practical expedients

We have elected the following practical expedients under ASC 606:

- Assessing the performance obligation period for Triparty Agreement transactions on a portfolio basis.
- Exclude sales taxes from the measurement of the transaction price.
- Not adjust the transaction price for the existence of a significant financing component if the timing difference between a customer's payment and our performance is one year or less.
- Not provide disclosures about the transaction price allocated to unsatisfied performance obligations for contracts with a duration of one year or less or when the consideration is variable and allocated entirely to a wholly unsatisfied performance obligation or a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Additionally, we have elected the practical expedient under ASC 340-40 to not capitalize incremental costs to obtain a contract with a customer if the amortization period would have been one year or less.

Deferred Revenue

Deferred revenue includes amounts invoiced prior to the Company meeting the criteria for revenue recognition. The Company typically invoices customers for subscription fees in arrears on a monthly basis.

The Company invoices customers for service fees at the time the service is performed, and such fees are recognized as revenue over time as the Company satisfies its performance obligation. The portion of deferred revenue to be recognized in the succeeding twelve-month period is recorded as non-current deferred revenue, and the remaining portion is recorded as current deferred revenue. The Company has determined that these arrangements do not contain a significant financing component, and therefore the transaction price is not adjusted.

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The amount of previously deferred revenue recognized for the three and nine months ended September 30, 2021 was \$1,064,000 and \$3,401,000, respectively. The amount of previously deferred revenue recognized for the three and nine months ended September 30, 2020 was \$1,138,000 and \$4,885,000, respectively, which was comprised of deferred revenue acquired through the Bridge2 Solutions acquisition (see Note 4).

Compensation and Benefits

Compensation and benefits expenses reflect all costs associated with the compensation of the Company's employees, excluding the accelerated unit-based compensation discussed below in "Acquisition-Related Expenses," and any contract labor not capitalized. Compensation and benefits primarily consist of salaries and wages, bonuses, contract labor fees, unit-based compensation, payroll taxes and benefits.

Professional Services

Professional services expenses consist of costs associated with audit, tax, legal and other professional services.

Technology and Communication

Technology and communication expenses include costs incurred in operating and maintaining the Company's platform, including software licenses, software maintenance and support, hosting and infrastructure costs.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of costs associated with advertising, marketing, insurance and rent. Advertising costs are expensed as incurred. Total marketing costs for the three and nine months ended September 30, 2021 were \$3,072,000 and \$15,717,000, respectively. Total advertising costs for the three and nine months ended September 30, 2020 were \$772,000 and \$1,016,000, respectively.

Acquisition-Related Expenses

We incur incremental costs relating to our completed and potential acquisitions and other strategic opportunities. This includes fees for investment banking advisors, lawyers, accountants, tax advisors and public relations firms, as well as costs associated with other external costs directly related to the proposed or closed transactions. Acquisition-related expenses for the three and nine months ended September 30, 2021 were \$1,766,000 and \$12,075,000, respectively. Acquisition-related expenses for the three and nine months ended September 30, 2020 were \$0 and \$11,477,000, respectively. Acquisition-related expenses for both the three and nine months ended September 30, 2020 included approximately \$9,567,000 of accelerated expense for the Company's incentive and participation units resulting from the issuance of Class C voting units in connection with the acquisition of Bridge2 Solutions (see Note 9).

Income Taxes

The Company accounts for deferred income taxes related to the federal and state jurisdictions using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the future tax benefits attributable to the expected utilization of existing tax net operating loss carryforwards and other types of carryforwards. If the future utilization of some portion of deferred taxes is determined to be unlikely, a valuation allowance is

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provided to reduce the recorded tax benefits from such assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In the event interest or penalties are incurred with respect to income tax matters, our policy will be to include such items in income tax expense. We record deferred tax assets and liabilities on a net basis on the consolidated balance sheets. The Company will recognize interest and penalties related to uncertain tax positions in income tax expense.

The Company's effective tax rate for the three and nine months ended September 30, 2021 was 0.04% and 0.22%, respectively. The Company's effective tax rate for the three and nine months ended September 30, 2020 was 0.06% and 0.07%, respectively. The effective tax rate is lower than the federal statutory rate primarily because the substantial majority of the earnings are from the Bakkt Holdings, LLC partnership and the single member LLCs held by the partnership, where earnings flow through to the partners at the consolidated level.

Customer and Credit Risk Concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and cash equivalents, short-term financial investments, and accounts receivables and unbilled accounts receivables. The associated risk of concentration for cash and cash equivalents and restricted cash is mitigated by banking with creditworthy institutions. At certain times, amounts on deposit exceed federal deposit insurance limits. The Company limits its exposure to credit loss by maintaining its cash and cash equivalents in money market funds. The Company has not experienced any losses on its deposits of cash and cash equivalents.

As of September 30, 2021, three customers represented approximately 54% of total accounts receivable. As of December 31, 2020, three customers represented approximately 57% of total accounts receivable.

For the three and nine months ended September 30, 2021 four customers represented approximately 71% and 62% of total revenue, respectively. For the three and nine months ended September 30, 2020, three customers represented approximately 72% and 73% of total revenue, respectively.

Recently Adopted Accounting Pronouncements

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments - Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13. This standard requires the application of a current expected credit loss, or CECL, impairment model to financial assets measured at amortized cost, including accounts receivable and certain off-balance-sheet credit exposures. The standard also amends the impairment model for available-for-sale debt securities requiring entities to record credit losses through an allowance account. The CECL model requires an entity to estimate its lifetime expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. Adoption of the standard requires more timely recognition of credit losses and credit loss estimates are required to use historical information, current information and reasonable and supportable forecasts of future events. Adoption of the new standard did not have a material impact on the Company's consolidated financial statement amounts.

On January 1, 2020, the Company adopted ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, or ASU 2017-04. This standard removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation if the fair value of a reporting unit is less than its carrying value. Goodwill impairment

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will now be measured using the difference between the carrying value and the fair value of the reporting unit, and any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Adoption of the new standard did not have a material impact on the Company's consolidated financial statement amounts. The fair value of our reporting unit has been greater than its corresponding carrying value since the Company's inception. Changes in future projections, market conditions, and other factors may cause a change in the excess of fair value of our reporting unit over its corresponding carrying value. Adoption of the new standard did not have a material impact on the Company's consolidated financial statement amounts.

On January 1, 2020, the Company adopted ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, or ASU 2018-15. This standard helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance for determining when an arrangement includes a software license and is solely a hosted service. Customers will now apply the same criteria for capitalizing implementation costs as they would for a software license arrangement. The guidance also prescribes the balance sheet, income statement, and cash flow classification of the capitalized implementation costs and related amortization expense and requires additional quantitative and qualitative disclosures. Adoption of the new standard did not have a material impact on the Company's consolidated financial statement amounts.

On January 1, 2020, the Company adopted ASU 2019-12, *Simplifying the Accounting for Income Taxes*, or ASU 2019-12. This standard eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It clarifies that single-member limited liability companies, and other similar disregarded entities that are not subject to income tax, are not required to recognize an allocation of consolidated income tax expense in their separate financial statements. Further, it simplifies the accounting for franchise taxes, enacted changes in tax laws or rates and transactions that result in a step-up in the tax basis of goodwill. Adoption of the new standard did not have a material impact on the Company's consolidated financial statement amounts.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion Options* (“Subtopic 470-20”) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (“Subtopic 815-40”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 also improves and amends the related Earnings Per Share guidance for both Subtopics. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. ASU 2020-06 will be effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted, but not before annual reporting periods beginning after December 15, 2020. We will evaluate the impact of the new guidance on our consolidated financial statements for the combined entity after the business combination with VIH.

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3. Revenue from Contracts with Customers and Under the Triparty Agreement

Disaggregation of Revenue

The Company disaggregates revenue by service type, as management believes that this level of disaggregation depicts best how the nature, amount, timing and uncertainty of revenue and cash flows are impacted by economic factors (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Transaction revenue, net ^(a)	\$ 2,705	\$ 1,162	\$ 9,542	\$ 3,223
Subscription and service revenue	6,437	5,466	16,231	15,844
	<u>\$ 9,142</u>	<u>\$ 6,629</u>	<u>\$25,773</u>	<u>\$19,067</u>

(a) Amounts presented are net of rebates and liquidity payments under the Triparty Agreement, reductions in connection with the Contribution Agreement, and consideration payable to a customer pursuant to the Strategic Alliance Agreement of \$757,000 and \$2,353,000 for the three and nine months ended September 30, 2021, respectively. Included in these amounts are related party amounts (contra-revenue) of \$111,000 and \$154,000 for the three and nine months ended September 30, 2021, respectively (see Note 7). Amounts presented are net of rebates and liquidity payments under the Triparty Agreement, reductions in connection with the Contribution Agreement, and consideration payable to a customer pursuant to the Strategic Alliance Agreement of \$2,142,000 and \$3,964,000 for the three and nine months ended September 30, 2020, respectively. Amounts also include related party amounts (contra-revenue) of \$1,149,000 and \$2,153,000 for the three and nine months ended September 30, 2020, respectively (see Note 7).

The Company has one reportable segment to which its revenues relate (see Note 2).

Remaining Performance Obligations

As of September 30, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts is \$24,500,000, \$16,100,000 of which relates to subscription fees and \$8,400,000 of which relates to service fees that are deferred. The Company will recognize its subscription fees as revenue over a weighted-average period of 17 months (ranges from 3 months – 57 months) and its service fees as revenue over approximately three years.

As of September 30, 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts is \$17,800,000, \$8,800,000 of which relates to subscription fees and \$9,000,000 of which relates to service fees that are deferred. The Company will recognize its subscription fees as revenue over a weighted-average period of 14 months (ranges from 3 months – 45 months) and its service fees as revenue over approximately three years.

Contract Costs

For the three and nine months ended September 30, 2021, the Company incurred \$276,000 and \$666,000 in incremental costs to obtain and/or costs to fulfill contracts with customers, respectively. The Company did not incur any costs to obtain or costs to fulfill contracts with customers during the three and nine months ended September 30, 2020.

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4. Acquisitions

Bridge2 Solutions, LLC business

On February 21, 2020, ICE acquired all of the issued and outstanding equity of Bridge2 Solutions, LLC and its affiliated companies (collectively, “Bridge2 Solutions”), including their then-parent company, B2S Holdings, Inc., a leading loyalty redemption platform provider connecting loyalty programs to ecommerce merchants allowing loyalty point holders to redeem a spectrum of loyalty currencies for digital assets, merchandise and services. On March 12, 2020, the Company completed a Series C round of financing valued at \$300 million. As part of the financing, ICE contributed substantially all of the assets and liabilities of Bridge2 Solutions to the Company at a value of approximately \$261 million. The Company accounted for the acquisition of Bridge2 Solutions as a common control transaction under ASC 805, as Bridge2 Solutions was owned by ICEH prior to its combination with the Company. As such, the Company measured the recognized net assets of Bridge2 Solutions at the carrying amounts of the net assets previously recognized by ICE and began reflecting the operations of Bridge2 Solutions in its financial statements as of the date of its acquisition by ICE. This acquisition is included in the Company’s one reportable segment.

The following table summarizes the values of the net assets acquired as of the acquisition date (in thousands):

	February 21, 2020
Cash and cash equivalents	\$ 10,652
Accounts receivable	10,158
Other current assets	1,284
Property and equipment	4,465
Customer relationships	53,620
Technology	11,990
Trade name	415
Other non-current assets	2,864
Goodwill	216,575
Total assets acquired	312,023
Accounts payable and accrued liabilities	(22,450)
Deferred revenue	(12,703)
Deferred income tax liabilities	(3,005)
Other non-current liabilities	(2,402)
Total liabilities assumed	(40,560)
Total purchase consideration	\$ (271,463)

The identifiable intangible assets acquired were \$53,620,000 for customer relationships, which have been assigned a useful life of 12 years, \$11,990,000 for acquired technology, which has been assigned a useful life of 7 years, and \$415,000 for a trade name, which has been assigned a useful life of 1 year. The weighted average amortization period for the acquired intangible assets is 11 years. The goodwill related to the acquisition represents the value paid for expertise and industry know-how of the workforce, back office infrastructure and expected synergies from Bridge2 Solutions’ complementary business model. An additional amount of approximately \$10.1 million of goodwill was recognized by the Company as a result of push-down accounting by ICE for certain deferred income tax liabilities recognized, but not expected to be settled with ICE, in connection with the Bridge2 Solutions acquisition.

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The actual results of operations of the acquisition has been included in the accompanying consolidated statements of operations and comprehensive loss from the date of acquisition. The following table summarizes Bridge2 Solutions' revenue and earnings included in the accompanying consolidated statements of operations and comprehensive loss from February 22, 2020 through September 30, 2020 (in thousands):

	February 22, 2020 – September 30, 2020
Revenue	\$ 21,153
Net income / (loss)	(7,338)

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Bridge2 Solutions as if the companies were combined as of January 1, 2020. 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 business combinations occurred as of the date indicated or what the results would be for any future periods.

	Nine Months Ended September 30, 2020
Pro forma revenue	\$ 24,726
Pro forma net loss	(50,482)

5. Goodwill and Intangible Assets, Net

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

	Amount
Balance as of December 31, 2020	\$233,429
Foreign currency translation	—
Balance as of September 30, 2021	<u>\$233,429</u>

No goodwill impairment charges have been recognized in the periods presented.

Intangible assets consisted of the following (in thousands):

	September 30, 2021			
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Regulatory licenses	Indefinite	\$ 554	\$ —	\$ 554
Acquired technology	7	13,690	(3,342)	10,348
Customer relationships	12	53,620	(7,186)	46,434
Trade name	1	415	(415)	—
		<u>\$68,279</u>	<u>\$ (10,943)</u>	<u>\$ 57,336</u>

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	December 31, 2020			
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Regulatory licenses	Indefinite	\$ 554	\$ —	\$ 554
Acquired technology	7	13,690	(1,879)	11,811
Customer relationships	12	53,620	(3,844)	49,776
Trade name	1	415	(357)	58
		\$68,279	\$ (6,080)	\$62,199

Amortization expense related to intangible assets for the three and nine months ended September 30, 2021 was \$1,619,000 and \$4,863,000, respectively. Amortization expense related to intangible assets for the three and nine months ended September 30, 2020 was \$1,724,000 and \$4,195,000, respectively. These amounts are included in "Depreciation and amortization" in the accompanying consolidated statements of operations and comprehensive loss.

The table below shows estimated future amortization expense for definite-lived intangible assets as of September 30, 2021 (in thousands):

	Amount
Remainder of 2021	\$ 1,619
2022	6,424
2023	6,424
2024	6,442
2025	6,424
Thereafter	29,449
Total	\$ 56,782

6. Consolidated Balance Sheet Components

Other Current Assets

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

	September 30, 2021	December 31, 2020
Prepaid expenses	\$ 4,907	\$ 5,365
Class B warrant asset, current (see Note 8)	2,325	2,325
	\$ 7,232	\$ 7,690

Bakkt Holdings, LLC
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Property, Equipment and Software, Net

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Internal-use software	\$ 30,724	\$ 20,343
Purchased software	116	110
Office furniture and equipment	609	609
Other computer and network equipment	2,802	1,199
Leasehold improvements	717	479
Property, equipment and software, gross	34,968	22,740
Less: accumulated amortization and depreciation	(6,901)	(2,783)
Total	<u>\$ 28,067</u>	<u>\$ 19,957</u>

For the three and nine months ended September 30, 2021, the Company recorded depreciation and amortization expense related to property, equipment and software amounting to \$1,616,000 and \$4,132,000, respectively, of which \$1,323,000 and \$3,400,000, respectively, related to amortization expense of capitalized internal-use software placed in service. For the three and nine months ended September 30, 2020, the Company recorded depreciation and amortization expense related to property, equipment and software amounting to \$474,000 and \$1,190,000, respectively, of which \$269,000 and \$760,000, respectively, related to amortization expense of capitalized internal-use software placed in service.

During the three months ended September 30, 2020, the Company purchased payment software to use in the roll-out of its alternative payment method. The Company ultimately built out its alternative payment method offering using API-based integrations instead of the acquired payment software. As the alternative payment method no longer met the Company's business requirements, the Company recorded an impairment charge of \$2,450,000. The impairment charge is reflected as "Impairment of long-lived assets" in the accompanying consolidated statements of operations and comprehensive loss.

During the nine months ended September 30, 2020, the Company terminated an existing software license agreement in accordance with the terms of the agreement. The software license was related to the underlying clearing software utilized by Bakkt Clearing and had a five-year term. As a result of the termination, the Company recorded an impairment charge of \$1,393,000. The impairment charge is reflected as "Impairment of long-lived assets" in the accompanying consolidated statements of operations and comprehensive loss.

Deposits with Clearinghouse Affiliate

Deposits with clearinghouse affiliate, current and noncurrent, consisted of the default resource contribution (see Note 7). The default resource contribution amounted to \$15,151,000 and \$35,350,000 as of September 30, 2021 and December 31, 2020, respectively. The default resource contribution includes \$1,000 of cash margins held with ICUS.

On January 19, 2021, ICUS self-certified a rule change with the CFTC, reducing Bakkt Trust's "skin-in-the-game" contribution to the ICUS guaranty fund to \$15,150,000 from \$35,350,000. Following the two-week self-certification period, in which no comments were received from the CFTC, ICUS proceeded with the reduction. On February 3, 2021, ICUS returned \$20,200,000 to Bakkt Trust.

Bakkt Holdings, LLC
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Accounts Payable and Accrued Liabilities

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 13,890	\$ 7,165
Accrued expenses	12,142	14,808
Purchasing card payable	16,195	12,683
Salaries and benefits payable	11,559	6,018
Other	3,500	2,241
	<u>\$ 57,286</u>	<u>\$ 42,915</u>

7. Related Parties

On December 19, 2018, Bakkt entered into an intercompany services agreement with ICE to provide management and technical support services. For the three and nine months ended September 30, 2021, expenses of \$471,000 and \$1,413,000, respectively, have been recorded by Bakkt in connection with this agreement. For the three and nine months ended September 30, 2020, expenses of \$471,000 and \$2,611,000, respectively, have been recorded by Bakkt in connection with this agreement. These amounts are reflected as "Affiliate expenses" in the accompanying consolidated statements of operations and comprehensive loss.

On August 29, 2019, Bakkt Trust entered into the Triparty Agreement. The Triparty Agreement provides 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. Bakkt Trust will provide certain custody, settlement and ancillary services relating to digital currencies. The Triparty Agreement required Bakkt Trust to make, and, subject to certain limits, to replenish as needed a default resource contribution to ICUS, to be used by ICUS in accordance with the ICUS rules and is included in the "Deposits with clearinghouse affiliate" current and noncurrent balances on the accompanying consolidated balance sheets. That default resource contribution was reduced in January 2021 from \$35,350,000 to \$15,150,000 (see Note 6). Interest earned on the contribution, net of certain fees and costs, is paid to Bakkt Trust from ICUS. The Company did not earn any interest for the three and nine months ended September 30, 2021. Total interest of \$3,000 and \$124,000 was earned for the three and nine months ended September 30, 2020, respectively. This interest is included in "Interest income, net" in the accompanying consolidated statements of operations and comprehensive loss. All interest earned was collected as of September 30, 2021 and December 31, 2020, respectively. The Triparty Agreement further requires all revenues of IFUS and ICUS with respect to the trading and clearing of digital currency contracts, after deduction of any applicable rebates and liquidity or incentive payments, to be remitted to Bakkt. Bakkt recognized revenues related to the Triparty Agreement of \$(111,000) and \$(154,000) for the three and nine months ended September 30, 2021, respectively. These amounts are net of \$2,000 and \$151,000 for rebates and incentive payments (contra-revenue) for the three and nine months ended September 30, 2021, respectively. Bakkt also recognized a capital contribution for the cost of the trading and clearing services provided by IFUS and ICUS pursuant to the Contribution Agreement, which reduced the revenue attributable to the Triparty Agreement by \$174,000 and \$458,000 for the three and nine months ended September 30, 2021, respectively. Bakkt recognized revenues related to the Triparty Agreement of \$(1,149,000) and \$(2,153,000) for the three and nine months ended September 30, 2020, respectively, net of \$1,809,000 and \$3,178,000 for rebates and incentive payments (contra-revenue) for the three and nine months ended September 30, 2020, respectively, and reduced by the capital contribution pursuant to the Contribution Agreement of \$334,000 and \$517,000 for the three and nine months ended September 30, 2020, respectively.

