

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39544

Bakkt Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10000 Avalon Boulevard, Suite 1000
Alpharetta, Georgia
(Address of principal executive offices)

98-1550750
(I.R.S. Employer
Identification No.)
30009
(Zip Code)

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

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

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

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

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

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

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

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

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2023 was approximately \$107.5 million. Shares of the registrant's Class A Common Stock and shares of the registrant's Class V Common Stock held by each executive officer and director and by each other person who may be deemed to be an affiliate of the registrant have been excluded from this computation. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of March 18, 2024, there were 141,798,069 shares of the registrant's Class A common stock, 179,883,479 shares of Class V common stock, and 7,140,808 public warrants issued and outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement relating to the 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2023.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- our future financial performance;
- changes in the market for our products and services;
- the expected benefits we will realize from our acquisition of Apex Crypto LLC, which we have since renamed Bakkt Crypto Solutions, LLC (“Bakkt Crypto”);
- us closing the remaining portion of our February 2024 financings on the timeline expected or at all; and
- expansion plans and opportunities, including our plans to expand to international markets.

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

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

- our ability to grow and manage growth profitably;
- our ability to continue as a going concern;
- changes in our business strategy;
- changes in the market in which we compete, including with respect to our competitive landscape, technology evolution or changes in applicable laws or regulations;
- our inability to maintain the listing of our securities on the New York Stock Exchange (the “NYSE”);
- changes in the markets that we target;
- disruptions in the crypto market that subject us to additional risks, including the risk that banks may not provide banking services to us;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;

- the inability to launch new services and products or to profitably expand into new markets and services, or the inability to continue offering existing services or products;
- the inability to execute our growth strategies, including identifying and executing acquisitions and our initiatives to add new clients;
- our ability to achieve the expected benefits from the acquisition of Bakkt Crypto;
- our failure to comply with extensive government regulation, oversight, licensure and appraisals;
- uncertain regulatory regime governing blockchain technologies and crypto;
- the inability to develop and maintain effective internal controls and procedures;
- the exposure to any liability, protracted and costly litigation or reputational damage relating to our data security;
- the impact of any goodwill or other intangible assets impairments on our operating results;
- the impact of any pandemics or other public health emergencies; and
- other risks and uncertainties indicated in this Annual Report on Form 10-K, including those set forth under “*Risk Factors*.”

PART I

Item 1. Business

Overview

In this section and elsewhere in this Annual Report on Form 10-K, we use the following terms, which are defined as follows:

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

Founded in 2018, Bakkt builds technology that enables our clients to deliver new opportunities to their customers through Software as a Service (“SaaS”) and Application Programming interface (“API”) solutions that unlock crypto and drive loyalty, powering engagement and performance. The global market for crypto, while nascent, is rapidly evolving and expanding. We believe we are well-positioned to provide innovative, multi-faceted product solutions and grow with this evolving market. Our platform is well positioned to power commerce by enabling businesses, institutions, and consumers, to better manage, transact with and monetize crypto.

Our platform is built to operate across various crypto assets and offers clients 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 clients may choose to enable our capabilities directly in their experience, while others may want a “ready-to-go” storefront and leverage capabilities such as our web-based technology. Our institutional-grade platform, born out of our former parent company, Intercontinental Exchange, Inc. (“ICE”), supports “know your customer” (“KYC”) and anti-money laundering (“AML”) capabilities, and other anti-fraud measures to combat financial crime.

Our Corporate Structure

We operate primarily through the following entities:

Bakkt Marketplace: Bakkt Marketplace, LLC (“Bakkt Marketplace”) and Bakkt Crypto Solutions, LLC (“Bakkt Crypto”) - through these entities we operate integrated platforms that provide customers with the ability to buy, sell and store crypto in a simple, intuitive digital experience accessed via APIs or embedded web experience. Bakkt Marketplace holds a New York State virtual currency license (commonly referred to as a “BitLicense”), and money transmitter licenses from all states throughout the United States (“U.S.”) where such licenses are required for the operation of its business, and is registered as a money services business with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury. Bakkt Crypto similarly holds a BitLicense and money transmitter licenses in various states, where its business requires. Currently, all of the outstanding equity interests of Bakkt Crypto are held by Bakkt Marketplace. The Bakkt Crypto and Bakkt Marketplace platforms generally are operated separately, though Bakkt Marketplace provides fiat funding services to Bakkt Crypto in instances where a client does not have that capability. The Bakkt Marketplace platform

was originally conceived and built in connection with a consumer app that enabled crypto asset transactions, and, at the time, represented a direct-to-consumer business model, which is no longer being pursued by the Company. In contrast, the Bakkt Crypto platform was originally conceived and built as an embedded crypto trading platform that would be integrated into client environments to service customers in those environments. In March of 2024, we obtained approval to merge Bakkt Crypto with and into Bakkt Marketplace, with the surviving entity of the merger to be renamed Bakkt Crypto Solutions, LLC. The two platforms will be combined into one business, which will be operated by the surviving entity. Similar to the Bakkt Crypto business model, the combined business will focus on a client-led, or “business-to-business-to-consumer” (“B2B2C”), strategy in which crypto asset solutions can be embedded into client environments.

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

As part of our acquisition of Bakkt Crypto, we also acquired its agreements with more than 30 third-party partners pursuant to which the partners made Bakkt Crypto’s crypto asset trading service available to their customer base. The agreements with these third-party fintech partners (referred to as clients) provide for licensing of their front-end trading platforms by Bakkt Crypto and cooperation between the parties in facilitating customers’ transactions in crypto assets. The agreements are for a term of either one or two years and can be terminated by either party for breach or in case of a change of control. In most cases, the agreements also contain provisions giving Bakkt Crypto discretion in the choice of crypto assets offered to each client through its platform and, in some cases, exclusivity covenants pursuant to which clients have agreed not to refer their customers to other crypto asset trading platforms.

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

Bakkt Trust: Bakkt Trust Company LLC (“Bakkt Trust”) is a New York limited-purpose trust company that is chartered by and subject to the supervision and oversight of New York Department of Financial Services (“NYDFS”) and governed by an independent Board of Managers. Bakkt Trust provides our institutional-grade qualified custody solution, which caters to more experienced market participants and also supports our consumer-facing crypto business. Bakkt Trust’s custody solution also provides support to Bakkt Marketplace with respect to all crypto assets supported by the Company. See “—Crypto Assets and Services Offered by Bakkt.”

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

Bakkt Loyalty Solutions: We operate our Loyalty Solutions business primarily in the United States and in Canada under the legal entities Bridge2 Solutions, LLC, Bridge2 Solutions Canada Ltd and Aspire Loyalty Travel Solutions, LLC. This business enables clients (including financial institutions, airlines and other loyalty sponsors) to enable their customers - who hold their loyalty points - to redeem those points for items including travel and merchandise. To that end, our Loyalty Solutions business enables point redemption and fulfillment (including travel reservations).