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Pursuant to a separate triparty agreement among ICE Futures Singapore IFS, ICS and Bakkt Holdings, IFS and ICS provide trade execution and clearing services to customers that trade the cash-settled futures. Bakkt provides to IFS and ICS pricing data from its PDF Contracts and also licenses its name to IFS and ICS for use in marketing the cash-settled futures. ICS and IFS pay to Bakkt 35% of the net trading and clearing revenue that they earn with respect to these contracts. Bakkt is not a party to the contracts with customers that trade the cash-settled futures. To date, the cash-settled contracts have resulted in no net revenue payable to Bakkt.

As of September 30, 2021 and December 31, 2020, Bakkt had \$2,312,000 and \$1,856,000, respectively, reflected as “Due to affiliates” in the accompanying consolidated balance sheets related to the intercompany services agreement and Triparty Agreement.

Prior to the withdrawal of Bakkt Clearing’s ICUS membership on May 20, 2020, Bakkt Clearing was required to hold shares of ICE stock for ICUS membership privileges. These shares were carried at cost basis and evaluated periodically for impairment. In connection with the withdrawal of Bakkt Clearing’s ICUS membership, these shares were remeasured at fair value, with unrealized gains and losses being reflected as “Other income (expense), net” in the accompanying consolidated statements of operations and comprehensive loss. In June 2021, the Company sold all of its shares of ICE stock. For the three and nine months ended September 30, 2021, the Company recorded a realized loss on the sale of shares of affiliate stock of \$0 and \$63,000, respectively. For the three and nine months ended September 30, 2020, the Company recorded an unrealized gain of \$134,000 and \$387,000 for the change in fair value of the shares. These realized and unrealized gains and losses are included in “Other income (expense), net” in the accompanying consolidated statements of operations and comprehensive loss.

On February 21, 2020, ICE acquired 100% of the issued and outstanding ownership interests in Bridge2 Solutions (see Note 4). On March 12, 2020, the Company completed Series B round of funding in the amount of \$300 million and issued 270 million Class C voting units to ICE and certain minority investors. As part of this funding, ICE contributed the Bridge2 Solutions business to Bakkt at an enterprise value of approximately \$261,400,000, with approximately \$10,100,000 of additional goodwill, as discussed in Note 4, and made a \$2,612,000 cash contribution, \$1,378,000 of which was used to pay acquisition-related expenses incurred by the Company. Additionally, the Company received \$36,567,000 of cash contributions from ICE and certain minority investors.

On May 19, 2020, the Company entered into an agreement to issue a warrant for the Company’s Class C voting units to a minority investor in exchange for certain management consulting services rendered by minority investor to the Company. The fair value of the warrant on the grant date was estimated to be approximately \$1.6 million. On August 31, 2021, the Company amended the Class C Warrant to change the service conditions for 781,515 warrant units. The service conditions for the remaining 2,818,485 units were unchanged. As of September 30, 2021, 781,515 warrant units vested, and the Company recognized \$969,000 of selling, general and administrative expense and members’ equity associated with the vested warrant units. As of December 31, 2020, no vesting of the warrant had occurred, and Bakkt had not recognized any cost or any amount within members’ equity associated with the warrant (see Note 8).

8. Members’ Equity

On February 28, 2020, the Company entered into a second amended and restated limited liability company agreement. On March 12, 2020, the Company issued approximately 270,000,000 Class C voting units at a price of \$1.11 per share for total consideration of approximately \$299,700,000. The issuance of the Class C voting units resulted in the Company recognizing approximately \$9,567,000 of compensation cost associated with its equity incentive plan.

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Issuance of Class B Warrant

On February 19, 2020 the Company issued a warrant to a strategic partner to purchase 15,000,000 of the Company's Class B voting units ("Class B Warrant"), at an exercise price of \$1.00 per unit. There are no vesting conditions associated with the Class B Warrant, and it is exercisable upon issuance, with an expiration date of 3 years from the issuance date.

Since the strategic partner is also a customer of the Company, under ASC 606, the issuance of the Class B Warrant is determined to be consideration payable to the customer and is recognized as a unit-based sales incentive at fair value on grant date, amounting to \$5,426,000, with a corresponding asset recognized and amortized over the term of the customer contract as a reduction to revenue (see Note 3). The current and noncurrent portions of the corresponding asset are included in "Other current assets" and "Other assets," respectively, in the accompanying consolidated balance sheets.

The Company measured the fair value of its Class B Warrant at the issuance date using the Black-Scholes option pricing model. The key inputs used in the valuation were as follows:

	<u>As of February 19,</u> <u>2020</u>
Dividend yield	— %
Risk-free interest rate	1.39%
Expected volatility	40.00%
Expected term (years)	3.00

Estimates of expected term were based on the contractual period of the warrants. Estimates of the volatility for the Black-Scholes option-pricing model were based on the blended volatilities of comparable public companies. The risk-free interest rates were based on the U.S. Treasury yield for a term consistent with the expected term. The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent was used.

On April 6, 2021, the strategic partner elected to net exercise its Class B Warrant in exchange for 9,953,454 of Class B voting units.

For the three and nine months ended September 30, 2021, the Company recognized reductions to revenue of approximately \$581,000 and \$1,743,000, respectively, related to the Class B Warrant (see Note 3). For the three and nine months ended September 30, 2020, the Company did not recognize a reduction to revenue related to the Class B Warrant as the Company's performance obligation to provide services under the customer contract did not commence until November 2020.

Issuance of Class C Warrant

On May 19, 2020, the Company issued a warrant to a minority investor to purchase 3,603,600 of the Company's Class C voting units ("Class C Warrant"), at an exercise price of \$1.11 per unit. The Class C warrant vests upon the fulfillment of certain service conditions, with an expiration date of September 23, 2024. The fair value of the warrant on the grant date was estimated to be approximately \$1,609,000.

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The Company measured the fair value of its Class C Warrant at the issuance date using the Black-Scholes option pricing model. The key inputs used in the valuation were as follows:

	<u>As of May 19, 2020</u>
Dividend yield	— %
Risk-free interest rate	0.33%
Expected volatility	50.00%
Expected term (years)	4.35

Estimates of expected term were based on the contractual period of the warrants. Estimates of the volatility for the Black-Scholes option-pricing model were based on the blended volatilities of comparable public companies. The risk-free interest rates were based on the U.S. Treasury yield for a term consistent with the expected term. The Company has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent was used.

On August 31, 2021, the Company amended the Class C Warrant to change the service conditions for 781,515 warrant units. The service conditions for the remaining 2,818,485 units were unchanged.

The Company accounted for the amendment as a modification and remeasured the fair value of the modified warrant units on the modification date using the Black-Scholes option pricing model. The fair value of the amended warrant units on modification date was estimated to be approximately \$969,000. The key inputs used in the valuation were as follows:

	<u>As of August 31, 2021</u>
Dividend yield	— %
Risk-free interest rate	0.41%
Expected volatility	45.00%
Expected term (years)	3.06

Estimates of expected term were based on the contractual period of the warrants. Estimates of the volatility for the Black-Scholes option-pricing model were based on the blended volatilities of comparable public companies. The risk-free interest rates were based on the U.S. Treasury yield for a term consistent with the expected term. The Company has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent was used.

As of September 30, 2021, the 781,515 amended warrant units have vested but have not been exercised, and the remaining 2,822,085 warrant units have not vested or been exercised. As of December 31, 2020, the Class C Warrant had not vested or been exercised. The Company recorded \$969,000 of selling, general and administrative expense in both the three and nine months ended September 30, 2021 upon the vesting of the amended warrant units. No expenses were recorded in the three and nine months ended September 30, 2020 since the service conditions were not probable of being met in those periods.

9. Unit-Based Compensation

On December 19, 2018, the Company and Bakkt Management, LLC (the “Management Vehicle”), a wholly-owned subsidiary of the Company, entered into the Back-to-Back Agreement. The Management Vehicle has no substantive operations, and its sole purpose is to own incentive units in the Company. Under the Back-to-Back Agreement, the Company grants incentive units to the Management Vehicle, which is a member of the Company, and the Management Vehicle issues economically identical membership interests in the Management Vehicle

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(“Management incentive units”) to employees. Any employees who receive Management incentive units have an ownership interest in the Management Vehicle, which corresponds to an indirect ownership interest in the Company. Beginning on the 4th anniversary of the date that an incentive unit vests and assuming that the Company has not consummated an IPO or Liquidity Event, the Management Vehicle has the right, but not the obligation, to require the Company to purchase all of the incentive units then held by the Management Vehicle, for a period of four years. As such, we classify the incentive units as “Mezzanine equity” in the accompanying consolidated balance sheets due to this put option which represents a redemption feature. The incentive units will not be subject to remeasurement until exercise of the put option becomes probable. As of September 30, 2021 and December 31, 2020, we do not believe it is probable that the put option will be exercised and have not remeasured these incentive units.

On February 28, 2020, the Compensation Committee of the Board of Directors of ICE (the administrators of the Equity Plan) approved the exchange of certain participation units into common incentive units (the “Unit Exchange”). The Unit Exchange was communicated to eligible participants in April 2020. All of the eligible participation unit holders elected to participate in the unit exchange. Under the Unit Exchange, each participation unit was exchanged for common incentive units at a 1.00:1.11 ratio. The Unit Exchange did not result in additional compensation expense being recognized because the fair value of the units immediately before and after the modification was the same.

On May 15, 2020, the Company amended the Equity Plan. Under the modified Equity Plan, participants have the opportunity to continue to hold unvested units upon voluntary resignation of employment. The number of unvested units that a participant can continue to hold depends on the number of years that the participant was employed. Non-forfeited units vest upon the occurrence of an exit event or partial exit event, as defined in the Equity Plan, subject to time restrictions. The modification to the Equity Plan did not result in additional compensation expense being recognized because the fair value of the units immediately before and after the modification was the same.

In anticipation of the business combination discussed in Note 1, certain awards granted under the Equity Plan in late 2020 were modified. The modification was approved in April 2021. The modification requires the Company to redeem 40% of the first one-third of certain employee awards which are scheduled to vest upon consummation of the business combination. As this obligation is contingent upon consummation of the business combination, the Company did not recognize any additional unit-based compensation expense as a result of the modification for the three and nine months ended September 30, 2021.

Upon consummation of the business combination on October 15, 2021, one-third of the awards in the Equity Plan vested. The second and third one-third tranches will generally vest on the one-year and two-year anniversary date of the transaction close, respectively, although under the terms of the Equity Plan, employees who are terminated without cause after October 15, 2021 will vest in the unvested portion of their awards immediately upon their termination date. The vesting of Equity Plan awards upon consummation of the business combination resulted in approximately \$28,000,000 of unit-based compensation expense recorded on October 15, 2021 in the Company’s pre-combination financial statements.

Unit-Based Compensation Expense and Unit Activity

For the three and nine months ended September 30, 2021, the Company has not granted any preferred incentive units, common units or participation units. For the three and nine months ended September 30, 2020, the Company granted 0 and 9,375,000 preferred incentive units, 1,949,000 and 19,886,000 common units and 480,000 and 8,895,000 participation units, respectively. Total unit-based compensation expense for the three and

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nine months ended September 30, 2021 was \$604,000 and \$3,116,000, respectively. The \$3,116,000 of unit-based compensation expense recorded for the nine months ended September 30, 2021 is comprised of \$3,768,000 in expense recognized for the vesting of Company preferred incentive units, common units and participation units, which was offset by \$652,000 in forfeitures and the effect of certain modifications during the period. Total unit-based compensation expense for the three and nine months ended September 30, 2020 was \$829,000 and \$9,937,000, respectively. The \$9,937,000 of unit-based compensation expense recorded for the nine months ended September 30, 2020 is comprised of \$11,631,000 in expense recognized for the vesting of Company preferred incentive units, common units and participation units, which was offset by \$1,694,000 in forfeitures. Also included in the unit-based compensation expense for the nine months ended September 30, 2020 is \$9,567,000 of accelerated expense related to the Company's incentive and participation units resulting from the issuance of Class C voting units (see Note 8). The additional compensation cost was recognized because the issuance of additional units changed the scenario in the Monte Carlo simulation that was used to calculate the fair value of incentive units and participation units. The new scenario resulted in an acceleration of the compensation cost recognized for the Company's incentive and participation units. This compensation cost is included in "Acquisition-related expenses" in the accompanying consolidated statements of operations and comprehensive loss.

10. Capital Requirements

Bakkt Trust is subject to certain capital requirements because of its regulatory oversight by the NYSDFS. These capital requirements require Bakkt Trust to maintain positive net worth, which is the greater of \$15,000,000 or the sum of the required percentage of transmitted assets established by NYSDFS for transmitted assets, cold wallet custody assets, and hot wallet custody assets. As of September 30, 2021 and December 31, 2020 and 2019, Bakkt Trust had determined that \$16,500,000 should be set aside to satisfy its capital requirements, which is reflected as "Restricted cash" in the accompanying consolidated balance sheets.

Bakkt Clearing is subject to the net capital requirements of CFTC Regulation 1.17, and the NFA. Under these requirements, Bakkt Clearing is generally required to maintain "adjusted net capital" equivalent to the greater of \$1,000,000 or the sum of 8 percent of customer and noncustomer risk maintenance margin requirements on all positions, as these terms are defined. Adjusted net capital and risk maintenance margin requirements may change from day to day, but at September 30, 2021, Bakkt Clearing had adjusted net capital of \$2,060,000, which was \$1,060,000 in excess of its required net capital of \$1,000,000. As of December 31, 2020, Bakkt Clearing had adjusted net capital of \$4,146,000, which was \$3,146,000 in excess of its required net capital of \$1,000,000. The minimum capital requirements may effectively restrict the withdrawal of member's equity of Bakkt Clearing.

As of September 30, 2021 and December 31, 2020, Bakkt Marketplace is also required to maintain tangible member's equity of a minimum amount, plus the amount of customer funds held in transit, at all times because Bakkt Marketplace holds a number of money transmitter licenses. Tangible member's equity means member's equity minus intangible assets. Bakkt Marketplace's tangible member's equity amounted to \$5,549,000 as of September 30, 2021 and \$2,460,000 as of December 31, 2020. The minimum amount required varies by state.

The minimum capital requirements to which our subsidiaries are subject may effectively restrict their ability to transfer cash to the Company. The Company may also be required to transfer cash to our subsidiaries such that they may continue to meet these minimum capital requirements.

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11. Commitments and Contingencies

401(k) Plan

The Company sponsors a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. During the three and nine months ended September 30, 2021, the Company recorded \$576,000 and \$1,555,000, respectively, of expenses related to the 401(k) plan. During the three and nine months ended September 30, 2020, the Company recorded \$371,000 and \$967,000, respectively, of expenses related to the 401(k) plan.

Software License

Additional amounts may be owed under a software license agreement depending on the number of active users on the Company's consumer app, which represents an unresolved contingency. Therefore, no liability has been recognized for additional amounts that may be owed. Such liability will be recognized when and if the contingency is resolved and such amounts become payable.

Litigation

The Company is, from time to time, subject to legal and regulatory proceedings that arise in the ordinary course of business. However, the Company does not believe that the resolution of these matters will have a material adverse effect on its consolidated balance sheets, statement of operations and comprehensive loss, or cash flows. It is possible, however, that future results of operations could be materially and adversely affected by any new developments relating to the legal proceedings and claims.

Commercial Purchasing Card Facility

Bridge2 Solutions has a purchasing card facility with a bank that it utilizes for redemption purchases made from merchant partners as part of its loyalty redemption platform. 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. Among other covenants, the purchasing card facility requires Bridge2 Solutions to maintain a month-end cash balance of \$40,000,000. In September 2021, Bridge2 Solutions notified the facility provider that it anticipated a breach of the month-end cash balance requirement. The facility provider agreed to forbear on exercising its rights and remedies under the terms of the facility until October 31, 2021 to allow time for the closing of the VIH business combination. Bridge2 Solutions cured the cash balance requirement breach on October 15, 2021 with the closing of the VIH business combination. On November 5, 2021, the purchasing card facility was extended to January 31, 2022.

12. Fair Value Measurements

The Company's financial assets and liabilities that are measured at fair value on a recurring basis are classified as follows (in thousands):

	As of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Investment in shares of affiliate stock	\$1,823	\$1,823	\$ —	\$ —
Total assets measured at fair value	\$1,823	\$1,823	\$ —	\$ —

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There were no financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2021. Our investment in shares of affiliate stock was valued based on quoted prices in active markets and was classified within Level 1. There are no Level 2 or Level 3 instruments during the quarters ended September 30, 2021 and December 31, 2020, respectively.

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivables, unbilled accounts receivables, deposits with clearinghouse affiliate, due to affiliates, accounts payable and accrued liabilities, and operating and finance lease obligations approximate their fair values due to their short-term nature. The deposits with clearinghouse affiliate are in the form of cash, and therefore approximate fair value. During the nine months ended September 30, 2020, the Company adjusted software licenses to fair value when an impairment charge was recognized, which was on a non-recurring basis and based on Level 3 inputs.

13. Subsequent Events

As disclosed in Note 1, the Company closed its business combination with VIH on October 15, 2021.

On October 18, 2021, the Company signed a lease agreement for 50,756 square feet of office space in Alpharetta, Georgia. The lease will commence the earlier of substantial completion of tenant's work to ready the space for occupancy or March 1, 2022, and has a term of 127 months with a tenant termination option after the 7th year of the lease. The total fixed lease payments over the 127-month term of the lease are \$20,419,000.

The Company has evaluated subsequent events and transactions and determined that no other events or transactions met the definition of a subsequent event for purpose of recognition or disclosure in these financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF BAKKT OPCO HOLDINGS, LLC

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes. The following discussion contains 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.

This discussion may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not limited to, our expectations or predictions of future financial or business performance or conditions. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events, or results of operations, including guidance and projections, are forward-looking statements. These statements may be preceded by, followed by, or include the words: “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. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. Other than as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise. Also, see the risk factors and other cautionary statements described under the heading “Risk Factors” incorporated by reference into Bakkt Holdings, Inc.’s Current Report of on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on October 21, 2021 (the “Super 8-K”).

Unless the context otherwise requires, all references in this discussion to “we,” “us,” “our,” “Bakkt” or the “Company” refer collectively to Bakkt Opco Holdings, LLC (f/k/a Bakkt Holdings, LLC), and its direct and indirect subsidiaries.

Overview

Our mission is to power commerce by reimagining the digital asset ecosystem, which includes cryptocurrency, loyalty and rewards points, gift cards, in-game assets, and non-fungible tokens (“NFTs”). We are working to unlock new ways to participate in the digital economy for consumers, enterprises, and financial institutions, by expanding access to, and improving liquidity for, digital assets. We believe we are opportunistically positioned at the center of this digital asset ecosystem, with approximately 1.7 million transacting accounts on our platform year to date.

Our platform has three complementary aspects – a digital asset marketplace, a loyalty redemption service, and an alternative payment method.

- **Digital Asset Marketplace.** Our digital asset marketplace is designed to enable participants to seamlessly transact in digital assets and has applications for individual consumers, enterprises (whom we define as consumer-facing merchants, retailers, and financial institutions), and institutional investors. Intercontinental Exchange, Inc. (“ICE”), our majority shareholder, has decades of experience building institutional products and solutions. We leveraged that expertise to build an institutional-grade custodian for bitcoin, Bakkt Trust Company LLC (“Bakkt Trust”), which is regulated by the New York Department of Financial Services (“NYDFS”). This custodian, marketed as the Bakkt Warehouse, provides custody services that anchor the first end-to-end regulated and physically-delivered bitcoin futures and options contracts (“PDF Contracts”), which are traded on ICE Futures U.S., Inc. (“IFUS”) and cleared on ICE Clear US, Inc. (“ICUS”), and also provides bitcoin custody to institutions and certain high net-worth individuals on a standalone basis as approved by the NYDFS. Our custodian also operates as the backbone of many of our consumer- and enterprise-focused offerings. For example, it enables consumers to use our app to transact in bitcoin in real-time. On November 2, 2021, in accordance with our coin listing policy (as approved by the NYDFS), we self-certified the addition of ether (ETH) as a cryptocurrency that we support for consumer transactions, as described further below. In addition, in the future, contingent upon achieving the necessary regulatory approvals and/or partnering with an existing licensed broker-dealer, we plan to add the ability to transact in securities such as equities, derivatives, and ETFs. We believe that our institutional-grade infrastructure

underpins our ability to expand and scale consumer solutions. We earn revenue in the digital asset marketplace by providing standalone custody services for cryptocurrency assets for our institutional customers, which we recognize on a pro rata basis over the term of the custody contract. Our standalone custody revenue is currently immaterial. Separately, as a result of our Triparty Agreement with IFUS and ICUS (the “Triparty Agreement”), we earn the net revenues for providing stand-ready custody services to IFUS and ICUS in connection with the offering of PDF Contracts. With respect to our provision of custody services that are necessary to support the trading and clearing services provided by IFUS and ICUS for the PDF Contracts, our customers are IFUS and ICUS, who are related parties. The PDF Contracts generally have a duration of less than one month, and substantially all of the PDF Contracts are settled in the same month in which the trade execution is initiated. Therefore, we recognize revenue for the stand-ready custody services that we provide to IFUS and ICUS on a straight-line basis over the average performance obligation period, which is less than one month. We recognize this revenue on a straight-line basis over the average obligation period, beginning at trade execution until the PDF Contract is settled by the PDF Contract Trader, which is generally no longer than a month as less than 1% of PDF Contracts go to expiration, thus not requiring physical delivery. In 2019 and 2020, the parties that trade PDF Contracts (“PDF Contract Traders”) were offered significant rebates and incentives to increase trading volume of PDF Contracts covered by the Triparty Agreement. This resulted in negative revenues from the Triparty Agreement of \$2.0 million and \$0.9 million in the year ended December 31, 2020 and 2019, respectively. In the nine months ended September 30, 2021, the rebates and incentives were reduced and negative revenue under the Triparty Agreement during such period was approximately \$154,000. For more information, see Note 2 to our unaudited interim consolidated financial statements filed with the SEC as Exhibit 99.[1] to our Current Report on Form 8-K/A on November 12, 2021 (the “Unaudited Third Quarter 2021 Financials”) and the audited consolidated financial statements (the “Audited 2020 Financials”) incorporated by reference into the Super 8-K.

- **Loyalty Redemption.** Leveraging our acquisition of Bridge2 Solutions (as described below), our loyalty redemption capabilities support enterprises with leading loyalty and rewards programs (which we call “**loyalty partners**”), such as Citibank, Delta Air Lines, United Airlines, Choice Hotels, Wells Fargo Bank, Bank of America and Mastercard. While many loyalty partners have very popular loyalty programs, the points that are outstanding to customers represent material liabilities on the loyalty partners’ balance sheets. Our redemption capabilities, particularly our exclusive arrangements with leading consumer brands, provide seamless and cost-effective alternatives for consumers to spend their loyalty points and enable loyalty partners to reduce these financial liabilities. We earn and recognize Loyalty Redemption revenue through a combination of: (i) platform subscription fees, which are fixed fees charged for access to our platform and customer support services, and which are recognized on a straight-line basis over the related contract term as the customer receives benefits evenly throughout the term of the contract; (ii) transaction fees for processing transactions on our platform, which are recognized in the period in which the related transaction occurs; (iii) revenue share fees, which are rebates from third-party commerce merchants, and which are recognized in the period in which the related transaction occurs; and (iv) service fees related to the implementation and customization of new services on our loyalty platform, which are recognized on a straight-line basis, beginning when the new service is operational, over the longer of the remaining anticipated customer life and the estimated useful life of our internally developed software. Our Loyalty Redemption revenue represents substantially all of our current revenue and as described above has been reduced by negative revenues from our Digital Asset Marketplace. For more information, see Note 2 to the Unaudited Third Quarter 2021 Financials and the Audited 2020 Financials.
- **Alternative Payment Method.** Our platform will deliver consumer choice and convenience with an alternative payment method that allows consumers to spend the value of their digital assets with merchants in our ecosystem and also enables merchants to gain access to consumers’ increased spending power, tapping into the trend for alternative payment methods. Merchants, such as Starbucks, that accept our alternative payment method can displace transactions off existing payment card infrastructure, which results in significant reductions in payment fees and, over time, faster settlement. We earn and recognize alternative payment method revenue through a merchant discount rate (or percent of the transaction tender) at the time of each transaction and these transaction fees are reduced by consideration payable to a customer. Our alternative payment method revenue is currently immaterial. For more information, see Note 2 to the Unaudited Third Quarter 2021 Financials and the Audited 2020 Financials.

Consumer App

Our platform is built to operate at the intersection of cryptoassets, loyalty and payments, and offers partners the flexibility to choose some or all of our capabilities, and the manner in which these capabilities are enabled for consumers, based on their needs and objectives. Some partners may choose to keep their consumer users entirely in their experience, while others may need a “ready-to-go” storefront and leverage our capabilities. Partners can choose to fully or partially embed our capabilities within their digital environment, or they can leverage our platform capabilities, like cryptoasset buy, sell, hold and spend, entirely “powered by Bakkt.” For partners choosing a “ready-to-go” storefront, all of our platform’s capabilities around digital asset purchase, sales, redemption and payment come together in a seamless experience in our consumer app, which was made broadly available in March 2021. Our app enables consumers to see their digital assets—initially including bitcoin, cash, loyalty and rewards points, and closed-loop gift cards—in one place, and to transact easily with those assets. We plan to extend the functionality of our app by adding more merchants and loyalty partners, and additional digital assets, such as additional cryptocurrencies, like our addition of ether (ETH) in November 2021, and, at a later date, equities, derivatives, and ETFs, and in-game assets. We also plan to offer equity securities trading through our platform in the future and may do so by partnering with an existing licensed broker-dealer, or by obtaining our own broker-dealer license.

Business Combination

On October 15, 2021, we consummated the previously announced business combination (the “Closing”) pursuant to that certain Agreement and Plan of Merger, dated as of January 11, 2021 (as amended, the “Merger Agreement”), by and among VIH, Pylon Merger Company LLC, a Delaware limited liability company and wholly owned subsidiary of VIH (“Merger Sub”), and Opco. Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Opco, with Opco surviving as the surviving limited liability company and as a wholly owned subsidiary of the Company (the “Merger”).

In connection with the transactions contemplated by the Merger Agreement (the “Business Combination”), the Company effected a deregistration under the Cayman Islands Companies Law (2020 Revision) and a domestication under Section 388 of the Delaware General Corporation Law (“DGCL”), pursuant to which the Company’s jurisdiction of incorporation was changed from the Cayman Islands to the State of Delaware (the “Domestication”), and changed its name to “Bakkt Holdings, Inc.”

The Business Combination, which has not been reflected in the financial information presented herein, as the Business Combination occurred after the end of the fiscal quarter on September 30, 2021, will be accounted for in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations, using the acquisition method, with the Company considered the acquiror and Opco considered the acquiree. For accounting purposes, the acquiror is the entity that obtains control of the other entity. The determination of whether control has been obtained starts with an evaluation of whether the entities involved are variable interest entities or voting interest entities in accordance with ASC 810, Consolidations. As defined by U.S. generally accepted accounting principles (“GAAP”), if the acquiree is a variable interest entity, the primary beneficiary is the accounting acquiror. Opco meets the definition of a variable interest entity and the Company has been determined to be the primary beneficiary as a result of the Business Combination. At the closing of the Business Combination, the assets and liabilities of Opco were recognized at fair value, and the consideration in excess of the fair value of the net assets acquired (including identifiable intangible assets) was recognized as goodwill.

Key Factors Affecting Our Performance

Attractiveness of Platform

We primarily generate revenue when users of our platform buy, sell, convert, spend and send digital assets through the platform, and our success depends in part on transaction volume. Business growth will come from growing users and the transaction fees associated with users buying, selling, converting and spending with digital assets, and the margin earned in connection with consumer purchases and the sale of cryptoassets. We will look to grow our base of active and transacting users to grow these revenue streams.

In addition, growing partners on our platform increases our ability to grow revenue streams. To date, management has been focused on building through partners within a business-to-business-to-consumer (“B2B2C”) model. Our goal is to provide these partners opportunities to leverage our capabilities either through their existing environment or by leveraging our platform. Expanding the platform capabilities leveraged by our partner set, as well as expanding with new partners, will be key to our business and revenue growth. We expect that revenues related to loyalty redemption transactions, cryptoasset trades, subscriptions and services will be significant drivers of our business. The risks and uncertainties related to each such revenue generating activity are largely the same. Specifically, to the extent we are unable to grow our partner base and/or organically grow our active and transacting user base (who buy, sell, convert and spend with digital assets, and from whom we can earn the margin paid in connection with consumer purchases and sale of cryptoassets), or to the extent the cost of such growth (including our average customer acquisition cost) is greater than we anticipate, the corresponding growth of our business may occur more slowly than we expect, or may not occur at all. Our ability to execute on our business plan is dependent on successfully executing on several key components of our business, principally including: (i) the technological success of our platform; (ii) the integration of our platform with the platforms of our partners; (iii) growth in the number and diversity of the loyalty brands, associated merchants and retailers, and cryptocurrencies and other digital assets that we support; and (iv) our resulting ability to create a network effect with growth in active and transacting users.

Regulations in U.S. markets

We are subject to many complex, uncertain and overlapping local, state and federal laws, rules, regulations, policies and legal interpretations (collectively, “laws and regulations”) in the markets in which we operate. These laws and regulations govern, among other things, consumer protection, privacy and data protection, labor and employment, anti-money laundering, money transmission, competition, and marketing and communications practices. These laws and regulations will likely have evolving interpretations and applications, particularly as we introduce new products and services and expand into new jurisdictions.

We are seeking to bring trust and transparency to digital assets. We will progressively be subject to laws and regulations relating to the collection, use, retention, security, and transfer of information, including the personally identifiable information of our clients and all of the users in the information chain. We have developed and frequently evaluate and update our compliance models to ensure that we are complying with applicable restrictions.

We continue to work with regulators to address the emerging global landscape for digital assets. As investment continues, the intersection of technology and finance will require ongoing engagement as new applications emerge. Digital assets and distributed ledger technology have significant, positive potential with proper collaboration between industry and regulators.

COVID-19 Impacts

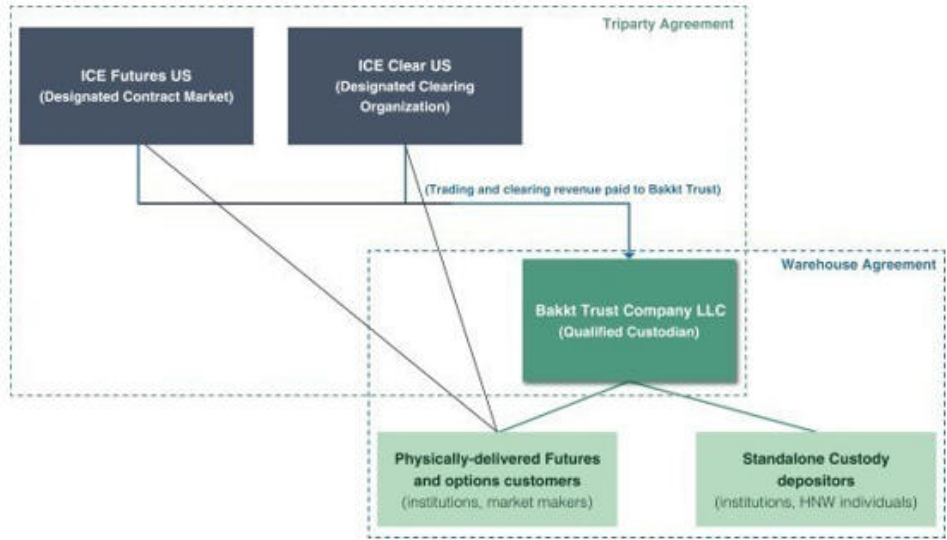
In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The COVID-19 pandemic has adversely affected global economic activity and, in 2020, contributed to significant declines and volatility in financial markets. The COVID-19 pandemic had a material adverse impact on our business during the year ended December 31, 2020, primarily in that it (i) decreased revenue from our loyalty and travel businesses, and (ii) impacted our ability to expand our relationships with existing loyalty partners, and to conclude relationships with new loyalty partners, whose businesses similarly have been adversely affected by the pandemic. For the three and nine months ended September 30, 2021, our business operations have started to recover from the impacts of the pandemic, and revenue from the loyalty and travel business has started to recover; however, the impact from a resurgence in COVID-19 (including its variants), lack of population-wide vaccination or immunity, or the possible waning efficacy of vaccinations creates future uncertainty for our business.

Our Corporate Structure

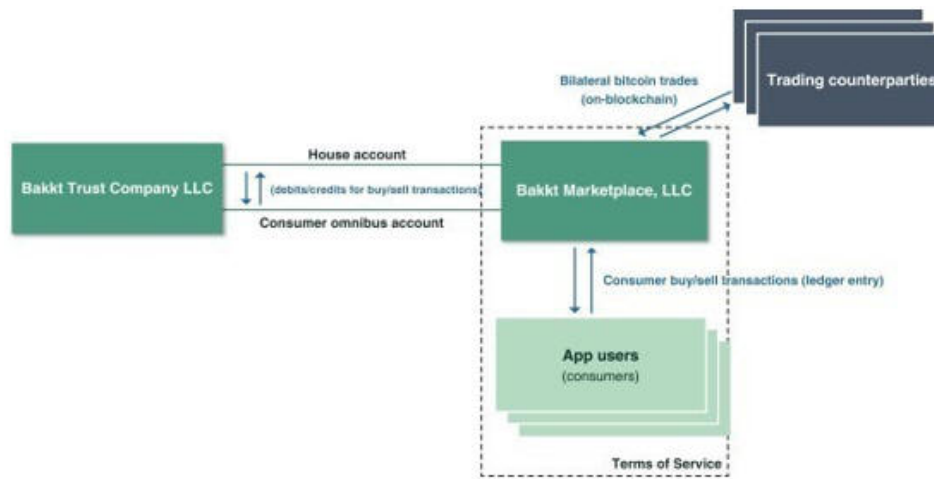
We own and consolidate entities formed during the year ended December 31, 2019, including Bakkt Trust and Bakkt Marketplace. We also own and consolidate entities that were acquired during the year ended December 31, 2019, including DACC Technologies, Inc., Digital Asset Custody Company, Inc. (collectively with DACC Technologies, Inc., “**DACC**”), and Bakkt Clearing, LLC (“**Bakkt Clearing**”), formerly known as Rosenthal Collins Group, L.L.C. We continued to operate these entities throughout fiscal year 2020, and also acquired Bridge2 Solutions, LLC and its related companies (collectively, “**Bridge2 Solutions**”) in February 2020.

Bakkt Trust is a New York limited-purpose trust company that is chartered by and subject to the supervision and oversight of the NYSDFS. In September 2019, Bakkt Trust, along with IFUS and ICUS, both of which are wholly-owned subsidiaries of ICE, brought to market the first institutional-grade, regulated infrastructure for trading, clearing, and custody services for bitcoin. Bakkt Trust acts as a qualified custodian for bitcoin, which enables Bakkt Trust to offer the only end-to-end regulated, physically-delivered bitcoin futures and options contracts available in the United States. In addition, Bakkt Trust offers non-trading-related, standalone custody of bitcoin and, effective November 2, 2021, ether (ETH) to institutions, market makers, and certain high net worth individuals, subject to the NYSDFS' regulatory oversight.

The below graphic illustrates the structure of the physically-delivered bitcoin futures and options and custody offerings.



Bakkt Marketplace has created an integrated platform that enables consumers and enterprises to transact in digital assets. Bakkt Marketplace's app enables consumers to purchase, sell, convert and or spend digital assets. Users also can use the app to spend fiat currency with various retailers and convert loyalty and rewards points into fiat currency. Bakkt Marketplace has received money transmitter licenses from all states throughout the U.S. where such licenses are required (though it does not presently offer services in Hawaii), has obtained a New York State virtual currency license, and is registered as a money services business with the Financial Crimes Enforcement Network of the United States Department of the Treasury. As shown in the below graphic, Bakkt Trust's custody solution supports Bakkt Marketplace's bitcoin functionality offered to consumers within the app.



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

We acquired Bridge2 Solutions on February 21, 2020 in order to expand our loyalty conversion offerings within our digital asset marketplace. We accounted for the acquisition of Bridge2 Solutions as a common control transaction under ASC 805, as Bridge2 Solutions (and its holding company, B2S Holdings, Inc.) was initially acquired by ICE prior to being acquired by us.

Our Relationship with ICE and the Triparty Agreement

Prior to the closing of the Business Combination on October 15, 2021, we were an indirect majority-owned subsidiary of ICE. ICE is a global market infrastructure provider with a history of developing and implementing leading technologies. ICE operates exchanges, clearinghouses, and listing venues for the financial markets alongside offering data-driven technology services to support the trading, lending, investment, risk management, and connectivity needs of customers. In building our platform, ICE and minority investors contributed capital and assets valued at approximately \$483 million prior to the Business Combination, leveraging ICE's leading competency of creating and operating market infrastructure. Upon our formation, ICE made a cash capital contribution and granted us the right to access ICE's existing futures and clearing platforms.

ICE also partners with us with respect to certain institutional product offerings. For instance, the PDF Contracts that are traded on IFUS and cleared on ICUS pursuant to the Triparty Agreement. In this regard, Bakkt Trust provides a stand-ready custody function that supports the trading and clearing services as required for the PDF Contract Traders so that IFUS can execute its trading services and ICUS can clear and arrange for the settlement of the PDF Contracts. Bakkt Trust's obligation to provide a stand-ready custody function includes related promises such as:

- (i) the initial onboarding of PDF Contract Traders to the custody warehouse, which represents the commencement of the custody services;
 - (ii) maintaining a system of accounts within its custody warehouse on behalf of IFUS and ICUS to ensure accurate, timely transfers of bitcoin at PDF Contract maturity (thereby mitigating ICUS's clearing risk and ensuring safe storage of bitcoin, including when PDF Contracts settle through physical delivery);
 - (iii) standing ready to accept bitcoin deposits from PDF Contract Traders at any point between the execution and settlement of the PDF Contract;
 - (iv) verifying account balances of PDF Contract Traders as their PDF Contracts approach expiration;
 - (v) making transfers between PDF Contract Traders as instructed by ICUS when the PDF Contracts reach expiration; and
 - (vi) permitting withdrawals of bitcoin as directed by PDF Contract Traders.
- Under the Triparty Agreement, IFUS and ICUS pay to Bakkt Trust the trading and clearing fees collected by IFUS and ICUS with respect to those PDF Contracts net of incentives and rebates. As is typical of new trading products, IFUS and ICUS have instituted such incentives and rebates in an effort to incentivize the trading volume of PDF Contracts. In particular, IFUS offers rebates to support market liquidity and trading volume, which provides qualified PDF Contract Traders with a discount to the applicable transaction fee. Opco is responsible for paying for all rebates and incentives, even if these amounts exceed the gross revenues from the Triparty Agreement. These incentives and rebates have resulted in negative revenue to Opco under the Triparty Agreement.