Crypto Market Developments

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

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

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

Crypto Assets and Services Offered by Bakkt

Retail Customers

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

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

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

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

Bakkt Marketplace / Bakkt Crypto

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

* Except for the State of New York

Bakkt Trust

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

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

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

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

Crypto Asset Trading

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

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

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

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

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

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

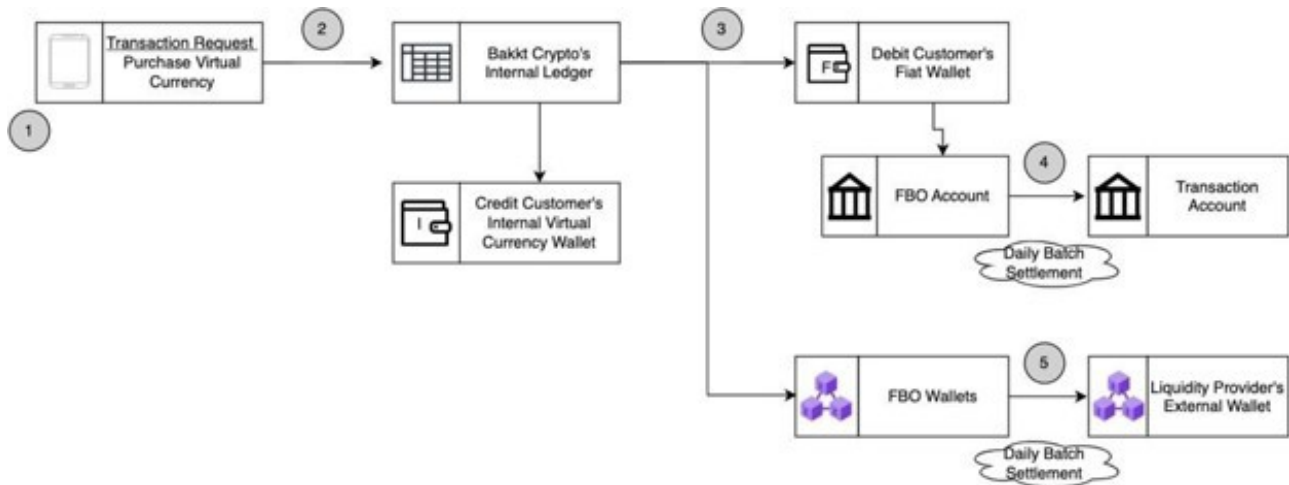
With respect to customer purchase and sale orders, Bakkt Crypto operates as a riskless principal and offsets each customer order it fills by routing a corresponding order to a liquidity provider on a one-to-one basis. Bakkt Crypto settles its transactions with liquidity providers on a net basis. For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

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

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

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

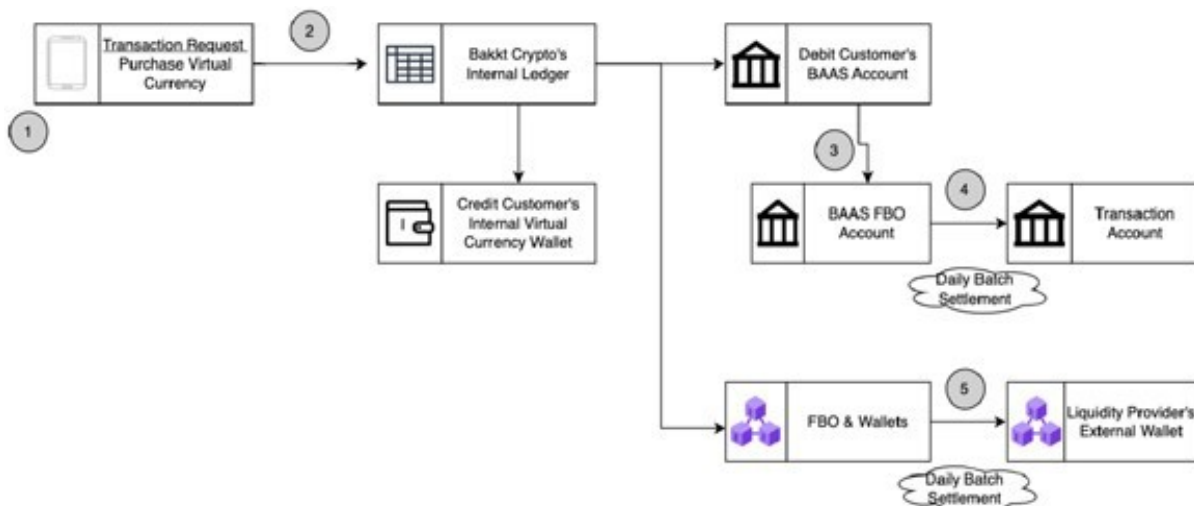
Fig. 1 Crypto Assets Purchase Through A Fiat Wallet



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

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

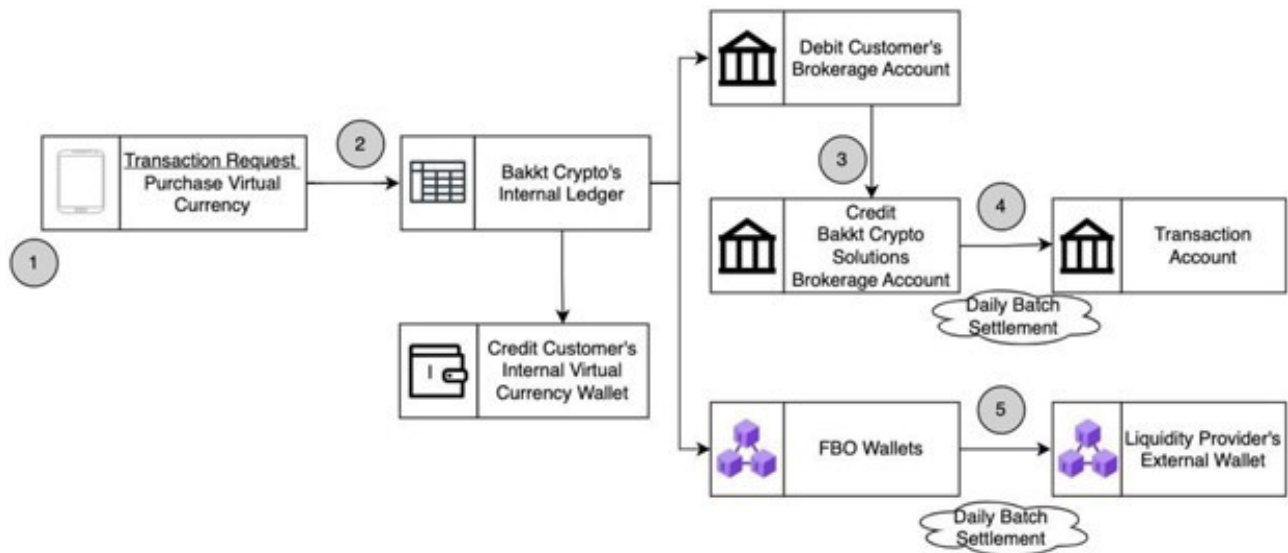
Fig. 2 Crypto Assets Purchase Through A Customer's BaaS Account



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

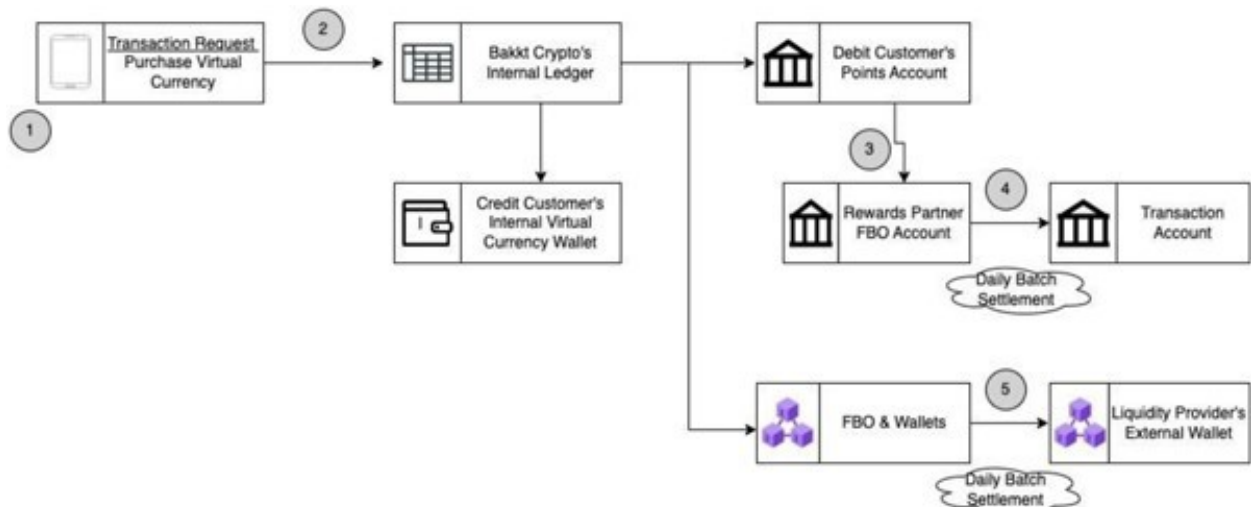
clearing firm. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto brokerage account to the Bakkt Crypto transaction account.

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



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

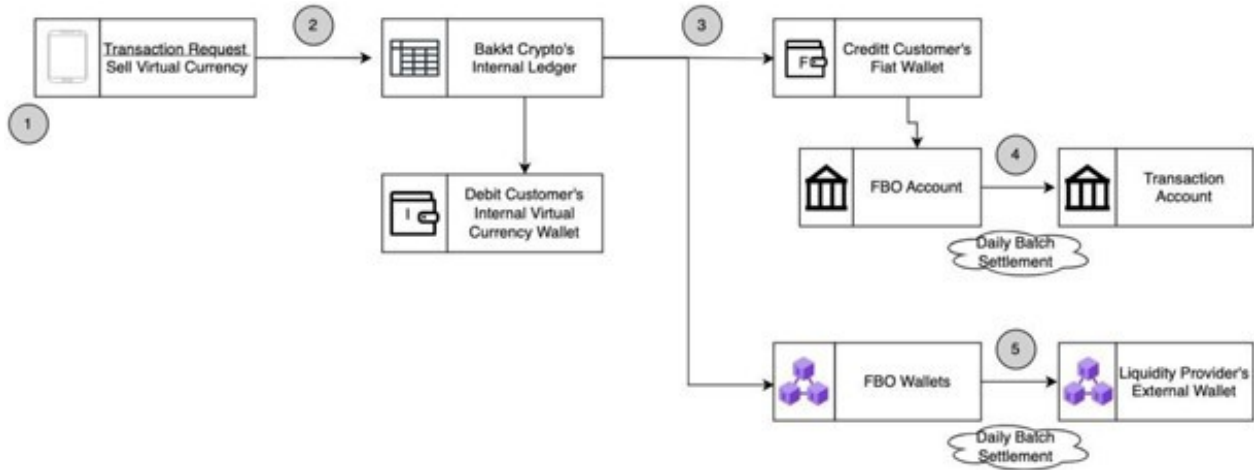
Fig. 4 Crypto Assets Purchase Through A Customer's Points/Rewards Account



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

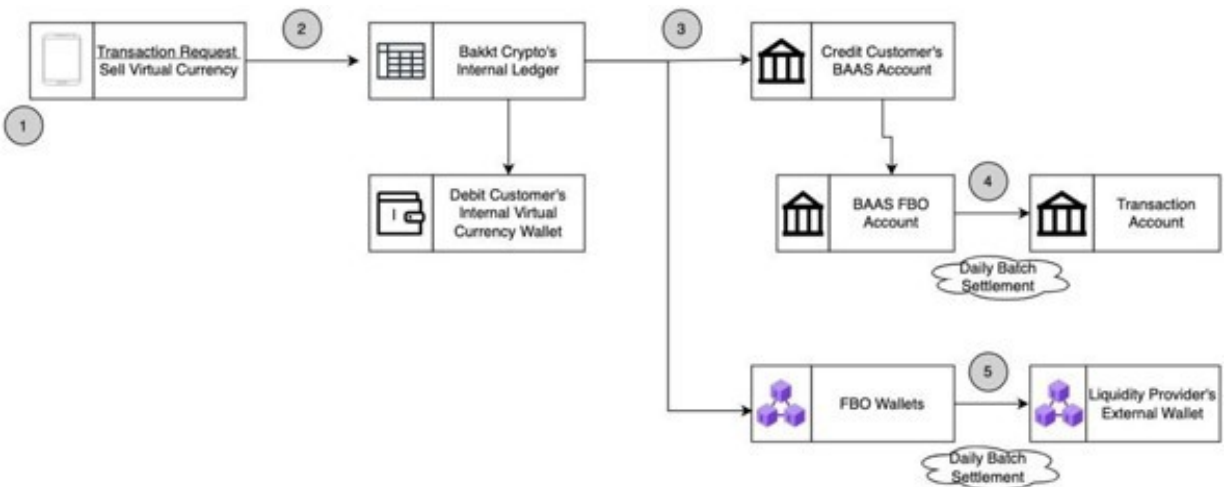
If the customer's funding source is a fiat wallet, Bakkt Marketplace will credit the customer's fiat wallet on its internal ledger. During the daily batch settlement period, fiat funds are transmitted from the Bakkt Crypto transaction account to the FBO account.

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



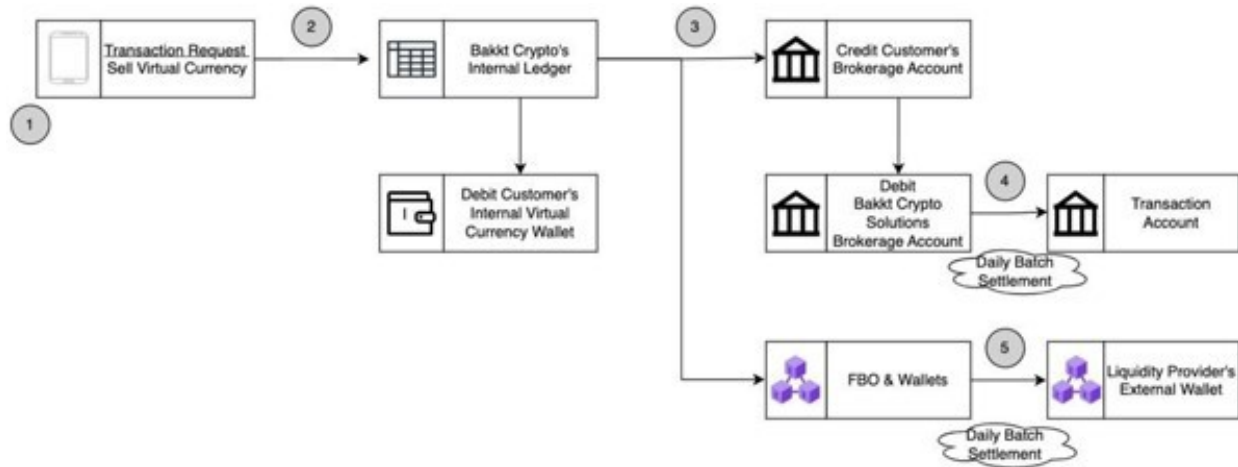
If the customer's funding source is a BaaS account, Bakkt Crypto sends a message to the client that a trade has been executed. The client then instructs the BaaS provider to transfer the funds from its BaaS FBO account to the customer's BaaS account. The BaaS will credit the customer's fiat wallet on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