The Bakkt Warehouse was built on the principle that a truly institutional-grade custody operation is a crucial first step in broadening institutional acceptance of cryptoassets. As illustrated above, several institutional trading products, such as the PDF Contracts, require custody as an integral part of their value proposition, not necessarily because most such contracts go to expiration and require physical delivery (as many such contracts do not), but rather because, in the eyes of many institutional investors, the possibility of physical delivery at maturity makes those contracts a superior method for price discovery of the underlying asset. In our view, much of the historical reluctance of institutional investors to embrace these products is attributable to the lack of well-regulated, highly secure custody operations similar to those typical of more traditional financial products. The Bakkt Warehouse was built to solve this issue, and features the sophisticated security, insurance and regulatory features that institutional trading participants generally expect. However, the institutional cryptoasset market must further mature in order for us to begin achieving positive net revenue from our activities under the Triparty Agreement. In particular, in the case of bitcoin and other cryptoassets, many institutional investors still prefer to eliminate any possibility of holding those cryptoassets (and thus, to date have preferred cash-settled futures contracts, despite their perceived inferiority for price discovery). To date, less than 1% of PDF Contracts go to physical settlement. We believe that once those investors' reluctance to hold cryptoassets has decreased, and the market for physically-delivered contracts has been sufficiently established, such rebates and other incentive payments may no longer be needed (or their amounts may be reduced), as a result of which we should be able to generate positive revenue from our services under the Triparty Agreement. The failure of the market for PDF Contracts to expand sufficiently enough to reduce the reliance on rebates and liquidity or incentive payments to PDF Contract Traders would adversely affect our ability to receive positive net revenues under the Triparty Agreement.

Our cash-settled futures contracts are offered in Singapore pursuant to a similar arrangement with ICE subsidiaries. Pursuant to a separate triparty agreement among ICE Futures Singapore ("IFS"), ICE Clear Singapore ("ICS") and Opco, IFS and ICS provide trade execution and clearing services to customers that trade the cash-settled futures contracts. As these contracts are settled in cash (rather than by physical delivery of bitcoin), no custody function is necessary; as such, Opco provides to IFS and ICS pricing data from its PDF Contracts and also licenses its name to IFS and ICS for use in marketing the cash-settled futures. In return, ICS and IFS pay to Opco 35% of the net trading and clearing revenue that they earn with respect to these contracts.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the Unaudited Third Quarter 2021 Financials and the Audited 2020 Financials. The following table sets forth our consolidated results of operations for the periods shown:

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2021	2020	2021	2020	2020	2019
	(in thousands)					
Revenues:						
Net revenues (1)	\$ 9,142	\$ 6,629(2)	\$25,773	\$19,067(3)	\$ 28,495(4)	\$ (881)
Other	—	—	—	—	—	17
Total revenues	\$ 9,142	\$ 6,629(2)	\$25,773	\$19,067(3)	\$ 28,495(4)	\$ (864)
Operating expenses:						
Compensation and benefits	22,225	12,637	57,375	30,508	43,141	23,237
Professional services	3,334	2,392	5,006	4,657	5,751	4,150

Technology and communication	3,148	2,311	9,851	6,958	9,741	4,256
Selling, general and administrative	4,449	1,664	19,514	3,472	8,219	2,617
Acquisition-related expenses	1,766	—	12,075	11,477	13,372	731
Depreciation and amortization	3,270	2,232	9,098	5,536	8,159	324
Affiliate expenses	471	471	1,413	2,611	3,082	500
Impairment of long-lived assets	—	2,450	—	3,843	15,292	—
Other operating expenses	341	180	1,038	386	857	—
Total operating expenses	39,004	24,337	115,370	69,448	107,614	35,815
Operating loss	(29,862)	(17,708)	(89,597)	(50,381)	(79,119)	(36,679)
Interest income (expense), net	(96)	(169)	(239)	255	123	3,280
Other income (expense), net	1,123	(83)	473	146	(218)	224
Loss before income taxes	(28,835)	(17,960)	(89,363)	(49,980)	(79,214)	(33,175)
Income tax (expense) benefit	(12)	(11)	195	36	(391)	199
Net loss	\$(28,847)	\$(17,971)	\$(89,558)	\$(50,016)	\$(79,605)	\$(32,976)
Currency translation adjustment, net of tax	(191)	87	(18)	(80)	191	—
Comprehensive loss	\$(29,038)	\$(17,884)	\$(89,576)	\$(50,096)	\$(79,414)	\$(32,976)

- (1) The three and nine months ended September 30, 2021 include net revenues from affiliate of \$111,000 and \$154,000, respectively. The three and nine months ended September 30, 2020 include net revenues from affiliate of \$1,149,000 and \$2,153,000, respectively. The years ended December 31, 2020 and 2019 include net revenues from affiliate of \$(2,007,000) and \$(881,000), respectively.
- (2) The three months ended September 30, 2020 includes revenue of approximately \$7.8 million from Bridge2 Solutions and approximately \$0.9 million from Opco, partially offset by approximately \$2.1 million in contra-revenue from Opco.
- (3) The nine months ended September 30, 2020 includes revenue of approximately \$21.1 million from Bridge2 Solutions and approximately \$1.6 million from Opco, partially offset by approximately \$3.7 million in contra-revenue from Opco.
- (4) The year ended December 31, 2020, includes revenue of approximately \$30.8 million from Bridge2 Solutions and approximately \$2.2 million from Opco, partially offset by approximately \$4.5 million in contra-revenue from Opco.

Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

Revenue

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Net revenues (includes net revenues from affiliate of \$111 and \$1,149, respectively)	\$ 9,142	\$ 6,629 ⁽¹⁾	\$ 2,513	37.9%

- (1) The three months ended September 30, 2020 includes revenue of approximately \$7.8 million from Bridge2 Solutions and approximately \$0.9 million from Opco, partially offset by approximately \$2.1 million in contra-revenue from Opco.

Net Revenues

Net revenues consist of transaction revenue (net of rebates and liquidity payments under the Triparty Agreement, reductions in connection with the contribution agreement entered into between Opco and ICE in connection with ICE's formation of Opco (the "Contribution Agreement") and consideration payable to a customer pursuant to the Strategic Alliance Agreement), subscription and service revenue.

Net revenues increased by \$2.5 million, or 37.9%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to an increase of \$1.0 million in subscription and service revenue related to the expansion of call center services for an existing loyalty customer, partially offset by reimbursements we received from a loyalty customer in 2020 to offset expenses for staffing that was not utilized due to COVID 19 related transaction volume declines, and an increase of \$1.5 million in transaction revenue related to higher customer activity in our loyalty redemption services business. Negative revenue from the Triparty Agreement, net, a component of transaction revenue, improved by \$1.0 million, or 90.4%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. This decrease in negative revenue is primarily due to a decrease in trading and clearing rebates of \$1.8 million, partially offset by a \$0.9 million decrease in revenues from the Triparty Agreement.

Operating Expenses

Operating expenses consist of compensation and benefits, professional services, technology and communication expenses, selling, general and administrative expense, acquisition-related expenses, depreciation and amortization, affiliate expenses, impairment of long-lived assets, and other operating expenses.

Compensation and Benefits

	<u>Three Months Ended September 30,</u>		<u>Change in</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(in thousands)			
Compensation and benefits	\$ 22,225	\$ 12,637	\$9,588	75.9%

Compensation and benefits expense include all salaries and benefits, compensation for contract labor, incentive programs for employees, payroll taxes, unit-based compensation and other employee related costs. Compensation and benefits expense is the most significant component of our operating expenses and we expect that our compensation and benefits expense will continue to increase in absolute dollars as we continue to expand our business, as described below. Upon the consummation of the Business Combination on October 15, 2021, one-third of the awards in the Equity Plan vested, which we expect will result in recognition of incremental unit-based compensation expense. The second and third one-third tranches will vest on the one-year and two-year anniversary date of the transaction close, respectively.

Headcount has increased, and will continue to increase, across functions to further strengthen our service offerings and enhance our systems, processes, and controls. We intend to grant equity awards as part of the compensation package for new employees. We expect that our compensation and expenses will decrease as a percentage of our revenue over time. Compensation and benefits increased by \$9.6 million, or 75.9%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to \$5.6 million in additional salaries, wages and benefits, \$1.4 million in contract labor for software development, \$0.6 million in non-cash compensation and incentive bonuses, \$0.9 million in severance costs, \$0.7 million in other operating costs, and \$0.4 million in payroll taxes. The majority of the increase in these costs results from increases in headcount to support the projected growth in our business and increased compliance and reporting requirements as a public company.

Professional Services

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Professional services	\$ 3,334	\$ 2,392	\$942	39.4%

Professional services expense includes fees for regulatory, legal, and accounting fees. Professional services increased by \$0.9 million, or 39.4%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to an increase of \$0.7 million in audit and tax fees.

Technology and Communication

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Technology and communication	\$ 3,148	\$ 2,311	\$837	36.2%

Technology and communication costs represent all non-headcount related costs we incur to operate our business. Such costs principally include amounts paid for software licenses and software-as-a-service arrangements utilized for operating, administrative and information security activities, fees paid for third-party data center hosting arrangements, and fees paid to telecommunications service providers and for telecommunication software platforms necessary for operation of our customer support operations. These costs are driven by customer requirements, system capacity, functionality and redundancy requirements.

Technology and communications expense also includes fees paid for access to external market data and associated licensing costs, which may be impacted by growth in electronic contract volume, our capacity requirements, changes in the number of telecommunications hubs, and connections with customers to access our electronic platforms directly. Technology and communication increased by \$0.8 million, or 36.2%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to an increase of \$0.6 million in hardware and software license fees.

Selling, General and Administrative

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Selling, general and administrative	\$ 4,449	\$ 1,664	\$2,785	167.4%

Selling, general and administrative expenses include marketing, advertising, business insurance, rent and occupancy, bank service charges, dues and subscriptions, travel and entertainment, rent and occupancy, and other general and administrative costs. Our marketing activities primarily consist of web-based promotional campaigns, promotional activities with partners, conferences and user events, and brand-building activities. Selling, general and administrative expenses do not include any headcount cost, which is reflected in the compensation and benefits financial statement line item. Our selling, general and administrative expenses will continue to increase in absolute dollars to support the projected growth in our business and requirements of being a public company, including increased insurance premiums and disclosure processes. However, we expect these costs will decrease as a percentage of our revenue in

future years as we gain improved operating leverage from our projected revenue growth. Selling, general and administrative costs increased by \$2.8 million, or 167.4%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to an increase of \$2.6 million in marketing expenses related to the launch of our consumer platform. The majority of these marketing expenses are web-based promotional campaigns.

Acquisition-related Expenses

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Acquisition-related costs	\$ 1,766	\$ —	\$1,766	100%

Acquisition-related costs for the three months ended September 30, 2021 consists entirely of costs related to the Business Combination. There were no acquisition-related costs for the three months ended September 30, 2020.

Depreciation and Amortization

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Depreciation and amortization	\$ 3,270	\$ 2,232	\$1,038	46.5%

Depreciation and amortization expense consists of amortization of intangible assets from business acquisitions, internally developed software and depreciation of purchased software and computer and office equipment over their estimated useful lives. Intangible assets subject to amortization consist primarily of acquired technology and customer relationships from the Bridge2 Solutions acquisition. Depreciation and amortization increased by \$1.0 million, or 46.5%, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase was primarily due to \$1.1 million of increased amortization related to additions to capitalized software development costs to support the expansion of our loyalty redemption services business and consumer platform.

Affiliate Expenses

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Affiliate expenses	\$ 471	\$ 471	\$—	0%

Affiliate expenses result from technical support service and other costs pursuant to the Intercompany Services Agreement (“ISA”) between Opco and ICE.

Impairment of long-lived assets

	Three Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Impairment of long-lived assets	\$ —	\$ 2,450	\$(2,450)	(100%)

In late 2019 and early 2020, we purchased payment software to use in the roll-out of our alternative payment method. We ultimately built out our alternative payment method offering using Application Programming Interface (“API”)- based integrations instead of the acquired payment software. As the alternative payment method no longer met our business requirements, we recorded an impairment charge of \$2.5 million.

Other income (expense), net

	Three Months Ended September		Change in	
	30,		\$	%
	2021	2020		
	(in thousands)			
Other income (expense), net	\$ 1,123	\$ (83)	\$1,206	n/m

Other income (expense), net primarily consists of non-operating gains and losses and income from the sale of bitcoin outside the normal course of business. Other income (expense) increased by \$1.2 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily driven by a non-recurring sale of our bitcoin in August 2021 to adjust inventory reserve levels under our inventory policy.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Revenue

	Nine Months Ended September 30,		Change in	
	2021		\$	%
	2021	2020		
	(in thousands)			
Net revenues	\$ 25,773	\$ 19,067 ⁽¹⁾	\$6,706	35.2%

(1) The nine months ended September 30, 2020 includes revenue of approximately \$21.1 million from Bridge2 Solutions and approximately \$1.6 million from Opco, partially offset by approximately \$3.7 million in contra-revenue from Opco.

Net Revenues

Net revenues increased \$6.7 million, or 35.2%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase primarily consists of an increase of \$6.0 million in transaction revenues and \$0.4 million in subscription and service revenue. The increase in transaction revenues is related to the full nine months of performance from our loyalty redemption services in 2021 compared to partial period performance in 2020, following the acquisition of Bridge2 Solutions, and increased revenue from higher customer activity in our loyalty redemption services business. Negative revenue from the Triparty Agreement, net, a component of transaction revenue, improved by \$2.0 million, or 92.9%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. This decrease in negative revenue is primarily due to a decrease in trading and clearing rebates of \$3.0 million, partially offset by a \$1.1 million decrease revenues from the Triparty Agreement.

Operating Expenses

Operating expenses consist of compensation and benefits, professional services, technology and communication expenses, selling, general and administrative expense, acquisition-related expenses, depreciation and amortization, affiliate expenses, impairment of long-lived assets, and other operating expenses.

Compensation and Benefits

	Nine Months Ended September 30,		Change in	
	2021		\$	%
	2021	2020		
	(in thousands)			
Compensation and benefits	\$ 57,375	\$ 30,508	\$26,867	88.1%

Headcount has increased, and will continue to increase, across functions to further strengthen our service offerings and enhance our systems, processes, and controls. We intend to grant equity awards as part of the compensation package for new employees, which we expect will result in increased stock-based compensation expense over the period of such grants. We expect that our compensation and expenses will decrease as a percentage of our revenue over time. Compensation and benefits increased by \$26.9 million, or 88.1%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to \$13.8 million in additional salaries, wages and benefits, \$6.5 million in contract labor for software development, \$6.2 million in non-cash compensation and incentive bonuses, \$1.0 million in payroll taxes, \$1.0 million in other operating costs, and \$0.4 million in severance costs, partially offset by a decrease in compensation costs that were capitalized as capitalized software of \$1.9 million. The majority of the increase in these costs results from increases in headcount to support the projected growth in our business and increased compliance and reporting requirements as a public company, in addition to the 2020 acquisition of Bridge2 Solutions, which resulted in approximately four months of compensation and benefits expense related to Bridge2 Solutions for the nine months ended September 30, 2020, compared to a full nine months of expenses for the nine months ended September 30, 2021.

Professional Services

	<u>Nine Months Ended September 30,</u>		<u>Change in</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(in thousands)			
Professional services	\$ 5,006	\$ 4,657	\$ 349	7.5%

Professional services increased by \$0.3 million, or 7.5%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to an increase of \$0.9 million in audit and tax fees, offset by a decrease in legal fees of \$0.6 million.

Technology and Communication

	<u>Nine Months Ended September 30,</u>		<u>Change in</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(in thousands)			
Technology and communication	\$ 9,851	\$ 6,958	\$ 2,893	41.6%

Technology and communication increased by \$2.9 million, or 41.6%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to an increase of \$1.9 million in hardware and software license fees, \$0.4 million in telecommunications fees, and \$0.3 million in hosting fees.

Selling, General and Administrative

	<u>Nine Months Ended September 30,</u>		<u>Change in</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
	(in thousands)			
Selling, general and administrative	\$ 19,514	\$ 3,472	\$ 16,042	462%

Selling, general and administrative costs increased by \$16.0 million, or 462%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to an increase of \$15.1 million in marketing expenses related to the launch of our consumer platform.

Acquisition-related Expenses

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Acquisition-related expenses	\$ 12,075	\$ 11,477	\$ 598	5.2%

Acquisition-related expenses for the nine months ended September 30, 2021 consist entirely of costs related to the Business Combination. Acquisition-related expenses for the nine months ended September 30, 2020 consist entirely of costs incurred in our acquisition of Bridge2 Solutions in February 2020, including approximately \$9.6 million of accelerated expense for our incentive and participation units resulting from the issuance of Class C voting units in connection with the acquisition of Bridge2 Solutions.

Depreciation and Amortization

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Depreciation and amortization	\$ 9,098	\$ 5,536	\$ 3,562	64.3%

Depreciation and amortization increased by \$3.6 million, or 64.3%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to \$2.6 million of additional capitalized software development cost amortization related to software to support the expansion of our loyalty redemption services business and the consumer app and \$0.6 million of amortization associated with the customer relationship intangible asset.

Affiliate Expenses

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Affiliate expenses	\$ 1,413	\$ 2,611	\$ (1,198)	(45.9%)

Affiliate expenses decreased by \$1.2 million, or (45.9%), for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The decrease in such costs in 2021 was primarily due to a decrease in fees under the ISA, related to a change to the fee structure for 2021 as compared with 2020.

Impairment of long-lived assets

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
	(in thousands)			
Impairment of long-lived assets	\$ —	\$ 3,843	\$ —	0%

During the nine months ended September 30, 2020, we purchased payment software to use in the roll-out of our alternative payment method. We ultimately built out our alternative payment method offering using API-based integrations instead of the acquired payment software. As the alternative payment method no longer met our business requirements, we recorded an impairment charge of \$2.5 million. Additionally, during the nine months ended September 30, 2020, we terminated an existing software license agreement in accordance with the terms of the agreement. The software license was related to the underlying clearing software utilized by Bakkt Clearing and had a five-year term. As a result of the termination, we recorded an impairment charge of \$1.4 million. For the nine months ended September 30, 2021, there was no impairment of assets.

Other income (expense), net

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
Other income (expense), net	\$ 473	\$ 146	\$ 327	224.0%

Other income (expense) increased by \$327 million, or 224% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily driven by a \$1.0 million non-recurring sale of our bitcoin in August 2021 to adjust inventory reserve levels under our inventory policy, partially offset by losses of \$0.5 million on our investment in shares of affiliate stock.