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



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

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



Liquidity Providers

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

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

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

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

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

Custody Services for the Crypto Assets Supported for Trading

Prior to the acquisition of Bakkt Crypto, we did not use third party custodians, other than minimal amounts at liquidity providers that also provide custody for the purpose of facilitating trading and settlement. In connection with our acquisition of Bakkt Crypto, we acquired third-party custodial relationships with Coinbase Custody Trust Company ("Coinbase Custody") and BitGo Trust Company ("BitGo"), which are currently used by Bakkt Crypto for custody and crypto asset transfers, where applicable. In addition, Bakkt Crypto also self-custodies select crypto assets (less than 8% of total customer crypto assets were self-custodied as of December 31, 2023) to facilitate customer withdrawals utilizing the Fireblocks Vault service. Self-custodying customer crypto assets through the use of Fireblocks third-party custody software involves risks related to our reliance on the third party for certain services. These include the implementation of Secure Multi-Party Computation (MPC) key creation software, the provision of software that facilitates a Secure Transfer Environment for the transfer of crypto assets, and workflow authorization functionality ensuring that only Bakkt Crypto specified authorized persons are able to access the wallets for authorized purposes.

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

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

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

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

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

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

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

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

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

External Transfers of Crypto Assets (through Bakkt Crypto)

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

Institutional Client Business – Crypto Custody Services

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

Bakkt Rewards

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

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

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

Other Potential Services

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

Policies and Procedures

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

General

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

Custody-Related Policies

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

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

Listing-Related Policies

We maintain crypto asset listing and delisting policies for each of Bakkt Marketplace (which policy also covers Bakkt Crypto, as its wholly owned subsidiary) and Bakkt Trust (the “Listing Policies”), the purpose of which is to provide a framework for the review and approval of new crypto assets, and continued offering of crypto assets, for customer transactions and custody services, respectively. The Listing Policies were revised to accommodate new guidance issued by the NYDFS in November 2023, and were subsequently approved by the NYDFS. Material revisions to the Listing Policies require prior written approval from the NYDFS.

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

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

We are required to monitor each of the crypto assets for material changes and for changes in the risk assessment conducted during the listing evaluation, and to ensure their offering remains consistent with our mission and values, general safety and soundness, and protection of customers. Should we determine that removal of a crypto asset is consistent with NYDFS guidance and regulations, and with safety and soundness, we will delist the crypto asset in accordance with the Listing Policies.

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

Sales and Marketing

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

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

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

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

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

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

Insurance Matters

We maintain types and amounts of insurance coverage that we believe are appropriate and consistent with customary industry practices. Our insurance policies cover employee-related accidents and injuries, property damage, business interruption, storm damage, facilities, cyber, crime and liability deriving from our activities. Our insurance policies also cover directors and officers', employee and fiduciary liability. The insurance policies include exclusions aimed at delineating and clarifying the scope of coverage. Examples of key customary exclusions include exclusions for losses arising from force majeure events or theft, fraud, or dishonest acts committed by any principal shareholders, partners or directors of the insured entity. Losses stemming from the network failure of a digital asset cryptographic protocol, as well as those associated with illegal activities like money laundering, are expressly excluded.

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

We maintain \$230 million of insurance coverage, which includes \$200 million of cold storage coverage and \$30 million of hot storage coverage. The \$30 million of hot storage coverage is in excess of a \$10 million loss retention. There is no retention applicable to the \$200 million of cold storage coverage. All supporting insurers maintain a minimum A.M. Best rating of "A". The \$30 million of hot storage coverage has a three-year term, expiring October 2024. The \$200 million of cold storage coverage has a one-year term, expiring November 2024.

The \$30 million of hot storage coverage policy is non-cancellable, other than due to non-payment of premium. The \$200 million of cold storage coverage policy may only be cancelled upon: 1) the Company's election to cancel, 2) the

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

Loyalty

We offer a full spectrum of supplier content through configurable, white-label e-commerce storefronts that clients can make available for their customers to purchase via redemption of loyalty points. Our redemption catalog spans a variety of rewards categories including travel, gift cards and merchandise, including a unique Apple product and services storefront. Our travel solution offers a retail e-commerce booking platform with direct supplier integrations, as well as a U.S.-based call center for live-agent booking and servicing. Our platform provides a unified shopping experience that is built to seamlessly extend our clients' loyalty strategies and user experience for their loyalty programs. Functionality includes a mobile-optimized user interface, numerous configurations to support diverse program needs, promotional campaign services, comprehensive fraud protection capabilities and the ability to split payments across both loyalty points and credit cards. We recognize that businesses want to offer consumers choice, innovation and a frictionless experience, and our platform and service offerings were constructed with this in mind.

We have thoughtfully built a unique and powerful platform with end-to-end services, including easily consumable technology services, customer support and compliance infrastructure, for our clients.

Our Clients

Our clients include financial institutions, fintechs, broker-dealers, neobanks, registered investment advisers, funds, merchants, and other businesses. Our crypto-related capabilities facilitate new asset acquisition opportunities for their customers, in addition to the secure safekeeping of acquired crypto assets and crypto assets stored on behalf of institutional clients. Our loyalty-related capabilities deepen our clients' relationships with their customers by strengthening the value proposition of their loyalty programs. Our thousands of redemption options enable our clients to meet their customers where they are, deliver the products and services they desire, and meet the expectations of next generation audiences by offering crypto redemption options.

Our dependence on a limited number of clients exposes us disproportionately to the risk of any of those clients choosing to no longer partner with us, to the economic performance of such clients or their respective industries or to any events, circumstances, or risks affecting such clients or their respective industries. For more information, please see our risk factors described in "*Item 1A. Risk Factors - Related to Our Business, Finances and Operations*".

Revenue Model

We primarily generate revenue when clients or their customers use our services to buy, sell and/or store crypto or transact in loyalty points across our platform in the following key areas:

- **Subscription and service revenue.** We receive a recurring subscription revenue stream from client platform fees as well as service revenue from software development fees and call center support.
- **Transaction revenue.** We generate transaction revenue from crypto buy/sell transactions, where we charge a markup on both legs of the transaction, and through loyalty redemption volumes, where we earn a margin from the difference of the value of the points being redeemed and the cost of fulfilling the redemption request.

Our loyalty revenue has seasonality and is typically higher in the fourth quarter, driven by holiday spending and the travel bookings.

Revenue generated from our crypto services had been immaterial prior to our acquisition of Bakkt Crypto; however, revenue from crypto services is now a significant driver of our business, and we expect crypto services revenue to increase as we grow our client base and our customers. As a result of our acquisition of Bakkt Crypto, we expect loyalty revenue, which prior to the Bakkt Crypto acquisition was the source of substantially all of our revenue, to be a smaller percentage of overall revenue in the future as the revenue grows from our crypto product and service offerings.

Growth Strategy

We go to market using a platform strategy, driven by our clients. We partner with leading companies and expect to grow customers on our platform through those relationships, in addition to our direct institutional clients. We have already built an extensive network of clients across numerous industries including financial institutions, merchants and travel and entertainment. These clients include Webull, Public.com, Blockchain.com, Swan Bitcoin, and Caesars. We believe this strategy will enable us to add transacting accounts and volume more quickly and more efficiently than a direct-to-consumer model, given our limited operating history and the novelty of the crypto space for some customers.

As part of this approach, we have developed our platform to be flexible and scalable to accommodate how different clients may want to implement our solutions. Depending on each client's specific needs and objectives, that client can choose to add one, some or all of our capabilities, and can also choose the manner in which those capabilities are enabled. Clients can choose to fully or partially embed our capabilities directly through Bakkt hosted user interfaces such as our Custody client portal.

We believe our growth will come from adding clients and correspondingly, their customers, and increasing transaction activity as well as strategic acquisitions. Our acquisition of Bakkt Crypto has provided scale and meaningful transaction volume from Bakkt Crypto's active client base which we are working to leverage to sell additional products and services on the same platform. Leveraging Bakkt Crypto's proprietary trading platform and existing relationships with liquidity providers, we provide a wide range of assets and competitive pricing to our clients.

Our growth strategies include the following:

- ***Adding clients.*** We are focused on continuing to build strong client relationships. Acquiring customers through our clients is an efficient and scalable way to grow our business. Bakkt Crypto has significantly expanded our crypto client base into a number of new and rapidly growing client verticals, such as fintechs, trading and brokerage platforms and neobanks. In addition to growing our retail trading clients, we continue to invest in the institutional side of our business, initially with our relaunched qualified custodian product and as a key agent for collaborative custody through our partnership with Unchained.
- ***Adding customers.*** We are focused on activating our existing clients and supporting our clients in marketing campaigns to drive new customer acquisition and engagement of existing customers. Our existing clients provide us with an addressable market of well over 100 million potential users, who we will focus on bringing onto our platform.
- ***Expanding our offering.*** We aim to increase the breadth and depth of our product offering - with respect to both retail customers and institutional clients - in order to increase its appeal to clients and customers. With respect to our retail product offerings, we made numerous enhancements to our platform over the last year in addition to the expanded capabilities from the acquisition of Bakkt Crypto, which has been enhanced with the addition of fiat funding. We believe Bakkt Crypto accelerated our product road map by providing new capabilities to our platform including the addition of 6 coins to our platform and deposit and withdrawal functionality in jurisdictions where permitted. The integration with Bakkt Marketplace enabled direct fiat funding capabilities, user management and onboarding and compliance functionality, each of which continue to be enhanced with additions such as wire

funding support and, subject to applicable regulatory approvals, support for entity accounts, which materially expands the market for our trading capabilities from individual consumers to include businesses and trust entities.

We have also reinvested in growing our institutional offerings, starting with the relaunch of our qualified custody platform in November 2023, and subsequently expanding custody support for 6 additional crypto assets and in the process of expanding our operational coverage to support evening and weekend withdrawal processing. Custody serves as the basis for our institutional offerings, which can then be leveraged to add additional functionality to both our institutional clients and retail clients and customers. For instance, in March 2024 we launched a partnership with Unchained Capital to support their Collaborative Custody vault offering. Bakkt leverages our secure custody infrastructure, vault and operational capabilities to secure one of three private keys and act as a key agent in a multi-signature wallet in which two of three signatures are required to transfer assets, which results in custody that does not rely on any single party.

We continue to invest in enhancing these custodial solutions with additional offerings to expand our addressable market. This includes enhancements to expand support from traditional long term buy and hold custody clients to service more active trading clients and funds, such as being a custodian for one or more of the recently launched spot Bitcoin ETFs, as well as any future spot based crypto ETFs. We are also working on leveraging our custody solution to provide adjacent solutions, such as settlement and collateral management capabilities. These enable settlement services for third party exchanges, so that funds can be tradable on exchange while being held securely in custody, or processed between counterparts to facilitate settlement, eliminating counterparty risk with the exchange.

- **Market expansion.** After the acquisition of Bakkt Crypto, we are seeing significant opportunity in expanding our retail offerings internationally beyond the U.S. We have expanded into new markets, and expect to continue to do so with our clients. We are currently live with our clients in Europe, Latin America and Asia, and are exploring additional expansion opportunities. Ultimately, the decision as to when and where to expand continues to be driven by client and customer demand and the regulatory environment in those markets.

Over time, we will continue to invest in our business to provide best-in-class products and services. Some of those longer-term planned enhancements include:

- **Crypto enhancements.** We expect to expand our crypto capabilities to products and services that will appeal to both retail and institutional clients. Our institutional-grade crypto custody solution is our foundation. By increasing the acceptance of crypto investing in the institutional space, we believe that these additional products can further increase interest in crypto generally among consumers, benefiting our platform. As the narrative for crypto shifts, we will look to enhance our crypto capabilities, including layer 2 protocols like bitcoin's Lightning Network and stablecoins, to drive increased utility in the crypto economy initially by providing more efficient settlement rails for fiat to fiat remittances.
- **Evaluate additional strategic acquisitions.** We will continue to be opportunistic and evaluate strategic acquisitions that have compelling benefits for our business.
- **Loyalty enhancements.** As we serve existing loyalty clients with large active customer populations, we can create deeper relationships across merchants with Bakkt at the center of these loyalty networks. As loyalty programs seek new ways to leverage customer data and behaviors to deliver value, we believe our platform will enable clients to more effectively acquire, re-activate and engage customers. Additionally, we continue to evaluate additional loyalty offerings and suppliers to meet the needs of our clients.

How We Are Different

The markets in which we operate are highly competitive, rapidly changing and highly innovative. We believe that we are well-positioned given our unique ability to provide all of our capabilities under one platform, combined with our institutional-grade, secure and licensed infrastructure. We believe this provides a competitive differentiation that would be difficult to replicate. Although we do not believe that we have any single direct competitor for the full range of products we provide through our platform, we compete with a wide range of parties, including crypto exchanges, custodians, payment systems, and loyalty program redemption solutions, for similar services. This market is growing and changing rapidly, so we expect that we will continue to see increased competition with new entrants into the space or existing competitors expanding their product offerings.

We believe that our business model provides us with significant competitive advantages, including:

- **Multi-faceted approach to security and compliance.** We enable responsible and secure access to crypto for our clients. Our compliance measures, controls and rigorous risk management practices are at the core of how we operate. Our infrastructure provides multiple layers of protection and provides heightened security and compliance. This includes a separate and independent board for Bakkt Trust. As a public company, we are subject to significant and comprehensive regulations. Across our entities, we possess two BitLicenses from NYDFS, a limited-purpose trust charter (also from NYDFS), and state money transmitter licenses. We have robust policies and programs that govern crypto-related activity, such as a cyber security program, information security policy, global AML policy, and Bank Secrecy Act (“BSA”)/Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury program. These measures are all designed to protect our clients and stockholders.
- **Client-led strategy.** We seek to leverage our existing and new client relationships with leading brands to add customers to our platform. By partnering with these brands and their existing customer bases, we believe customers are more likely to embrace the new asset classes offered on our platform. We also believe that, as a relatively new brand, this approach will allow us to scale customers and revenue more quickly.
- **Institutional-grade platform.** Our platform architecture is engineered to natively support crypto across a wide range of classes, with scalability and strong regulatory and compliance controls. Our platform includes a custody platform that we designed and built in partnership with our majority investor, ICE. Our platform was designed with these principles in mind to provide safe, reliable infrastructure for consumers in their everyday use. We believe that it also serves as a springboard for additional products and services, particularly with respect to the institutional crypto space.
- **Trusted and scalable capabilities.** Our approach, built to scale with technology, privacy, security and compliance at the core, is informed by our team's decades of collective experience. Our platform moves a significant amount of volume across asset classes every day, and we handle customer service for many of the largest financial institutions in the country. We believe these pillars, when applied to the rapidly evolving crypto space, provide confidence to customers, merchants, institutions and loyalty clients that participate in our ecosystem.