Income Tax Expense

	Nine Months Ended September 30,		Change in	
	2021	2020	\$	%
Income tax expense	\$ 195	\$ 36	\$ 159	441.7%

Our effective tax rate for the nine months ended September 30, 2021 and 2020 was 0.22% and 0.07%, respectively. The effective tax rate is lower than the federal statutory rate primarily because the substantial majority of the losses are from Opco's partnership and the single member LLCs held by the partnership, where losses flow through to the partners at the consolidated level. Income tax expense consists of income taxes primarily related to our Canadian subsidiary. Income tax expense increased by \$0.2 million, or 441.7%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to state taxes.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
Net Revenues (includes net revenues from affiliate of \$(2,007) and \$(881), respectively)	\$ 28,495 ⁽¹⁾	\$(881)	\$ 29,376	3,334.4%
Other	—	17	(17)	N/A
Total revenues	\$ 28,495 ⁽¹⁾	\$(864)	\$ 29,359	3,398.0%

- (1) The year ended December 31, 2020, includes revenue of approximately \$30.8 million from Bridge2 Solutions and approximately \$2.2 million from Opco, partially offset by approximately \$4.5 million in contra-revenue from Opco.

Net Revenues

Net revenues increased \$29.4 million, or 3,334.4% for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase primarily consists of an increase of \$8.6 million in transaction revenues and an increase of \$20.8 million in subscription and service revenue, both of which are related to the performance from our loyalty redemption services in 2020 following the acquisition of Bridge2 Solutions. Negative revenue from the

Triparty Agreement, net, a component of transaction revenue, increased by \$1.1 million, or 127.8%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase in negative revenue is primarily due to increases in trading and clearing rebates of \$2.7 million, partially offset by a \$2.0 million increase in revenues from the Triparty Agreement.

Operating Expenses

Operating expenses consist of compensation and benefits, professional services, technology and communication expenses, selling, general and administrative expense, acquisition-related expenses, depreciation and amortization, affiliate expenses, impairment of long-lived assets, and other operating expenses.

Compensation and Benefits

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Compensation and benefits	\$ 43,141	\$ 23,237	\$ 19,904	85.7%

This is the most significant component of our operating expenses and we expect that our compensation and benefits expense will continue to increase in absolute dollars as we increase our headcount to support the projected growth in our business as well as our increased compliance and reporting requirements as a public company.

Headcount will also increase across functions to further strengthen our service offerings and enhance our systems, processes, and controls. We intend to grant equity awards as part of the compensation package for new employees. We expect that our compensation and expenses will decrease as a percentage of our revenue over time. Compensation and benefits increased by \$19.9 million or 85.7%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to \$22.4 million in additional salaries and wages, \$11.4 million in contract labor for software development, \$1.3 million in payroll taxes, \$1.4 million in health care benefits and \$1.2 million in additional bonuses. The majority of the increase in these costs results from the acquisition of Bridge2 Solutions, offset by a reduction in severance pay of \$5.1 million, unit-based compensation of \$1.0 million and capitalized software of \$11.8 million.

Professional Services

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Professional services	\$ 5,751	\$ 4,150	\$ 1,601	38.6%

Professional services increased by \$1.6 million or 38.6%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to \$1.7 million in additional professional fees and \$0.5 million in audit and tax fees due to our acquisition of Bridge2 Solutions, offset by a decrease in legal fees of \$0.5 million.

Technology and Communication

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Technology and communication	\$ 9,741	\$ 4,256	\$ 5,485	128.9%

Technology and communication increased by \$5.5 million or 128.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to \$4.0 million in software as a service fees, \$1.2 million in hosting fees, \$0.6 million in software maintenance and support cost, and \$0.5 million in call center services.

Selling, General and Administrative

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Selling, general and administrative	\$ 8,219	\$ 2,617	\$ 5,602	214.1%

Selling, general and administrative costs increased by \$5.6 million or 214.1%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to \$4.3 million in marketing expenses related to the launch of our consumer app and \$0.9 million in insurance, offset mainly by a decrease in business travel and entertainment due to COVID-19.

Acquisition-related Expenses

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Acquisition-related cost	\$ 13,372	\$ 731	\$ 12,641	1,729.3%

Acquisition-related costs consist entirely of costs incurred in our acquisition of Bridge2 Solutions in February 2020. In 2020, we recognized an acceleration of \$9.6 million of non-cash stock compensation resulting from the Bridge2 Solutions acquisition.

Depreciation and Amortization

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Depreciation and amortization	\$ 8,159	\$ 324	\$ 7,835	2,418.2%

Depreciation and amortization increased by \$7.8 million or 2,418.2%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily due to amortization associated with intangibles acquired through the acquisition of Bridge2 Solutions.

Affiliate Expenses

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
Affiliate expenses	\$ 3,082	\$ 500	\$ 2,582	516.4%

Affiliate expenses result from technical support service and other costs pursuant to the ISA between Opco and ICE. Affiliate expenses increased by \$2.6 million or 516.4%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase in such costs in 2020 was primarily due to an increase in fees under the ISA, related to a change to the fee structure for 2020 as compared with 2019.

Impairment of long-lived assets

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
Impairment of long-lived assets	\$ 15,292	\$ —	\$ 15,292	N/A

For the year ended December 31, 2020, we determined that third-party software to customize functionality for our consumer app and certain software from a third-party vendor would not provide a viable solution for our business requirements. After performing various analyses for impairment of the amounts capitalized, we concluded these assets were impaired and recorded an impairment charge of approximately \$15.3 million. For the year ended December 31, 2019, there was no impairment of assets.

Interest Income, Net

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
Interest income, net	\$ 123	\$ 3,280	\$ (3,157)	(96.3%)

Interest income consists primarily of interest income earned from short-term investments (principally money market funds) and cash deposits with banks. Interest income decreased by \$3.2 million or 96.3%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was primarily due to the decrease in interest rates from 2019 to 2020 and lower balances in our money market funds.

Income Tax (Expense) Benefit

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
Income tax (expense) benefit	\$(391)	\$ 199	\$ (590)	(296.5%)

Income tax (expense) benefit consists of income taxes related to United States federal, state and local tax. Our effective tax rate fluctuates from period to period due to changes in the mix of income and losses in jurisdictions with a wide range of tax rates, the effect of acquisitions, permanent differences between financial reporting and income tax return treatment of certain items, and changes in tax contingencies. Income tax (expense) benefit decreased by \$0.6 million or 296.5%, for the year ended December 31, 2020 compared to the year ended December 31, 2019.

Supplemental Unaudited Pro Forma Financial Information for Opco and Bridge2 Solutions

The following supplemental unaudited pro forma financial information for the nine months ended September 30, 2021 and 2020 and the years ended December 31, 2020 and 2019 is presented to give effect to the acquisition of Bridge2 Solutions by us as if the business combination had occurred as of January 1, 2019.

Management believes the unaudited pro forma information presented below provides a meaningful comparison of operating results; however, it should not be viewed as a substitute for the historical financial results of Opco and Bridge2 Solutions. The supplemental unaudited pro forma financial information presented below should be read in conjunction with Opco's historical unaudited financial statements for the nine months ended September 30, 2021 and 2020 and its historical audited financial statements for the years ended December 31, 2020 and 2019, each incorporated by reference into the Super 8-K.

The supplemental unaudited pro forma financial information presented below is for illustrative purposes and does not purport to represent what the results of operations would actually have been if the business combinations occurred as of the date indicated or what the results would be for any future periods. In addition, future results may vary significantly from those reflected in the supplemental unaudited pro forma financial information in the table below and should not be relied upon as an indication of any of our future results of operations. The pro forma information does not reflect any operating efficiencies, post-acquisition synergies or cost savings that we may achieve with respect to the combined companies.

Unaudited Pro Forma Revenue

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

	Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Opco Gross Revenue	\$ 791	\$ 1,608	\$ (817)	(51)%
Opco Contra-Revenue	(2,353)	(3,694)	1,341	36%
Bridge2 Solutions Revenue	27,335	26,812	523	2%
Pro Forma Revenue	\$ 25,773	\$ 24,726	\$ 1,047	4.0%

Pro forma revenue increased \$1.0 million, or 4.0%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase is due to the \$1.3 million reduction in Opco contra-revenue, partially offset by the \$0.8 million reduction in Opco gross revenue, and the \$0.5 million increase in Bridge2 Solutions revenue.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
	(dollars in thousands)			
Opco Gross Revenue	\$ 2,198	\$ 17	\$ 2,181	12,829%
Opco Contra-Revenue	(4,477)	(881)	(3,596)	408%
Bridge2 Solutions Revenue	36,433	44,297	(7,864)	(18)%
Pro Forma Revenue	\$34,154	\$43,433	\$ (9,279)	(21.4)%

Pro forma revenue decreased \$9.3 million, or 21.4%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease primarily consists of a decrease in transaction fees earned by Bridge2 Solutions due to a reduction in travel and customers using less loyalty points due to COVID-19. During the year ended

December 31, 2020, Opco began receiving net revenue payments from ICE earned pursuant to the Triparty Agreement, resulting in a \$2.2 million increase in Opco gross revenue. The increase in Opco gross revenue was exceeded by a \$3.6 million increase in Opco contra-revenue resulting from consideration payable to a customer pursuant to the Strategic Alliance Agreement with Starbucks and an increase in rebates and liquidity payments associated with futures transaction activity in the year ended December 31, 2020.

Unaudited Pro Forma Net Loss

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

	Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Pro Forma Net Loss	\$(89,558)	\$(50,482)	\$(39,156)	77.7%

Pro forma net loss increased \$39.2 million, or 77.7%, for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase primarily consists of an increase of \$15.1 million of marketing expenses related to the launch of our consumer app and \$26.9 million of compensation and benefits related to the increase in personnel.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
	(dollars in thousands)			
Pro Forma Net Loss	\$(80,071)	\$(30,232)	\$(49,839)	164.9%

Pro forma net loss increased \$49.8 million, or 164.9% for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase primarily consists of an increase of \$15.3 million impairment of long-lived assets related to the impairment of the third-party software that was deemed not viable, \$12.6 million of acquisition-related costs related to the Bridge2 Solutions acquisition, \$4.8 million of marketing expenses, \$4.3 million of compensation and benefits related to increase in personnel, \$1.2 million of hosting fees, and the \$9.3 million decrease in revenue discussed in the Unaudited Pro Forma Revenue section.

Liquidity and Capital Resources

Since our inception, we have financed our operations through equity financings in the form of capital contributions from our members. As of September 30, 2021, we have raised an aggregate of \$482.5 million of capital, net of issuance costs, through the issuance of Class B and Class C voting units. In addition, in 2018, ICE contributed certain developed assets and rights to use exchange and clearing licenses enabling us to commence operations. Our principal sources of liquidity are cash and cash equivalents. We did not raise any additional funds during the three and nine months ended September 30, 2021. As of September 30, 2021, we had \$22.1 million and \$16.5 million of cash and cash equivalents and restricted cash, respectively. As of December 31, 2020, we had \$75.4 million and \$16.5 million of cash and cash equivalents and restricted cash, respectively. As of September 30, 2020, we had \$79.3 million and \$17.5 million of cash and cash equivalents and restricted cash, respectively. Cash and cash equivalents consist of cash deposits at banks and money market funds. Restricted cash is held to satisfy certain minimum capital requirements pursuant to regulatory requirements.

As of September 30, 2021, our liquidity position raised substantial doubt about our ability to continue as a going concern for the 12 months following the issuance of the September 30, 2021 unaudited interim consolidated financial statements without additional capital investment. The closing of the Business Combination on October 15, 2021, which resulted in approximately \$479 million of cash on the combined company's balance sheet, alleviated the doubt about our ability to continue as a going concern.

We intend to use the funds available after the Business Combination to (i) increase our sales and marketing efforts, (ii) expand our research and product development efforts, and (iii) maintain and expand our technology infrastructure and operational support. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any such acquisitions or investments at this time.

Our expected uses of the available funds from the Business Combination are based upon our present plans, objectives and business condition. We have not determined all of the particular uses for the available funds, and management has not estimated the amount of funds, or the range of funds, to be used for any particular purpose. As a result, our management retain broad discretion over the available funds.

Our future cash requirements will depend on many factors, including our revenue growth rate, the timing and extent of hiring and associated overhead to support projected growth in our business, sales and marketing costs to drive revenue growth, and software development investments to continue adding features and functionality to our technology platforms to align with market needs. In 2021, we accelerated our hiring plans and increased our marketing and promotional efforts, which we expect to continue following the closing of the Business Combination. We also intend to increase our investment in software development activities from historical levels to more rapidly advance deployment of new features and functionality in our technology platforms. We may also enter into arrangements to acquire or invest in complementary businesses, services, and technologies which will likely require us to increase our cash consumption.

In addition, we have evaluated the impact of the COVID-19 pandemic on our liquidity and capital needs, and we anticipate that its effects will be largely neutral.

Depending on the foregoing and other factors that may affect our business in the future, we may be required to seek additional capital contributions or debt financing in the future. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. The following table summarizes our cash flows for the periods presented:

	<u>Nine Months Ended September 30,</u>		<u>Year Ended December 31,</u>	
	2021	2020	2020	2019
	(in thousands)			
Net cash flows used in operating activities	\$ (43,777)	\$ (29,545)	\$ (30,940)	\$ (48,496)
Net cash flows used in investing activities	\$ (9,087)	\$ (4,228)	\$ (7,929)	\$ (40,947)
Net cash flows provided by (used in) financing activities	\$ (97)	\$ 37,518	\$ 37,487	—

Operating Activities

Since our inception, we have yet to achieve positive cash flow from operations. Our primary uses of cash include compensation and benefits for headcount-related expenses, investment in software and product development of our technology platforms, most significantly our consumer app, and associated non-headcount technology and communication cost to develop, operate and support our customer-facing technology platforms.

Net cash used in operating activities of \$43.8 million for the nine months ended September 30, 2021 was primarily related to our net loss of \$89.6 million, offset by non-cash charges of \$16.6 million and net cash inflows of \$29.2 million resulting from changes in our operating assets and liabilities. The non-cash charges primarily consisted of depreciation and amortization of \$9.0 million, unit-based compensation of \$3.1 million, amortization of consideration payable to a customer pursuant to the Strategic Alliance Agreement of \$1.7 million, non-cash professional services expense associated with vesting of the Class C warrant of \$1.0 million, and non-cash lease expense of \$0.9 million. Net cash inflows from changes in our operating assets and liabilities resulted primarily from the return of a deposit with our clearinghouse affiliate of \$20.2 million, an increase in accounts payable and accrued liabilities of \$13.0 million, and an increase in due to related parties of \$0.5 million, which were partially offset primarily by an increase in accounts receivable of \$2.9 million, an increase in other assets of \$1.0 million, and \$0.8 million of payments related to operating lease liabilities.

Net cash used in operating activities of \$29.5 million for the nine months ended September 30, 2020 was primarily related to our net loss of \$50.0 million, which was offset by non-cash charges of \$21.7 million, and net cash outflows of \$1.3 million resulting from changes in our operating assets and liabilities. The non-cash charges primarily consisted of depreciation and amortization of \$5.4 million, unit-based compensation of \$9.9 million, impairment of long-lived assets of \$3.8 million, acquisition-related expenses paid by affiliate of \$1.4 million, and non-cash lease expense of \$1.0 million. Net cash outflows from changes in our operating assets and liabilities resulted primarily from decreases in deferred revenues of \$3.7 million, amounts due to affiliates of \$8.4 million, and payments related to operating leases of \$0.9 million, which were offset by decreases in accounts receivable of \$0.3 million and deposits with clearinghouse affiliate of \$11.0 million, and an increase in accounts payable and accrued liabilities of \$0.9 million.

Net cash used in operating activities of \$30.9 million for the year ended December 31, 2020 is primarily attributable to our net loss of \$79.6 million, offset by non-cash charges of \$37.9 million and changes in our operating assets and liabilities of approximately \$10.7 million. Non-cash charges consisted of a \$15.3 million asset impairment, \$11.6 million of unit-based compensation expenses, and \$8.0 million of depreciation and amortization. Changes in operating assets and liabilities resulted from a \$16.0 million increase in accounts payable and accruals and an \$11.0 million increase in deposits with clearinghouse affiliates, offset by a \$7.0 million decrease in amounts due to affiliates, a \$4.3 million decrease in deferred revenues and \$3.7 million decrease in other assets and liabilities, and \$1.2 million decrease in operating lease liabilities.

Net cash used in operating activities of \$48.5 million for the year ended December 31, 2019 was primarily related to our net loss of \$33.0 million, offset by non-cash charges of \$11.0 million and net cash outflows of \$26.6 million resulting from changes in our operating assets and liabilities. The non-cash charges primarily consisted of depreciation and amortization of \$0.3 million and unit-based compensation of \$10.7 million. Net cash outflows from changes resulted mainly from payment of a deposit with our clearinghouse affiliate of \$39.0 million partially offset by changes in other assets of \$2.8 million, an increase in accounts payable and accrued liabilities of \$5.9 million and amounts due to affiliates of \$9.4 million.

Investing Activities

Net cash used in investing activities of \$9.1 million for the nine months ended September 30, 2021 primarily consisted of \$10.9 million of capital expenditures, offset by \$1.8 million in proceeds from sale of shares of affiliate stock. Capital expenditures were primary related to costs paid to third parties and capitalized associated with internally developed software for our technology platforms and other capital expenditures.

Net cash provided by investing activities of \$4.2 million for the nine months ended September 30, 2020 primarily consisted of \$16.9 million of capital expenditures, offset by \$10.7 million cash inflows from the acquisition of Bridge2Solutions and \$2.0 million cash inflows from short-term investments. Capital expenditures were primary related to costs paid to third parties and capitalized associated with internally developed software for our technology platforms and other capital expenditures.

We used \$7.9 million in investing activities for the year ended December 31, 2020 consisting of capitalized costs of internally developed software and other capital expenditures. This amount was offset in part by \$10.7 million of cash acquired from our acquisition of Bridge2 Solutions and proceeds from the sale of \$2.0 million of short-term investments.

Net cash used in investing activities of \$40.9 million for the for the year ended December 31, 2019 was primarily related to acquisitions of \$29.8 million, capital expenditures of \$9.2 million and purchases of short-term investments of \$2.0 million. Capital expenditures were primary related to costs paid to third parties and capitalized associated with internally developed software for our technology platforms.

Financing Activities

Net cash used in financing activities of less than \$1 million for the nine months ended September 30, 2021 resulted from payments of finance lease liabilities.

Net cash provided by financing activities of \$37.5 million for the nine months ended September 30, 2020 resulted from proceeds from issuance of our Series B ownership units of \$37.8 million offset by less than 0.3 million of payments of finance leases liabilities.

Net cash flows provided by financing activities of \$37.5 million for the year ended December 31, 2020 resulted from proceeds from issuance of our Class C ownership units of \$37.8 million offset by \$0.3 million of payments for capital leases during the year.

Commitments

We had no material commitments as of September 30, 2021, December 31, 2020, or December 31, 2019.

Off-Balance Sheet Arrangements

Bitcoin held in a custodial capacity on behalf of our customers, which are institutions, market makers, and high net worth individuals, is not included in our consolidated balance sheets.

Non-GAAP Measures

We use non-GAAP financial measures to assist in comparing our performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that presenting non-GAAP financial measures is useful to investors because it (a) provides investors with meaningful supplemental information regarding financial performance by excluding certain items that we believe do not directly reflect our core operations, (b) permits investors to view performance using the same tools that we use to budget, forecast, make operating and strategic decisions, and evaluate historical performance, and (c) otherwise provides supplemental information that may be useful to investors in evaluating our results.

We believe that the presentation of the following non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures provided herein, provides investors with an additional understanding of the factors and trends affecting our business that could not be obtained absent these disclosures.

Adjusted EBITDA

We present Adjusted EBITDA as a non-GAAP financial measure.

We believe that Adjusted EBITDA provides relevant and useful information, which is used by management in assessing the performance of our business. Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, amortization and certain non-cash and/or non-recurring items that do not contribute directly to our evaluation of operating results. Adjusted EBITDA provides management with an understanding of earnings before the impact of investing and financing transactions and income taxes, and the effects of aforementioned items that do not reflect the ordinary earnings of our operations. This measure may be useful to an investor in evaluating our performance. Adjusted EBITDA is not a measure of our financial performance under GAAP and should not be considered as an alternative to net income (loss) or other performance measures derived in accordance with GAAP. Our definition of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

In addition to the items above, Adjusted EBITDA as a non-GAAP financial measure also excludes interest income and other income, and income tax benefit, as these items are not components of our core business operations.

Non-GAAP financial measures like Adjusted EBITDA have limitations, should be considered as supplemental in nature and are not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- unit-based compensation expense, which has been excluded from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations, has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;
- the intangible assets being amortized, and property and equipment being depreciated, may have to be replaced in the future, and the non-GAAP financial measures do not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or other capital commitments; and
- non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs.

Because of these limitations, the non-GAAP financial measures should be considered alongside other financial performance measures, including net loss and our other financial results presented in accordance with GAAP.

The following table presents a reconciliation of net loss, the most directly comparable GAAP operating performance measure, to our Adjusted EBITDA for each of the periods indicated (in thousands, unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30			Year Ended December 31,
	2021	2020	2021	2020	2020	2019
	(in thousands)					
Net loss	\$ (28,847)	\$ (17,971)	\$ (89,558)	\$ (\$50,016)	\$ (79,605)	\$ (32,976)
Add: Depreciation and amortization	3,270	2,232	9,098	5,536	8,159	324
Add/(Less): Interest (income) expense	96	169	239	(255)	(123)	(3,280)
Add/(Less): Income tax (benefit) expense	12	11	195	36	391	(199)
EBITDA	(25,469)	(15,559)	(80,026)	(44,699)	(7,178)	(36,131)
Add: Acquisition-related transaction costs	1,766	—	12,075	11,477	13,372	731
Add: Unit-based compensation expense	604	829	3,116	370	2,082	10,673
Add: Restructuring charges	—	—	—	—	588	—
Add: Impairment of long-lived assets	—	2,450	—	3,843	15,292	—
Less: Non-recurring bitcoin sale income, net	(1,024)	—	(1,024)	—	—	—
Less: Transition services to Bakkt Clearing	—	—	—	—	(196)	(145)
Adjusted EBITDA	<u>\$ (24,123)</u>	<u>\$ (12,280)</u>	<u>\$ (65,859)</u>	<u>\$ (29,009)</u>	<u>\$ (40,040)</u>	<u>\$ (24,872)</u>

Adjusted EBITDA decreased by \$11.8 million, or 96.4%, for the three months ended September 30, 2021 compared to three months ended September 30, 2020. The decrease was primarily due to a \$10.9 million increase in net loss, a \$2.5 million decrease in impairment of long-lived assets and a \$1.0 million increase in non-recurring bitcoin sale income, which were partially offset by a \$1.8 million increase in acquisition-related transaction costs, a \$0.2 million decrease in unit-based compensation expense, and a \$1.0 million increase in depreciation and amortization. Adjusted EBITDA decreased by \$36.9 million or 127.0%, for the nine months ended September 30, 2021 compared to nine months ended September 30, 2020. The decrease was primarily due to the \$39.5 million increase in net loss, \$3.8 million decrease in impairment of long-lived assets and a \$1.0 million increase in non-recurring bitcoin sale income, which were partially offset by a \$0.6 million increase in acquisition-related transaction costs, \$3.6 million increase in depreciation and amortization and a \$2.7 million increase in unit-based compensation expense. Adjusted EBITDA decreased by \$15.2 million or 61.0%, for year ended December 31, 2020 compared to year ended December 31, 2019. The decrease was primarily due to the increase in net loss.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements. Critical accounting policies are those policies that management believes are most important to the representation of our financial position and results of operations, and that require management to make estimates that are difficult, subjective or complex. Based on these criteria, management has

identified the following critical accounting policies and estimates, and the methodology and disclosures related to those estimates:

Business Combinations

We account for our business combinations using the acquisition accounting method, which requires us to determine the fair value of identifiable assets acquired and liabilities assumed, including any contingent consideration, to properly allocate the purchase price to the individual assets acquired and liabilities assumed and record any residual purchase price as goodwill in accordance with the Financial Accounting Standards Board (“FASB”) ASC 805, Business Combinations. We identify and attribute fair values and estimated lives to the intangible assets acquired and allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and involves the use of significant estimates, including projections of future cash inflows and outflows, discount rates and asset lives. These determinations will affect the amount of amortization expense recognized in future periods. We base our fair value estimates on assumptions we believe are reasonable but recognize that the assumptions are inherently uncertain.

For business combinations effected through a common control transaction, we measure the recognized net assets of the acquiree at the carrying amounts of the net assets previously recognized by our related party. We reflect the operations of entities acquired through a common control transaction in our financial statements as of the first date in the reporting period or as of the date that the entity was acquired by our related party, as applicable.

If the initial accounting for a business combination has not been completed by the end of the reporting period in which the business combination occurs, provisional amounts are reported to present information about facts and circumstances that existed as of the acquisition date. Once the measurement period ends, which in no case extends beyond one year from the acquisition date, revisions to the accounting for a business combination are recorded in earnings.

All acquisition-related costs, other than the costs to issue debt or equity securities, are accounted for as expenses in the period in which they are incurred. Changes in the fair value of any contingent consideration arrangements that are not measurement period adjustments are recognized in earnings.

Goodwill and Other Intangible Assets

Goodwill and intangible assets that have indefinite useful lives are accounted for in accordance with FASB ASC 350, Intangibles — Goodwill and Other. We allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the acquisition consideration transferred over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is tested for impairment at the reporting unit level, and we are organized and operate as a single reporting unit. Goodwill and indefinite-lived intangible assets are tested at least annually or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. In assessing goodwill and intangible assets for impairment, we first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. In the qualitative assessment, we may consider factors such as economic conditions, industry and market conditions and developments, overall financial performance and other relevant entity-specific events in determining whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. Should we conclude that it is more likely than not that the recorded goodwill and indefinite-lived intangible assets amounts have been impaired, it would perform the impairment test. An impairment loss is recognized in earnings if the estimated fair value of a reporting unit or indefinite lived intangible asset is less than its carrying amount. Significant judgment is applied when goodwill and intangible assets are assessed for impairment.

Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are also reviewed at least annually for impairment or more frequently if conditions exist that indicate that an asset may be impaired.

We did not record any impairment charges related to goodwill and intangible assets during the three months ended September 30, 2021 and 2020, the nine months ended September 30, 2021 and 2020, or the years ended December 31, 2020 and 2019.

Revenue Recognition

We recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

Triparty Agreement

The Triparty Agreement governs the trading, clearing and custody services for PDF Contracts. The PDF Contracts generally have a duration of less than one month, and substantially all of the PDF Contracts are settled in the same month in which the trade execution is initiated. At expiration of a PDF Contract, physical delivery of bitcoin will occur if the counterparties to the PDF Contract have not previously settled the PDF Contract. PDF Contract Traders are generally institutional investors and market makers that enter into agreements separately with each of IFUS, ICUS and Opco for trading, clearing and custody related services, respectively.

With respect to our provision of custody services that are necessary to support the trading and clearing services provided by IFUS and ICUS for the PDF Contracts, our customers are IFUS and ICUS, who are related parties. In this regard, our obligation is to provide a stand-ready custody function that supports the trading and clearing services for the PDF Contracts. Our obligation to provide a stand-ready custody function includes related promises such as: (i) the initial onboarding of PDF Contract Traders to the custody warehouse, which represents the commencement of the custody services; (ii) maintaining a system of accounts within its custody warehouse on behalf of IFUS and ICUS to ensure accurate, timely transfers of bitcoin at PDF Contract maturity (thereby mitigating ICUS's clearing risk and ensuring safe storage of bitcoin, including when PDF Contracts settle through physical delivery); (iii) standing ready to accept bitcoin deposits from PDF Contract Traders at any point between execution and settlement of the PDF Contract; (iv) verifying account balances of PDF Contract Traders as their PDF Contracts approach expiration; (v) making transfers between PDF Contract Traders as instructed by ICUS when the PDF Contracts reach expiration; and (vi) permitting withdrawals of bitcoin as directed by PDF Contract Traders. In order to fulfill these promises, Opco has incurred significant time and expense to build, establish and maintain a fully licensed, institutional-grade bitcoin custodian.

While our performance obligation to IFUS and ICUS is comprised of several related promises as described above, we have concluded that we have a single performance obligation to provide a stand-ready custody function that supports the trading and clearing services as required for the PDF Contracts for PDF Contract Traders, so that IFUS can execute its trading services and ICUS can clear and arrange for the settlement of the PDF Contracts. We have concluded that the related activities that collectively comprise this single performance obligation are not separately identifiable within the context of the Triparty Agreement, as all are necessary in order for IFUS and ICUS to offer PDF Contracts. The maximum duration of our performance obligation would extend from trade execution through the later of settlement of a PDF Contract or the ultimate withdrawal of physically-delivered bitcoin underlying the PDF Contract. However, in our experience, less than 1% of PDF Contracts go to physical settlement. We determine the obligation period associated with Triparty Agreement revenue using the portfolio method based on our historical transaction experience, as the PDF Contracts have similar characteristics. The average performance obligation period is less than one month based on application of the portfolio method. Therefore, we recognize revenue for the stand-ready custody services that we provide to IFUS and ICUS on a straight-line basis over the average performance obligation period, which is less than one month.

PDF Contract Traders pay a transaction fee for trading and clearing which is collected by ICUS. Per the terms of the Triparty Agreement, IFUS and ICUS pass to us all trading and clearing transaction fees, net of rebates and liquidity payments issued to PDF Contract Traders. We consider the transaction price to be the net transaction fee received from IFUS and ICUS or paid to IFUS and ICUS.

In certain arrangements with PDF Contract Traders, IFUS offers rebates to support market liquidity and trading volume, which provides qualified PDF Contract Traders with a discount to the applicable transaction fee. Under the terms of the Triparty Agreement, these rebates reduce the amount of the trading and clearing revenue that IFUS and ICUS pay to us. To the extent the rebates issued to PDF Contract Traders exceed the transaction fees collected by

IFUS and ICUS, we pay IFUS and ICUS for the difference between the rebate amounts and the collected transaction fees. We do not receive any goods or services from IFUS or ICUS in exchange for the payment. The payment to IFUS and ICUS for such shortfall is required to be paid pursuant to the Triparty Agreement. These rebates represent consideration payable to a customer and reduce the transaction price; as such, these rebates are included in “Net revenues” in the accompanying consolidated statements of operations and comprehensive loss. Because these rebates are measured and resolved within the same reporting period, it is not necessary for us to estimate these at a given reporting period date.

We also recognize a capital contribution for the cost of the trading and clearing services provided by IFUS and ICUS in connection with the Contribution Agreement, which reduces the revenue recognized as part of the net transaction fee.

Revenue from the Triparty Agreement is included in “Transaction revenue, net” in the disaggregation of revenue table within Note 3 of the Unaudited Third Quarter 2021 Financials.

Custody

We provide a bitcoin custody solution institutions and certain high net worth individuals. For PDF Contract Traders with custody accounts related to PDF Contracts, we do not charge a fee specifically for the custody service. For customers using custody services on a standalone basis, we charge a fee, which is generally based on a fixed fee and represents fixed consideration. We invoice customers on a quarterly basis. Our performance obligation related to the storage and custody of a customer’s bitcoin represents an obligation to provide custody services for digital assets. Bitcoin held in a custodial capacity on behalf of our customers is not included in our consolidated balance sheet, as we do not own that bitcoin. The contract for custodial services may be terminated by the applicable institution or high net worth individual at any time upon final withdrawal of all digital assets, without incurring a penalty. As a result, we believe our contracts represent a day-to-day contract with each day representing a renewal. These renewals are priced consistently with the original contract and with other similar customers and as such, we do not believe that they represent a material right.

The daily contract consists of a single performance obligation to provide custodial services, with the transaction price equal to a pro rata portion (i.e., daily) of the annual custody fee. Our performance obligation to provide custodial services meets the criterion to be satisfied over time. Revenue from our custodial services is included in “Net revenues” in the consolidated statements of operations and comprehensive loss.

Revenue from our custody services is included in “Subscription and services revenue” in the disaggregation of revenue table within Note 3 of the Unaudited Third Quarter 2021 Financials..

Loyalty redemption platform

We host, operate and maintain a loyalty redemption platform connecting loyalty programs to ecommerce merchants allowing loyalty point holders to redeem a spectrum of loyalty currencies for other digital assets, merchandise and services. Our customer in these arrangements is generally the loyalty partner. Our contracts related to our loyalty redemption platform consist of two performance obligations: (1) access to our SaaS-based redemption platform and customer support services, and (2) order placement. We are a principal related to providing access to our redemption platform. We are acting as an agent to provide order placement services on behalf of the loyalty partner. Revenues generated from our loyalty redemption platform are included in “Net revenues” in the consolidated statements of operations and comprehensive loss and include the following:

- Platform subscription fees: Monthly fixed fee charged to loyalty partners to access the redemption platform and receive customer support services. We recognize revenue for these fees on a straight-line basis over the related contract term, as the loyalty partner receives benefits evenly throughout the term of the contract. These fees are allocated to our performance obligation to provide access to our redemption platform, and thus are recognized on a gross basis.

- **Transaction fees:** Transaction fees are earned for most transactions processed through our platform. These fees are allocated to our performance obligation to provide order placement services on behalf of the loyalty partner, and therefore are recognized net of the related redemption cost. We allocate transaction fees to the period in which the related transaction occurs.
- **Revenue share fees:** We are entitled to revenue share fees in the form of rebates from third-party commerce merchants and other partners which provide services facilitating redemption order fulfillment. We allocate revenue share fees to the period in which the related transaction occurs.
- **Service fees:** We earn fees for certain software development activities associated with the implementation of new customers on our loyalty redemption platform and other development activities if a loyalty partner requests that we customize certain features and functionalities for their loyalty program. We recognize service fees as revenue on a straight-line basis, beginning when the internally developed software resulting from such implementation or other development activities are operational in our platform over the longer of the remaining anticipated customer life and 3 years, which represents the estimated useful life of our internally developed software. Implementation and development service fees are generally billed when the implementation and development activities are performed.

Revenue from our loyalty redemption platform is included in “Transaction revenue, net” and “Subscription and services revenue” in the disaggregation of revenue table in Note 3 of the Unaudited Third Quarter 2021 Financials.

Strategic Alliance Agreement

In February 2020, we entered into a Strategic Alliance Agreement with Starbucks to develop and operate a mechanism whereby a Starbucks customer can purchase food and beverage items from Starbucks using our digital wallet related to our alternative payment method offering.

In conjunction with this agreement, we issued Starbucks a warrant to purchase 15 million Class B voting units. We account for the warrant as consideration payable to a customer within the scope of ASC 606, *Revenue from Contracts with Customers*, which is measured at the fair value on the grant date of the warrant. We recognize the warrant as a reduction to transaction fees on a straight-line basis over 28 months, which represents the time period between the launch date of the services under the Strategic Alliance Agreement, which occurred in November 2020, and the end of the contract term. These reductions to revenue are included in “Net revenues” in the accompanying consolidated statements of operations and comprehensive loss. These reductions to revenue are included within “Transaction revenue, net” in the disaggregation of revenue table in Note 3 of the Unaudited Third Quarter 2021 Financials.

Sale of cryptocurrency

As part of our operation of the Bakkt Marketplace platform, we transact in bitcoin with consumers. Consumer bitcoin transactions were not material for the three and nine months ended September 30, 2021. There were no consumer bitcoin transactions for the three and nine months ended September 30, 2020.

Additionally, as part of the Company’s operation of the Bakkt Marketplace platform, we transact in bitcoin with our trading partners in order to adjust our bitcoin inventory based on actual consumer activity to maintain an inventory based on our inventory policy. Transactions in bitcoin with our trading partners in the normal course of business were not material for the three and nine months ended September 30, 2021. There were no transactions in bitcoin with our trading partners in the normal course of business for the three and nine months ended September 30, 2020.

We maintain an inventory reserve of bitcoin to facilitate consumer transactions if needed. We may adjust our inventory reserve levels under our inventory policy. Sales of bitcoin resulting from inventory reserve adjustments is not part of our normal course of business. Accordingly, proceeds from the sale of bitcoin outside of the normal course of business is included in “other income (expense), net,” net of the cost of bitcoin sold, in the consolidated statements of operation and comprehensive loss.

Practical expedients

We have elected the following practical expedients under ASC 606:

- Assessing the performance obligation period for Triparty Agreement transactions on a portfolio basis.
- Exclude sales taxes from the measurement of the transaction price.
- Not adjust the transaction price for the existence of a significant financing component if the timing difference between a customer's payment and our performance is one year or less.
- Not provide disclosures about the transaction price allocated to unsatisfied performance obligations for contracts with a duration of one year or less or when the consideration is variable and allocated entirely to a wholly unsatisfied performance obligation or a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Additionally, we have elected the practical expedient under ASC 340-40 to not capitalize incremental costs to obtain a contract with a customer if the amortization period would have been one year or less.

Deferred Revenue

Deferred revenue includes amounts invoiced prior to our meeting the criteria for revenue recognition. We typically invoice customers for subscription fees in arrears on a monthly basis.

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 our performance obligation. The portion of deferred revenue to be recognized in the succeeding twelve-month period is recorded as non-current deferred revenue, and the remaining portion is recorded as current deferred revenue. We have determined that these arrangements do not contain a significant financing component, and therefore the transaction price is not adjusted.

The amount of previously deferred revenue recognized for the three and nine months ended September 30, 2021 was \$1,064,000 and \$3,401,000, respectively. The amount of previously deferred revenue recognized for the three and nine months ended September 30, 2020 was \$1,138,000 and \$4,885,000, respectively, which was comprised of deferred revenue acquired through the Bridge2 Solutions acquisition (see Note 4).

The amount of revenue recognized for the year ended December 31, 2020 from the opening deferred revenue balance as of the date of acquisition of Bridge2 Solutions was \$11,005,000. We did not have any deferred revenue as of December 31, 2019.

Property, Equipment and Software, Net

Property, equipment and software are stated at cost, less accumulated depreciation and amortization.

We capitalize costs related to software we develop or obtain for internal use and are included in "Property, equipment and software, net" on the accompanying balance sheet. Software development costs incurred during the preliminary or maintenance project stages are expensed as incurred, and costs incurred during the application development stage are capitalized and are amortized over the useful life of the software.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of assets:

	Estimated Useful Life
Internal use software	3-7 years
Purchased software	3 years
Assets under finance lease	2-5 years
Office, furniture and equipment	7-10 years
Leasehold improvements	7 years
Other computer and network equipment	3 years

Impairment of Long-Lived Assets

Our long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We also evaluate the period of depreciation and amortization of long-lived assets to determine whether events or circumstances warrant revised estimates of useful lives. When indicators of impairment are present, we determine the recoverability of our long-lived assets by comparing the carrying value of our long-lived assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the estimated future undiscounted cash flows demonstrate the long-lived assets are not recoverable, an impairment loss would be calculated based on the excess of the carrying amounts of the long-lived assets over their fair value. We did not record any impairment charges for the three and nine months ended September 30, 2021. We recorded \$2.5 million impairment charges and \$3.8 million related to long-lived assets for the three and nine months ended September 30, 2020, respectively. We recorded impairment charges of \$15.3 million and no impairment charges related to long-lived assets for the years ended December 31, 2020 and December 31, 2019, respectively.