Sales and Marketing

Our go-to-market strategy is “business-to-business-to-consumer”, or “B2B2C”, in which we acquire customers primarily via client relationships. We believe our focused approach on building scalable partnerships with valued brands will drive strong growth in customers. Our goal is to provide our clients with opportunities to leverage Bakkt’s capabilities to drive mutually beneficial customer acquisition and engagement. Customers of our crypto clients access our platform through a client environment. Similarly, customers of our loyalty clients may only access our redemption storefronts through clients’ loyalty program user experiences.

Our marketing efforts are focused on business-to-business (“B2B”) activities to acquire new clients. We utilize multiple B2B channels, such as Bakkt-owned domains (e.g., our website and blog and its social media platforms) and direct marketing to potential clients, such as email marketing and targeted digital advertisements. We also engage in indirect marketing to potential clients via partnerships with existing clients and other third parties to promote branding and product access for potential clients through existing client channels.

Customer Care

Our customer service channels are at the core of our loyalty and travel redemption offerings to clients, providing seamless and easy-to-leverage support for the wide array of loyalty and travel redemption transactions on our platform. We strive to provide our clients and their customers with a high-quality experience. We provide customer service that is designed to meet the requirements of our clients. Our customer service agents undergo a rigorous training program and are continually monitored and trained as new capabilities are added to the platform. New clients are able to leverage our deep expertise in customer support as they roll out new offerings to their customer bases.

Technology

Our core platforms were built in-house and are maintained by our skilled technical staff who have deep industry expertise across crypto and loyalty solutions. We leverage a modern software and cloud infrastructure stack to offer off-the-shelf or bespoke solutions for our clients, depending on their needs. Additionally, our platform implements advanced strategies and controls to enable KYC, AML, and other anti-fraud measures to combat financial crime.

Our modern embedded web experiences and API-driven platform allow us to partner and easily integrate with clients, including through the following:

- Via standard SSO and API integrations, our multi-storefront loyalty redemption platform is provided as SaaS and powers rewards redemption for several of the top loyalty programs in the US. The platform is built upon highly scalable proprietary technology and is directly integrated with dozens of suppliers for real-time redemption of merchandise, gift cards and travel services. Additionally, our multi-location call center teams leverage our platform to provide agent assisted transactions and redemption servicing.
- Our crypto solutions operate in an institutional-grade crypto custody and trading platform, anchored by our performance hardened trade execution engine. The custody platform is built to safeguard crypto with multi-signature wallet policies, hardware security modules and offline storage of private key material, blockchain surveillance and AML/KYC compliance integrated into the core of the platform and our operation team’s procedures. Our trade execution engine was built with speed and scale at its core to deliver equities-grade trading performance to provide liquidity for the purchase and sale of crypto to our clients.

Cybersecurity

Each of our products is architected, deployed, and managed through a common controls environment designed to protect our customers' confidential information using a combination of administrative, physical, and technical controls. We maintain a comprehensive cyber security program, managed by a dedicated team of security professionals, leveraging multiple layers of defenses to protect our loyalty and crypto clients’ consumer data, as well as crypto wallets, including crypto that is kept in custody. Our administrative, technical, and physical controls include the use of separation of duties, physical and logical access controls, biometrics, hardware security modules, advanced cryptographic algorithms, dedicated security monitoring, and other controls to protect our environment and restrict unauthorized access. Additionally, we regularly utilize independent external parties to assess and provide added assurance that our products are designed appropriately and operating effectively. We currently maintain independent SSAE-18 SOC 1 Type II and SOC 2 Type II attestation reports for our crypto platform and SOC 2 Type II attestation reports for our loyalty platform. We also maintain controls aligned to the Payment Card Industry Data Security Standard (“PCI-DSS”) for in-scope systems where cardholder

data is stored or processed. We comply with NYDFS cybersecurity requirements which impose strict rules related to establishing a detailed cybersecurity plan, enacting a comprehensive cybersecurity policy, and maintaining an ongoing reporting system for cybersecurity events.

Regulation

International, federal and state laws and regulations apply to many key aspects of our business. Any actual or perceived failure to comply with these requirements may result in, among other things, revocation of required licenses or registrations, loss of approved status, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, private litigation, reputational harm, or constraints on our ability to continue to operate. We operate in a regulatory environment that is evolving rapidly and increasing in scope. As such, it is possible that current or future laws or regulations could be enacted, interpreted or applied in a manner that would prohibit, alter, or impair our existing or planned products and services, or that could require costly, time-consuming, or otherwise burdensome compliance measures. Further, additional laws and regulations may apply to our businesses as we expand outside of the United States in the future. For more information, please see our risk factors described in *“Item 1A. Risk Factors - Risks Related to Regulation, Taxation and Laws”*.

Regulation of Our Money Transmission Business. Bakkt Marketplace and Bakkt Crypto maintain a money transmitter license in each jurisdiction in which they operate that requires such a license for our activities. In all other jurisdictions where Bakkt Marketplace and Bakkt Crypto operate, we have established with the applicable licensing body that a money transmitter license is not required at this time. We will comply with new license requirements as they arise. Bakkt Marketplace and Bakkt Crypto are also registered as a "Money Services Business" with the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN"). These licenses and registrations subject us to, among other things, record-keeping requirements, reporting requirements, bonding requirements, limitations on the investment of customer funds, and examination by state and federal regulatory agencies. These licensing laws also address matters such as change in control, and regulatory approval of controlling shareholders, directors, and senior management of the licensed entity.

Regulation of Our Virtual Currency Business. We provide crypto custody services through Bakkt Trust, a limited purpose trust company that is chartered under the New York Banking Law and subject to the supervision and oversight of NYDFS. Consequently, we must comply with laws, rules and regulations promulgated pursuant to the New York Banking Law with respect to the crypto custody services we provide through Bakkt Trust, including those related to capitalization, corporate governance, anti-money laundering, disclosure, reporting and examination, as well as supervisory guidance and requirements. Bakkt Trust is also subject to FinCEN requirements as a financial institution.