Unit-Based Compensation

Share-based payments to employees, which consist of incentive units and phantom units (“participation” units), are measured at fair value on the date of grant and recognized as expense in “Compensation and benefits” in the accompanying consolidated statements of operations and comprehensive loss over the requisite service period. Additionally, we recognize variable compensation expense for liability-classified participation units based on changes to the fair value of the awards at each reporting date. We elect to account for forfeitures as they occur.

The units are unvested on the grant date and are subject to the vesting terms in the award agreement. The units are not entitled to participate in distributions until such units are vested. The units vest subject to continuous employment through the vesting date (subject to limited exceptions), and the achievement of certain performance and market conditions as defined in the Bakkt Plan and individual award agreements. A portion of the units may be subject to vesting upon a liquidity event, initial public offering, or partial exit event, as defined in the Bakkt Plan, or to the extent any incentive units and participation units remain outstanding and unvested on the date that is the eight-year anniversary of the launch of one of our services in a production environment, which occurred on September 23, 2019, these remaining units will vest based on the calculated fair market value, as defined in the Third Amended and Restated LLC Agreement of Opco, as of such date.

The incentive units include certain put features; as such, we classify the incentive units as “Mezzanine equity” in the accompanying consolidated balance sheets due to the put option which represents a redemption feature. The incentive units will not be subject to remeasurement until exercise of the put option becomes probable.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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 our consolidated financial statements may include, but are not limited to, estimates related to 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 voting units, preferred incentive units, common 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 consolidated financial statements.

Recently Issued and Adopted Accounting Pronouncements

Recently issued and adopted accounting pronouncements are described in Note 2 to the Unaudited Third Quarter 2021 Financials and the Audited 2020 Financials.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction:

The unaudited pro forma condensed combined financial information is prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined financial information presents the pro forma effects of the following transactions:

- The acquisition of Bakkt Opco Holdings, LLC (f/k/a Bakkt Holdings, LLC “**Opco**”) by Bakkt Holdings, Inc. (f/k/a VPC Impact Acquisition Holdings, the “**Company**”) on October 15, 2021, which resulted in the reorganization of the Company into an umbrella partnership C corporation structure (“**Up-C**”), and the related entrance into other agreements entered into as part of the Agreement and Plan of Merger, dated as of January 11, 2021 (as amended, the “**Merger Agreement**”), by and among the Company, Pylon Merger Company LLC (“**Merger Sub**”) and Opco (collectively, the “**Business Combination**”); and
- The acquisition of Bridge2 Solutions, LLC and its related companies (“**Bridge2 Solutions**”) by Intercontinental Exchange Holdings, Inc. (“**ICEH**”) on February 21, 2020 and the subsequent contribution of substantially all of the assets and liabilities of Bridge2 Solutions to Opco at a value of approximately \$261 million on March 12, 2020 (the “**B2S Acquisition**”), which Opco accounted for as a common control transaction under ASC 805, as Bridge2 Solutions was owned by ICEH, the entity that controlled Opco, prior to its combination with Opco.

The Company was a blank check company incorporated on July 31, 2020 (“inception”) as a Cayman Islands exempted company for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. On August 3, 2020, VPC Impact Acquisition Holdings Sponsor, LLC, a Delaware limited liability company (the “**Sponsor**”), paid approximately \$0.004 per share, for an aggregate price of \$25,000 to cover certain offering and formation costs of the Company in consideration for 5,750,000 Class B Ordinary Shares (the “**Founder Shares**”). In September 2020, the Sponsor transferred an aggregate of 60,000 Founder Shares to the then members of the board of directors of the Company (the “**Board**”), resulting in the Sponsor holding an aggregate of 5,690,000 Founder Shares. On September 25, 2020, the Company consummated the initial public offering (the “**IPO**”) of 20,000,000 of its units (each a “**Unit**” and collectively, the “**Units**”), with each Unit consisting of one Class A Ordinary Share, par value \$0.0001 per share, of the Company (each a “**Class A Ordinary Share**”) and one-half of one warrant, with each such whole warrant (a “**Public Warrant**”), entitling the holder thereof to purchase one Class A Ordinary Share for \$11.50 per share. The Units were sold at a price of \$10.00 per Unit, generating gross proceeds to the Company of \$200,000,000. The underwriters in the IPO, on October 1, 2020, partially exercised their over-allotment option and purchased 737,202 Units, generating gross proceeds of \$7,372,020. As a result of the over-allotment not being exercised in full, the Sponsor forfeited 565,700 Founder Shares back to the Company, resulting the Company having an aggregate of 5,184,300 Founder Shares issued and outstanding. In addition, the Company completed the sale of 6,147,440 warrants at a price of \$1.00 per warrant in a private placement to the Sponsor (the “**Private Placement Warrants**”), generating gross proceeds of \$6,147,440. A total of \$207,372,020 of the net proceeds from the IPO and the Private Placement Warrants were deposited in a trust account established at the consummation of the IPO (the “**Trust Account**”) for the benefit of the holders of Class A Ordinary Shares sold in the IPO (such Class A Ordinary Shares, the “**Public Shares**” and, such holders, the “**Public Shareholders**”) and the remaining proceeds became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The net proceeds deposited into the Trust Account remained on deposit in the Trust Account earning interest except those certain amounts withdrawn in order to pay tax obligations. As of the Closing, there was approximately \$207.4 million held in the Trust Account.

Opco is a digital asset platform that enables consumers to buy, sell, store and spend digital assets. Opco’s consumer platform, now available through the recently released app and to partners through its Bakkt platform, amplifies consumer spending and bolsters loyalty programs, adding value for all key stakeholders within the Bakkt payments and digital assets ecosystem. Launched in 2018, Opco is headquartered in Alpharetta, GA. On February 21, 2020, Opco consummated the B2S Acquisition in order to expand Opco’s loyalty conversion offerings within Opco’s digital asset marketplace.

The organizational structure following the completion of the Business Combination, as described above, is commonly referred to as an Up-C structure in which substantially all of the assets and the business of the Company are held by Opco and its subsidiaries, and the Company's 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. This organizational structure allows the former equity owners of Opco (each an "**Equity Holder**") to retain their equity ownership in Opco, which is an entity that is classified as a partnership for U.S. federal income tax purposes. Those investors who, prior to the Business Combination, held Class A Ordinary Shares or Class B Ordinary Shares of the Company ("**Class B Ordinary Shares**"), by contrast, continue to hold their equity ownership in the Company, which is a domestic corporation for U.S. federal income tax purposes. The Company believes that it is advantageous for the Equity Holders to continue to hold their equity interests in an entity that is not taxable as a corporation for U.S. federal income tax purposes.

The Company does not believe that the Up-C organizational structure gives rise to any significant business or strategic benefit or detriment.

The unaudited pro forma condensed combined financial information is based upon, and should be read in conjunction with, the historical financial statements and related notes of the Company and Opco. The pro forma financial statements have been presented for information purposes only and are not necessarily indicative of what the Company's balance sheet or statement of operations actually would have been had the Business Combination or B2S Acquisition been completed as of the dates indicated, nor do they purport to project the future financial position or operating results of the Company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The pro forma financial information is presented for illustrative purposes only and does not reflect the costs of any integration activities or cost savings or synergies that may be achieved as a result of the Business Combination and B2S Acquisition.

The unaudited pro forma condensed combined balance sheet combines Opco's unaudited historical consolidated balance sheet as of September 30, 2021 and the Company's unaudited historical consolidated balance sheet as of September 30, 2021, giving effect to the Business Combination as if it had been consummated on September 30, 2021. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 and for the year ended December 31, 2020 give pro forma effect of the Business Combination and B2S Acquisition as if each had been consummated on January 1, 2020.

We refer to the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statement of operations as the "pro forma financial statements."

The pro forma financial statements were prepared using the acquisition method of accounting under the provisions of ASC 805 ("**ASC 805**") on the basis of the Company as the accounting acquirer and Opco as the accounting acquiree. The ultimate determination of the accounting acquirer is a qualitative and quantitative assessment that requires careful consideration, of which the final determination will occur after the consummation of the Business Combination. The Company has been determined to be the accounting acquirer based on evaluation of the following factors:

- The Company is the sole managing member of Opco, the managing member has full and complete charge of all affairs of Opco and the existing non-managing member equity holders of Opco do not have substantive participating or kick out rights;
- The Sponsor and Opco jointly designated six of the initial eight members of the Board; and
- Equity Holders do not hold a controlling interest in the Company or Opco due to (1) the limitation imposed by the Voting Agreement entered into between the Company and ICEH at Closing on ICEH and its affiliates' voting power to 30% of the total voting power of all shares of the Company's Class A Common Stock, par value \$0.0001 per share ("**Class A Common Stock**"), and the Company's Class V Common Stock, par value \$0.0001 per share ("**Class V Common Stock**," together with the Class A Common Stock, the "**Common Stock**") that are issued and outstanding and entitled to vote as of the

relevant record date so long as it owns shares of Common Stock representing more than 50% of the total voting power of the Company, and (2) ICEH and its affiliates do not unilaterally control the Board, as only one out of the eight members of the Board is affiliated with ICEH, and the majority of the Board are independent directors not affiliated with ICEH.

The factors discussed above support the conclusion that the Company acquired a controlling interest in Opco and is the accounting acquirer. The Company is the primary beneficiary of Opco, which is a variable interest entity, since it has the power to direct the activities of Opco that most significantly impact Opco's economic performance through the Company's role as the managing member, and its ownership of Opco, which results in the right (and obligation) to receive benefits (and absorb losses) of Opco that could potentially be significant to the Company. Therefore, the Business Combination constituted a change in control and was accounted for using the acquisition method. Under the acquisition method of accounting, the purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed of Opco, based on their estimated acquisition-date fair values. These estimates are determined through established and generally accepted valuation techniques. Estimated transaction costs incurred are expensed in the pro forma condensed combined statements of operation as if the Closing occurred on January 1, 2020.

The following summarizes the pro forma ownership of Class A Common Stock following the Closing:

<u>Equity Capitalization Summary (shares in millions)</u>	<u>Shares</u>	<u>%</u>
Public Shareholders ⁽¹⁾	12.3	24.6
Founder Shares ⁽²⁾	5.2	10.4
PIPE Investors ⁽³⁾	32.5	65.0
Equity Holders interest in the Company ⁽⁴⁾	—	—
Total Class A common stock	50.0	100.0

- (1) Reflects 8,452,042 Public Shares that were redeemed by shareholders for \$84.5 million at approximately \$10.01 per share in connection with the Business Combination.
- (2) Represents 5,184,300 shares of Class A Common Stock issued upon the automatic conversion of the existing Class B Ordinary Shares in connection with the closing of the Business Combination.
- (3) Represents 32,500,000 shares of Class A Common Stock purchased by certain investors (the "**PIPE Investors**") at a price of \$10.00 per share in a private placement that closed in connection with the closing of the Business Combination (the "**PIPE Investment**").

- (4) The Equity Capitalization Summary table excludes Equity Holders' noncontrolling economic interest in Opco Common Units, which is exchangeable (together with the cancellation of an equal number of shares of voting, non-economic Class V Common Stock) into Class A Common Stock on a 1-for-1 basis subject to certain exceptions. The table below presents the Opco Common Units and noncontrolling interest percentage:

	Shares ⁽¹⁾	%
Equity Holders' noncontrolling interest (shares in millions)	198.7	79.9

- (1) Represents the 208.2 million Opco Common Units issued to Equity Holders, net of 8.7 million common incentive units or preferred incentive units issued by Opco to its management, subject to the terms and conditions of the Bakkt Holdings, LLC Amended and Restated Bakkt Equity Incentive Plan (the "**Opco Incentive Units**" and the "**Opco Plan**," respectively), which vest on each of the first and second anniversaries of the effective time of the Closing, and 0.8 million units issuable upon the exercise of the warrant issued to a minority investor to purchase a certain number of Opco's Class C voting units (the "**Opco Warrant**").

The following unaudited pro forma condensed combined balance sheet as of September 30, 2021 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and for the nine months ended September 30, 2021 are based on the historical financial statements of the Company, Opco and Bridge2 Solutions, each as filed with the Securities and Exchange Commission (the "SEC"). The unaudited pro forma adjustments are based on information currently available, and assumptions and estimates underlying the unaudited pro forma adjustments are described in the accompanying notes. Actual results may differ materially from the assumptions used to present the accompanying unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2021

(\$ in millions)	Historical Financials		Transaction Accounting Adjustments		Pro Forma Combined
	Company (Historical as of 9/30/21)	Opco (Historical as of 9/30/21)			
Cash and equivalents	\$ 0.7	\$ 22.1	\$ 390.0	A	\$ 412.8
Restricted cash	—	16.5	—		16.5
Customer funds	—	0.4	—		0.4
Accounts receivable, net	—	13.3	—		13.3
Other current assets	0.1	7.2	—		7.3
Current assets	0.8	59.5	390.0		450.3
Cash and investments held in Trust Account	207.4	—	(207.4)	B	—
Property, equipment and software, net	—	28.1	—		28.1
Goodwill	—	233.4	1,119.0	C	1,352.4
Intangible assets, net	—	57.3	517.3	C	574.6
Deposits with clearinghouse affiliate, noncurrent	—	15.2	—		15.2
Other assets	—	4.2	—		4.2
Non-current assets	207.4	338.2	1,428.9		1,974.5
Total assets	\$ 208.2	\$ 397.7	\$ 1,818.9		\$ 2,424.8
Accounts payable and accrued liabilities	6.1	57.3	(11.6)	E	51.8
Customer funds payable	—	0.4	—		0.4
Deferred revenue, current	—	4.3	(0.1)	D	4.2
Due to affiliates	—	2.3	—		2.3
Other current liabilities	—	2.3	—		2.3
Current liabilities	6.1	66.6	(11.7)		61.0
Deferred revenue, noncurrent	—	4.1	(0.1)	D	4.0
Warrant liability	29.6	—	—		29.6
Deferred underwriting fee payable	7.3	—	(7.3)	E	—
Deferred tax liabilities, net	—	0.1	—		0.1
Other liabilities	—	3.2	6.0	F	9.2
Non-current liabilities	36.9	7.4	(1.4)		42.9
Total liabilities	43.0	74.0	(13.1)		103.9
Class A ordinary shares subject to possible redemption	207.3	—	(207.3)	G	—
Incentive units	—	23.5	(23.5)	G	—
Mezzanine equity	207.3	23.5	(230.8)		—
Class A voting units	—	3.1	(3.1)	G	—
Class B voting units	—	187.9	(187.9)	G	—
Class C voting units	—	310.1	(310.1)	G	—
Class C warrant	—	1.0	(1.0)	G	—
Additional paid in capital	—	—	513.7	G	513.7
Accumulated other comprehensive income	—	0.2	(0.2)	G	—
Accumulated deficit	(42.1)	(202.1)	171.6	G	(72.6)
Total shareholders' equity	(42.1)	300.2	183.0		441.1
Noncontrolling interest	—	—	1,879.8	H	1,879.8
Total equity	(42.1)	300.2	2,062.8		2,320.9
Total liabilities & equity	\$ 208.2	\$ 397.7	\$ 1,818.9		\$ 2,424.8

Unaudited Pro Forma Condensed Combined Statement of Operations for the Nine Months Ended September 30, 2021

(\$ in millions)	Historical Financials		Transaction Accounting Adjustments	Pro Forma Combined
	Company (Historical Nine months Ended 9/30/21)	Opco (Historical Nine months Ended 9/30/21)		
Revenue	\$ —	\$ 25.8	\$ —	\$ 25.8
Operating expenses				
Compensation and benefits	—	57.4	1.9	DDD 59.3
Professional services	—	5.0	—	5.0
Technology and communication	—	9.9	—	9.9
Selling, general and administrative	5.8	19.5	—	25.3
Acquisition-related expenses	—	12.1	—	12.1
Depreciation and amortization	—	9.1	12.7	AAA 21.8
Affiliate expenses	—	1.4	—	1.4
Impairment of long-lived assets	—	—	—	—
Other operating costs	—	1.0	—	1.0
Total operating expenses	5.8	115.4	14.6	135.8
Loss from operations	(5.8)	(89.6)	(14.6)	(110.0)
Interest income, net	—	(0.2)	—	(0.2)
Loss on warrant liability	(7.1)	—	—	(7.1)
Other income, net	—	0.4	—	0.4
Total interest and other income, net	(7.1)	0.2	—	(6.9)
Loss before income taxes	(12.9)	(89.4)	(14.6)	(116.9)
Income tax (expense) benefit	—	(0.2)	4.9	BBB 4.7
Net loss	\$ (12.9)	\$ (89.6)	\$ (9.7)	\$ (112.2)
Net loss attributable to noncontrolling interest	—	—	(93.0)	CCC (93.0)
Net loss attributable to controlling interest	(12.9)	(89.6)	83.3	CCC (19.2)
Earnings per share (Note 6)				
Weighted average shares of Class A outstanding, basic	20,737,202			50.0
Loss per share of Class A (basic)	\$ (0.50)			\$ (0.38)
Weighted average shares of Class A outstanding, diluted	20,737,202			50.0
Loss per share of Class A (diluted)	\$ (0.50)			\$ (0.38)
Weighted average shares of Class B outstanding, basic	5,184,300			
Loss per share of Class B (basic)	\$ (0.50)			
Weighted average shares of Class B outstanding, diluted	5,184,300			
Loss per share of Class B (diluted)	\$ (0.50)			

Unaudited Pro Forma Condensed Combined Statement of Operations for Year Ended December 31, 2020

(\$ in millions)	Historical Financials				Transaction Accounting Adjustments	AA	Pro Forma Combined
	Company (Historical from 7/31/20 through 12/31/20)	Opco (Historical from 1/1/20 through 12/31/20)	Bridge2 Solutions (Historical from 1/1/20 through 2/21/20)	Combined Company (Historical from 1/1/20 through 12/31/20)			
Revenue	\$ —	\$ 28.5	\$ 5.7	\$ 34.2	\$ (0.1)		\$ 34.1
Operating expenses							
Compensation and benefits	—	43.1	3.2	46.3	24.4	FF	70.7
Professional services	—	5.7	1.0	6.7	—		6.7
Technology and communication	—	9.7	0.4	10.1	—		10.1
Selling, general and administrative	1.0	8.2	0.3	8.5	—		9.5
Acquisition-related expenses	—	13.4	—	13.4	24.5	CC	37.9
Depreciation and amortization	—	8.2	1.0	9.2	20.6	BB	29.8
Affiliate expenses	—	3.1	—	3.1	—		3.1
Impairment of long-lived assets	—	15.3	—	15.3	—		15.3
Other operating costs	—	0.9	—	0.9	—		0.9
Total operating expenses	1.0	107.6	5.9	113.5	69.5		184.0
Loss from operations	(1.0)	(79.1)	(0.2)	(79.3)	(69.6)		(149.9)
Interest income, net	—	0.1	(0.2)	(0.1)	—		(0.1)
Loss on warrant liability	(0.9)	—	—	—	—		(0.9)
Transaction costs—warrants	(0.8)	—	—	—	—		(0.8)
Compensation expense—warrants	(2.2)	—	—	—	—		(2.2)
Other income, net	—	(0.2)	—	(0.2)	—		(0.2)
Total interest and other income, net	(3.9)	(0.1)	(0.2)	(0.3)	—		(4.2)
Loss before income taxes	(4.9)	(79.2)	(0.4)	(79.6)	(69.6)		(154.1)
Income tax (expense) benefit	—	(0.4)	—	(0.4)	6.4	DD	6.0
Net loss	\$ (4.9)	\$ (79.6)	\$ (0.4)	\$ (80.0)	\$ (63.2)		\$ (148.1)
Net loss attributable to noncontrolling interest	—	—	—	—	(123.1)	EE	(123.1)
Net loss attributable to controlling interest	(4.9)	(79.6)	(0.4)	(80.0)	59.9	EE	(25.0)
Earnings per share (Note 5)							
Weighted average shares of Class A outstanding, basic	20,737,202						50.0
Loss per share of Class A (basic)	\$ —						\$ (0.50)
Weighted average shares of Class A outstanding, diluted	20,737,202						50.0
Loss per share of Class A (diluted)	\$ —						\$ (0.50)
Weighted average shares of Class B outstanding, basic	5,184,300						
Loss per share of Class B (basic)	\$ (0.94)						
Weighted average shares of Class B outstanding, diluted	5,184,300						
Loss per share of Class B (diluted)	\$ (0.94)						

1. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting with the Company as the acquiring entity. Under the acquisition method of accounting, the Company's assets and liabilities will retain their carrying values and the assets and liabilities associated with Opco are recorded at their fair values measured as of the acquisition date. The excess of the purchase price over the estimated fair values of the net assets acquired, if applicable, are recorded as goodwill. The acquisition method of accounting is based on ASC 805 and uses the fair value concepts defined in ASC Topic 820, Fair Value Measurements ("ASC 820"). In general, ASC 805 requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date by the Company, who was determined to be the accounting acquirer.

ASC 820 defines fair value, establishes a framework for measuring fair value, and sets forth a fair value hierarchy that prioritizes and ranks the level of observability of inputs used to develop the fair value measurements. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for a non-financial asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective, and it is possible that other professionals applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The pro forma adjustments represent management's estimates based on information available as of the date of the filing of the condensed combined financial statements and do not reflect possible adjustments related to restructuring or integration activities that have yet to be determined or transaction or other costs following the Business Combination that are not expected to have a continuing impact on the statement of operations. Further, estimated one-time transaction-related expenses incurred in connection with the consummation of the Business Combination are presented in the unaudited pro forma condensed combined statement of operations as if it was consummated on January 1, 2020. The impact of such transaction expenses incurred prior to the Business Combination are reflected in the unaudited pro forma condensed combined balance sheet as reductions to liabilities and a decrease to cash, whereas such transaction expenses incurred concurrently with the consummation of the Business Combination are reflected as an adjustment to retained earnings or members deficit and a decrease to cash. Such transaction expenses incurred and paid by Opco prior to the Business Combination have been adjusted as part of the Opco equity close out adjustment.

The accompanying unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting in accordance with ASC 805 and are based on certain currently available information and certain assumptions and methodologies that the Company believes are reasonable under the circumstances. The Company believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 gives pro forma effect to the Business Combination as if it had been consummated on September 30, 2021. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 and for the year ended December 31, 2020 present the pro forma effect of the Business Combination and B2S Acquisition as if each had been consummated on January 1, 2020. These periods are presented on the basis of the Company being the accounting acquirer.

2. Description of the Business Combination

Pursuant to the Merger Agreement, existing Opco owners received an aggregate of 208,200,000 Opco Common Units and an equal number of shares of Class V Common Stock. The Business Combination was structured as an Up-C transaction, whereby the existing Opco Owners own equity in Opco Common Units and a corresponding number of shares of Class V Common Stock.

3. Transaction Accounting Adjustments to Pro Forma Condensed Combined Balance Sheet

Explanations of the transaction accounting adjustments to the pro forma balance sheet are as follows:

(A) Represents adjustments to cash due to the following inflows and outflows as a result of the Business Combination.

(\$ in millions)	
Trust Account	\$207.4
PIPE Investment	325.0
Public Shareholder redemptions	(84.5)
Opco Incentive Unit redemptions	(1.5)
Buyer transaction costs ⁽¹⁾	(36.8)
Seller expenses ⁽²⁾	(19.6)
Total	\$390.0

(1) Includes \$13.0 million fees associated with the PIPE Investment that are netted against the proceeds from the equity issuance.

(2) Excludes \$6.4 million seller's closing costs that were paid as of September 30, 2021.

- (B) Reflects the release of \$207.4 million of cash and cash equivalents held in the Trust Account that became available for transaction consideration, transaction expenses, underwriting commission, redemption of Public Shares, and the operating activities of the Company following the Business Combination.
- (C) Represents the adjustment for the estimated preliminary purchase price allocation for the Opco business resulting from the Business Combination. The preliminary calculation of total consideration and allocation of the purchase price to the fair value of Opco's assets acquired and liabilities assumed is presented below as if the Business Combination was consummated on September 30, 2021. The Company's evaluation of the fair value of assets acquired and the liabilities assumed is preliminary and, accordingly, the adjustments to record the assets acquired and 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. Potential differences may include, but are not limited to, changes in balance sheet as of the Business Combination date which may change the allocation to intangible assets and change in fair value of property, plant, and equipment.

The following is a preliminary estimate of the fair value of consideration transferred in the Business Combination.

<u>(\$ in millions)</u>	<u>Pro Forma</u>
Equity consideration paid to existing ownership in Opco (Common Units) and the Company (Class V Common Stock), net of \$35.4 million post combination expense and \$7.5 million of units issuable upon exercise of the Opco Warrant ⁽¹⁾	\$ 1,926.7
Cash paid for redeemed Opco Incentive Units ⁽²⁾	1.5
Cash paid for seller transaction costs	26.0
Total consideration	\$ 1,954.2
Current assets	59.5
Property, equipment and software, net	28.1
Non-current assets	19.4
Intangible assets	574.6
Goodwill	1,352.4
Current liabilities	(62.3)
Deferred revenue, current	(4.2)
Non-current liabilities	(9.3)
Deferred revenue, noncurrent	(4.0)
Net assets acquired	\$ 1,954.2

- (1) Represents the fair value of the 208.2 million Opco Common Units issued to Equity Holders based on the October 14, 2021 closing price of Class A Ordinary Shares of \$9.46 per share, excluding \$35.4 million attributable to the Opco Incentive Units, which vest in equal installments on each of the first and second anniversaries of the effective time of the Business Combination and will be reflected in post-combination compensation expense over the remaining two-year vesting period, and \$7.5 million attributable to units issuable upon the exercise of the Opco Warrant.
- (2) Represents the cash paid to Opco Equity Holders in exchange for the redemption of 40% of the first one-third of their Opco Incentive Units which vested at the effective time of the Business Combination.

Intangible Assets: The following describes intangible assets that met either the separability criterion or the contractual-legal criterion described in ASC 805, and the anticipated valuation approach. The estimated fair values of intangible assets are based on information available as of the date of this filing and may differ materially as new information is made available and purchase accounting is applied. The trademark and trade name intangible assets represent the trade names that Opco originated or acquired which was valued using the relief-from-royalty method. The licenses intangible assets represent the money transmitter licenses, New York State virtual currency license, and other regulatory licenses held by Opco which were valued using the with-and-without method, a form of the income approach. The customer relationships intangible asset represents the existing customer relationships of Opco that was estimated by applying the multi-period excess earnings method. The developed technology intangible asset represents technology acquired or developed by Opco for the purpose of generating income for Opco, which was valued using the relief-from-royalty method. The access to exchanges intangible asset represents Opco's rights to use exchange and clearing licenses which were valued using the multi-period excess earnings method.

<u>(\$ in millions)</u>	<u>Weighted Average Useful Life (Years)</u>	<u>Fair Value</u>
Indefinite-lived		
Trademark / Trade Names	n/a	\$ 26.3
Licenses – MTL and BIT	n/a	272.8
Licenses – Trust	n/a	25.5
Definite-lived		
Customer Relationship – Consumer	8.5	9.0
Customer Relationship – Loyalty	11.0	40.5
Developed Technology – Consumer	6.0	57.7
Developed Technology – Loyalty	6.0	10.0
Developed Technology – Markets	4.0	1.8
Access to Exchanges	12.0	131.0
Total		\$ 574.6

Goodwill: Approximately \$1,352.4 million has been allocated to goodwill. Goodwill represents the excess of the gross consideration transferred over the estimated fair value of the underlying net tangible and identifiable intangible assets acquired. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets. Goodwill represents future economic benefits arising from acquiring Opco primarily due to its strong market position and its assembled workforce that are not individually identified and separately recognized as intangible assets.

In accordance with ASC Topic 350, Goodwill and Other Intangible Assets, goodwill and indefinite lived intangible assets related to certain acquired brands will not be amortized, but instead will be tested for impairment at least annually or more frequently if certain indicators are present. In the event management of the combined company determines that the value of goodwill and/or indefinite/finite lived intangible assets has become impaired, an accounting charge for impairment during the quarter in which the determination is made may be recognized.

- (D) Reflects a reduction in deferred revenues related to the estimated fair value of the acquired deferred revenue related to the Business Combination. The adjustment is based on fair value estimates for deferred revenue, adjusted for costs to fulfill the liabilities assumed, plus normal profit margin. The difference between this adjusted deferred revenue at fair value and Opco's historical deferred revenue results in a revenue reduction on a pro forma basis.
- (E) Reflects the payment of \$11.6 million of estimated acquisition-related expenses and \$7.3 million of deferred underwriters' and legal fees payable incurred by Opco and the Company, respectively.
- (F) Reflects the \$6.0 million increase in the fair value of participation units issued by Opco to its management upon consummation of the Business Combination ("**Opco Participation Units**").

(G) The following table summarizes the pro forma adjustments impacting equity (\$ in millions):

	<u>Adjustments to Historical Mezzanine Equity and Equity</u>	<u>New Equity Structure</u>	<u>Other Items</u>	<u>Pro Forma Transaction Accounting Adjustments</u>
Company shareholders' mezzanine equity and equity:				
Class A ordinary shares subject to possible redemption	\$ (207.3)	\$ —	\$ —	\$ (207.3)
Additional paid in capital	—	472.7	41.0	513.7
Opc members' mezzanine equity and equity:				
Incentive units	(23.5)	—	—	(23.5)
Class A voting units	(3.1)	—	—	(3.1)
Class B voting units	(187.9)	—	—	(187.9)
Class C voting units	(310.1)	—	—	(310.1)
Class C warrant	(1.0)	—	—	(1.0)
Accumulated other comprehensive income	(0.2)	—	—	(0.2)
Combined equity:				
Accumulated deficit	202.1	—	(30.5)	171.6
Total members' or shareholders' mezzanine equity and equity	\$ (531.0)	\$ 472.7	\$ 10.5	\$ (47.8)

Adjustments to historical mezzanine equity and equity: Reflects the elimination of the Company's historical mezzanine equity and Opco's historical equity and warrants. Opco Incentive Units converted into the right to receive a portion of the aggregate consideration of 208,200,000 Opco Common Units and 208,200,000 shares of Class V Common Stock (the "**Aggregate Merger Consideration**") multiplied by the incentive unit holders' pro rata percentage, determined by the aggregate number of incentive units held divided by the number of equity interests in Opco on a fully diluted basis. Pursuant to its authority under the Opco Plan, the plan administrator determined that, in accordance with the terms of the Opco Plan, the Opco Incentive Units would be treated, as to vesting, as if the Business Combination were an initial public offering (as defined in the Opco Plan). The number of Opco Common Units, along with a corresponding number of shares of Class V Common Stock (each a "**Paired Interest**") that a holder of Opco Incentive Units was entitled to receive was based on the exchange ratio for the Paired Interests held by the Equity Holders, equitably adjusted to give effect to the terms of such holders' grants and the underlying threshold value applicable to a grant. Converted Opco Incentive Units are reflected in the pro forma noncontrolling interest in Note 3(H). Opco's Class C warrant converted from a warrant to purchase equity securities in Opco into a warrant to purchase an economically equivalent number of Paired Interests in Opco.

New equity structure: Reflects the controlling interest of 49,969,460 shares at a per share price of \$9.46 and par value of \$0.0001.

Other items: Reflects the incremental non-recurring transaction-related expenses of \$24.5 million to accumulated deficit, excluding \$18.0 million of transaction-related costs already expensed and reflected in the Company's and Opco's accumulated deficit as of September 30, 2021, incremental expenses of \$6.0 million related to the increase in the fair value of Opco Participation Units to accumulated deficit, \$7.3 million of deferred underwriters' and legal fees netted in the Company's additional paid in capital as of September 30, 2021, fees associated with the PIPE Investment of \$13.0 million to additional paid-in capital, and the adjustment to additional paid-in capital related to the application of purchase accounting.

(H) Represents the pro forma adjustment to record noncontrolling interest in Opco of 79.9%.

4. Transaction Accounting Adjustments to Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2020

Explanations of the transaction accounting adjustments to the pro forma statement of operations are as follows:

(AA) Reflects a reduction in revenues related to the estimated fair value of the acquired deferred revenue related to the Business Combination. The adjustment is based on fair value estimates for deferred revenue, adjusted for costs to fulfill the liabilities assumed, plus normal profit margin. The difference between this adjusted deferred revenue at fair value and Opco's historical deferred revenue results in a revenue reduction on a pro forma basis.

(BB) Represents adjustments to incorporate estimated additional tangible and intangible assets depreciation and amortization for the step-up basis from purchase price accounting (“PPA”) at the closing of the Business Combination. This pro forma adjustment has been proposed assuming the Business Combination happened on January 1, 2020. The following table is a summary of information related to certain intangible assets acquired, including information used to calculate the pro forma change in amortization expenses that is adjusted to administrative expenses:

(\$ in millions)	Weighted Average Useful Life (Years)	Fair Value	Amortization Expense for the Twelve Months Ended December 31, 2020
Trademarks / Trade Names—Opco	n/a	\$ 26.3	n/a
Licenses—MTL and BIT	n/a	272.8	n/a
Licenses – Trust	n/a	25.5	n/a
Customer Relationship Consumer Application	8.5	9.0	1.1
Customer Relationship—Loyalty	11.0	40.5	3.7
Developed Technology—Consumer Application	6.0	57.7	9.6
Developed Technology—Loyalty	6.0	10.0	1.7
Developed Technology—Markets	4.0	1.8	0.4
Access to Exchanges	12.0	131.0	10.9
Total		\$574.6	\$ 27.4
Less: Historical amortization expenses			(6.8)
Pro forma adjustments to amortization expenses			\$ 20.6

(CC) Reflects estimated transaction-related costs incurred by the Company and Opco related to the Business Combination as if it was consummated on January 1, 2020. These transaction-related costs are non-recurring. Pro forma transaction-related costs adjustment of \$24.5 million excludes fees related to the PIPE Investment of \$13.0 million netted against additional paid-in capital, \$7.3 million of deferred underwriters’ and legal fees netted against additional paid-in capital, and \$2.8 million of transaction-related costs already expensed in the Company’s and Opco’s historical statements of operations for the fiscal year ended December 31, 2020, and \$15.2 million of transaction-related costs already expensed in the Company’s and Opco’s historical statements of operations for the nine months ended September 30, 2021.

(DD) Represents the income tax impacts from the pro forma adjustments and estimated deferred tax liabilities and deferred tax assets related to the fair valuation of net assets reflected in the pro forma balance sheet (excluding adjustments related to goodwill, which is assumed to be non tax-deductible). The tax rates are based on preliminary assumptions related to the underlying jurisdictions in which the income or expense will be recorded. The effective tax rate of the combined company could be significantly different depending on the post-merger activities, including cash needs, geographical mix of net income and tax planning strategies.

(EE) Represents the adjustment to present noncontrolling interest in Opco of 79.9%. The adjustment includes the estimated income tax impacts from Note 4(DD).

(FF) Represents post combination pro forma expense adjustment associated with Opco Incentive Units and Opco Participation Units, one third of which vest on the one-year anniversary of the Closing. The pro forma expense adjustment for Opco Incentive Units is based on the October 14, 2021 closing price of Class A Ordinary Shares of \$9.46 per share. The pro forma expense adjustment for Opco Participation Units is based on a reference price of \$10.00 per unit.

5. Transaction Accounting Adjustments to Pro Forma Condensed Combined Statement of Operations for the Nine Months Ended September 30, 2021

Explanations of the transaction accounting adjustments to the pro forma statement of operations are as follows:

(AAA) Represents adjustments to incorporate estimated additional tangible and intangible assets depreciation and amortization for the step-up basis from PPA at Closing. This pro forma adjustment has been proposed assuming the Business Combination happened on January 1, 2020. The following table is a summary of information related to certain intangible assets acquired, including information used to calculate the pro forma change in amortization expenses that is adjusted to administrative expenses:

(\$ in millions)	Weighted Average Useful Life (Years)	Fair Value	Amortization Expense for the Nine months Ended September 30, 2021
Trademarks / Trade Names—Opco	n/a	\$ 26.3	n/a
Licenses—MTL and BIT	n/a	272.8	n/a
Licenses – Trust	n/a	25.5	n/a
Customer Relationship Consumer Application	8.5	9.0	0.8
Customer Relationship—Loyalty	11.0	40.5	2.8
Developed Technology—Consumer Application	6.0	57.7	7.2
Developed Technology—Loyalty	6.0	10.0	1.2
Developed Technology—Markets	4.0	1.8	0.3
Access to Exchanges	12.0	131.0	8.2
Total		\$574.6	\$ 20.5
Less: Historical amortization expenses			(7.8)
Pro forma adjustments to amortization expenses			\$ 12.7

(BBB) Represents the income tax impacts from the pro forma adjustments and estimated deferred tax liabilities and deferred tax assets related to the fair valuation of net assets reflected in the pro forma balance sheet (excluding adjustments related to goodwill, which is assumed to be non tax-deductible). The tax rates are based on preliminary assumptions related to the underlying jurisdictions in which the income or expense will be recorded. The effective tax rate of the combined company could be significantly different depending on the post-merger activities, including cash needs, geographical mix of net income and tax planning strategies.

(CCC) Represents the adjustment to present noncontrolling interest in Opco of 79.9%. The adjustment includes the estimated income tax impacts from Note 5(BBB).

(DDD) Represents post-combination pro forma expense adjustment associated with Opco Incentive Units and Opco Participation Units, one-third of which vest on the one-year anniversary of the Closing. The pro forma expense adjustment for Opco Incentive Units is based on the October 14, 2021 closing price of Class A Ordinary Shares of \$9.46 per share. The pro forma expense adjustment for Opco Participation Units is based on a reference price of \$10.00 per unit.

6. Pro Forma Earnings Per Share Information

As a result of the Business Combination, both the pro forma basic and diluted number of shares are reflective of 49,969,460 shares of Class A Common Stock outstanding.

	Nine Months Ended September 30, 2021
Net loss attributable to controlling interest (\$ in millions)	\$ (19.2)
Weighted average shares outstanding, controlling (shares in millions)	50.0
Loss per share (basic)	\$ (0.38)
Loss per share (diluted)	\$ (0.38)

	Year Ended December 31, 2020
Net loss attributable to controlling interest (\$ in millions)	\$ (25.0)
Weighted average shares outstanding, controlling (shares in millions)	50.0
Loss per share (basic)	\$ (0.50)
Loss per share (diluted)	\$ (0.50)

Earnings per share exclude warrants and contingently issuable shares that would be anti-dilutive to pro forma EPS, including (i) 10,368,601 redeemable warrants issued by the Company in its IPO, (ii) 6,147,440 Private Placement Warrants, and (iii) 208,200,000 Opco Common Units owned by or issuable to the Flow-Through Sellers that are exchangeable (together with the cancellation of an equal number of shares of voting, non-economic Class V Common Stock) into Class A Common Stock.