We are subject in certain jurisdictions to licensing and regulatory requirements as a result of offering our clients the ability to aggregate, buy, sell, convert, and send virtual currency through our platform. Consequently, we must comply with laws, rules and regulations promulgated by federal or state regulators in those jurisdictions in order to provide our services, including requirements related to capitalization, consumer protection, anti-money laundering, disclosure, reporting and examination, as well as supervisory guidance and requirements. Bakkt Marketplace and Bakkt Crypto also have virtual currency licenses ("BitLicenses") from the NYDFS, which subject them to NYDFS's oversight with respect to business activities conducted in New York State and with New York residents. In October 2023, the governor of California signed into law the Digital Financial Assets Law ("DFAL"), which establishes a required licensing framework administered by the California Department of Financial Protection and Innovation ("DFPI") for entities engaged in digital financial asset business activity in the state of California. We expect that our business will require licensure under the DFAL and will therefore take steps to obtain necessary licenses prior to the enactment's effective date of July 1, 2025. The DFAL provides that the DFPI may issue a conditional license to companies, such as our subsidiaries, that maintain licenses to conduct virtual currency business activity in New York or hold a charter as a New York limited purpose trust company with approval to conduct a virtual currency business under New York law. We will continue to monitor and review guidance from the DFPI clarifying the enactment's scope and interpretation.

The laws and regulations applicable to crypto are rapidly evolving and subject to interpretation and change. For instance, the Securities and Exchange Commission (the “SEC”) has indicated in various enforcement actions and other contexts that it considers certain crypto assets to constitute securities. The SEC has yet to issue any formal regulation on this point, though it has put forth some guidance on overarching frameworks and relevant factors to consider in this analysis. Therefore, our crypto services offered through our platform may become subject to regulation by other authorities and/or may subject us to additional requirements.

Broker-Dealer Regulation. The Exchange Act requires that any person who is a broker or a dealer and effects or induces securities transactions must register with the SEC. A broker is defined as “any person engaged in the business of effecting transactions in securities for the account of others,” while a dealer is defined as “any person engaged in the business of buying and selling securities for such person’s own account,” in each case, subject to exceptions. In order to be able to act as a broker and advise clients interested in transactions that involve securities, we acquired Bakkt Brokerage, a registered broker-dealer. Broker-dealers are subject to regulation, examination, investigation, and disciplinary action by the SEC, FINRA, and state securities regulators, as well as other governmental authorities and self-regulatory organizations with which they are registered or licensed or of which they are a member. Bakkt Brokerage is registered as a broker-dealer in 52 U.S. states and territories. The regulation of broker-dealers covers all aspects of the broker-dealer business and operations, including, depending the scope of its activities, among other things, sales and trading practices and reporting requirements, client onboarding, advertising and marketing, publication or distribution of research, margin lending, uses and safekeeping of clients’ funds and securities, capital adequacy, recordkeeping, reporting, fee arrangements, disclosures to clients, suitability, acting in client’s best interests when making recommendations to retail customers, customer privacy, data protection, information security and cybersecurity, the safeguarding of customer information, the sharing of customer information, best execution of customer orders, public offerings, customer qualifications for margin and options transactions, registration of personnel, business continuity planning, transactions with affiliates, conflicts, and the conduct of directors, officers and employees. Broker-dealers are also subject to anti-money laundering rules and requirements issued by FinCEN under the U.S. Bank Secrecy Act.

Privacy and Information Cybersecurity Regulations. Aspects of our operations or business are subject to laws and regulation in the United States and in foreign jurisdictions relating to privacy, data protection and cybersecurity. Accordingly, we publish our privacy policies and terms of service, which describe our practices concerning the use, protection, transmission, and disclosure of information. As our business continues to expand in the United States and beyond, and as laws and regulations continue to be passed and their interpretations continue to evolve in numerous jurisdictions, additional laws and regulations may become relevant to us.

Regulatory authorities around the world are considering numerous legislative and regulatory proposals concerning privacy, data protection and cybersecurity. In addition, the interpretation and application of these laws and regulations in the United States and elsewhere are often uncertain and in a state of flux. As our business continues to develop and expand, we continue to monitor the additional rules and regulations that may become relevant. For additional information regarding these laws and regulations and related risks, please see “*Risk Factors – Risks Related to Regulation, Taxation, and Laws – Complying with evolving laws and requirements relating to privacy, and other data related laws and requirements may be expensive and force us to make changes to our business, and failure to comply with such laws and requirements could result in substantial harm to our business.*”

Consumer Protection Regulation. The Consumer Financial Protection Bureau and other federal and state regulatory agencies, including the Federal Trade Commission, broadly regulate financial products, enforce consumer protection laws applicable to credit, deposit, prepaid products, and payments, and other similar products. Such agencies have broad consumer protection mandates, and they promulgate, interpret, and enforce laws, rules and regulations, including with respect to unfair, deceptive, and abusive acts and practices that may impact or apply to our business.

For example, under federal and state financial privacy laws and regulations, we must provide notice to consumers of our policies on sharing non-public information with third parties, among other requirements. In addition, under the Electronic Fund Transfer Act, we are required to disclose the terms of, and any fees applicable to, our electronic fund

transfer services to consumers prior to their use of the service, among other requirements. We are further required to extend error resolution and limited liability protections to customers who use our card product.

Anti-Money Laundering and Counter-Terrorism Regulation. We are subject to AML laws and regulations in the United States, including the BSA, as amended, and its implemented regulations enforced by FinCEN, as well as laws designed to prevent the use of the financial systems to facilitate terrorist activities. We have implemented a comprehensive AML compliance program designed to prevent our payments network and custody services from being used to facilitate money laundering, terrorist financing, and other illicit activity. Our program is also designed to prevent our network and other services from being used to facilitate business in countries, or with persons or entities, included on designated lists promulgated by OFAC and equivalent authorities in other countries. Our AML compliance program is comprised of policies, procedures, reporting protocols, including reporting requirements for suspicious transactions, and internal controls, including the designation of a compliance officer, training for employees, and a regular independent review of the program. It is designed to address applicable legal and regulatory requirements and to assist in managing risk associated with money laundering and terrorist financing.

Indirect Regulatory Requirements. We maintain relationships with certain clients, including banks and other financial institutions in the United States, that are regulated by state, local and federal agencies. Because of these relationships, we may be subject to indirect regulation or examination by these institutions' regulators. We generally seek to account for these types of indirect regulatory requirements in our commercial agreements. We also have clients that are investments advisors. The SEC has recently proposed changes to its investment adviser custody rule, which could affect the terms upon which we can offer custody services to those clients.

Escheatment and Unclaimed Property Regulations. There is regulatory uncertainty regarding how states and jurisdictions treat virtual currencies and other crypto assets under unclaimed property laws and regulations. Unclaimed property laws, as may be applicable, require us to report and to remit certain government authorities the property of others held by us that has been unclaimed for a specified period of time. We have policies and procedures designed to help us comply with these laws.

Intellectual Property

The protection of our intellectual property and all corresponding rights throughout the world, including our trademarks, service marks, trade dress, logos, trade names, domain names, goodwill, patents, copyrights, works of authorship (whether or not copyrightable), software and trade secrets, know-how, and proprietary and other confidential information, together with all applications, registrations, renewals, extensions, improvements and counterparts in connection with any of the foregoing, is important to the success of our business. We seek to protect our intellectual property rights by filing applications in various patent, trademark and other government offices, and relying on applicable laws and regulations in the U.S. and internationally, as well as a variety of administrative procedures. We have sought to register our core brands as domain names and as trademarks and service marks in the U.S. and a large number of other jurisdictions. We also have in place an active program to continue to secure, police and enforce trademarks, service marks, trade dress, logos, trade names, and domain names that correspond to our brands in markets of interest. We have filed patent applications in the U.S. covering certain aspects of our proprietary technology and new innovations. We also rely on contractual restrictions to protect our proprietary rights where appropriate when offering or procuring products and services. We have routinely entered into confidentiality and invention disclosure and assignment agreements with our employees and contractors, and non-disclosure agreements with external parties with whom we conduct business to control access to, and use and disclosure of, our proprietary information.

Human Capital

Our employees are essential in propelling our success. We hold our employees to high standards, both in work product and ethics, and aim to create a culture of accountability and results. Our performance expectations and attributes empower our company. They reflect how we expect employees to operate, collaborate and make decisions. At Bakkt, we

strive to challenge the status quo with new ideas, have open and honest communications, appreciate our diversity of thought, take ownership and accountability for delivering valuable results and act with integrity, respect and reliability.

In a complex industry, it is critical for employees to act ethically. We provide regular training to help our employees understand and comply with the many regulations in our industry and with our company policies. We expect managers to set the tone for their teams and to lead by example, including by embracing ethical behavior and sharing its importance with their team. Managers are expected to help their teams understand our company policies and encourage them to report any violations of policy or law. As a company, we help ensure Bakkt's non-retaliation policy is strictly followed.

At Bakkt, we understand that our success is built by operating as a unified company – one culture and team across the crypto landscape, with a focus on growth and innovation. We are committed to diversity throughout our company. It is our policy that employees are treated, and treat each other, with fairness, respect and dignity. We embrace our employees' differences, while valuing a diverse, inclusive and safe workplace. We aim to promote diversity and inclusion through a number of employee engagement events including internal and external speaker sessions to foster learning on relevant and important topics. Our employees come from a wide variety of backgrounds to work toward a common vision for the Company. Our CEO brings our teams together in bi-weekly all hands calls and sends weekly email updates for transparency regarding our company strategy and goals.

We strive to hold employees accountable for their work performance while providing incentives for excellence in their contributions to the Company. We encourage open collaboration to put out the best ideas and solutions to better adapt to changing markets and other challenges Bakkt faces. Our commitment to our employees is reflected in our ability to attract high-caliber talent, continuously innovate, and provide exceptional service and solutions to our clients.

As of December 31, 2023, we had a total of 747 employees, all of whom were full-time employees, and are located in the United States. We also engage temporary employees, consultants and employers of record as needed to support our operations. Collectively, approximately 16% of our workforce is dedicated to engineering, design, or product roles. Our core locations are Alpharetta, GA, Scottsdale, AZ and New York City, NY. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Available Information

Our website is <http://www.bakkt.com>, and our investor relations website is located at <https://investors.bakkt.com>, where we make available, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We use our investor relations website to post important information for investors, including news releases, analyst presentations, and supplemental financial information, and as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. We use these channels as well as social media to communicate with the public about our company. It is possible that the information we post on social media could be deemed to be material information. Accordingly, investors should monitor our investor relations website as well as the social media channels listed on our investor relations website. The information on our website or any other website is not incorporated by reference into this Annual Report on Form 10-K.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated

financial statements and accompanying notes, before making a decision to invest in our securities. Our business, financial condition, results of operations or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations or prospects could be adversely affected. In that event, the trading price of our securities could decline, and you could lose part or all of your investment.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties that you should consider before investing in our securities. These risks are described more fully below and include, but are not limited to, risks relating to the following:

Risks Related to Our Business, Finances and Operations

- Our business model is newly developed and may encounter additional risks and challenges as it grows.
- Our platform is still in the early stages of its release, will be further developed, and is largely untested.
- We have limited operating history and a history of operating losses.
- If we are unable to attract, retain or grow our relationships with our existing clients, our business, financial condition, results of operations and future prospects would be materially and adversely affected.
- Some of our current and prospective clients require the approval of their own regulators in order to deploy our solutions, especially our crypto solutions, and if they are unable to obtain those approvals on a timely basis, or at all, our results of operations and future prospects would be materially and adversely affected.
- A large percentage of our revenue is concentrated with a small number of clients; the loss of any such client would materially and adversely affect our business, financial condition, results of operations and future prospects. Moreover, because of our B2B2C go-to-market model, the loss of any client – regardless of the reason – increases the risk that the customers that originally emanated from that client will transition to another provider or stop doing business with us, which would harm our business.
- We may not realize the anticipated benefits of past or future investments, strategic transactions, or acquisitions and integration of these acquisitions may disrupt our business and management.

Risks Related to Crypto

- Disruptions in the crypto market subject us to additional risks, including the risk that banks may not provide banking services to us.
- There may be a general perception among regulators and others that crypto is used to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware scams.
- Crypto custodial solutions and related technology, including our systems and custodial arrangements, are subject to risks related to a loss of funds due to theft, employee or vendor sabotage, security and cybersecurity risks, system failures and other operational issues the loss, destruction or other compromise of our private keys and a lack of sufficient insurance.
- Our failure to safeguard and manage our customers' crypto could adversely impact our business, operating results, and financial condition.
- Crypto does not have extensive historical precedent and distributed ledger technology continues to rapidly evolve.
- We may encounter technical issues in connection with the integration of supported crypto assets and changes and upgrades to their underlying networks, which could adversely affect our business.

Risks Related to Regulation, Taxation and Laws

- We are subject to extensive government regulation, oversight, licensure and appraisals and our failure to comply could materially harm our business.

- The regulatory regime governing blockchain technologies and crypto is uncertain, and new regulations or policies may alter or significantly adversely affect our business practices with respect to crypto.
- A crypto asset’s status as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty, and if crypto assets on our platform are later determined to be securities, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.
- We are subject to significant litigation risk and risk of regulatory liability and penalties. Any current or future litigation against us could be costly and time-consuming to defend.

Risks Related to Information Technology and Data

- Actual or perceived cyberattacks, security incidents, or breaches could result in serious harm to our reputation, business and financial condition.

Risks Related to Risk Management and Financial Reporting

- If we are unable to maintain effective internal controls over financial reporting, we may be unable to produce timely and accurate financial statements, which could have a material effect on our business.

Risks Related to Our Securities

- The trading market for our securities has in the past been and could in the future be impacted by market volatility. Stock run-ups, divergences in valuation ratios relative to those seen during traditional markets, high short interest or short squeezes, and strong and atypical retail investor interest in the markets may impact the demand for our securities.

Risks Related to Our Business, Finances and Operations

Our business model is newly developed and may encounter additional risks and challenges as it grows.

Our vision is that our clients will utilize our platform as the go-to solution enabling customers to transact in crypto and loyalty points. Most of the assets that we have incorporated and intend to incorporate into our platform in the future are already being handled by incumbent providers. There can be no assurance that our platform will gain the acceptance of clients or customers or generate the anticipated synergies. Because some of the crypto assets that are anticipated to be available on our platform have not previously been available for the uses our platform is intended to cover, it is difficult to predict the preferences and requirements of clients or customers, and our platform, design and technology may not appeal to such clients or customers, or may be incompatible with new or emerging forms of crypto or related technologies. Failure to achieve acceptance would impede our ability to develop and sustain a commercial business.

We primarily generate revenue when customers transact in crypto and loyalty points on our platform. Our success depends on bringing on clients and on the transaction volume from these customers. If we are not able to bring new clients onto the platform, many of whom will pay us subscription fees for our platform services, our revenue and business concern could be negatively impacted. Additionally, much of our future revenue depends on transaction fees earned from customers transacting in crypto and loyalty points and the margin we charge in connection with those transactions. If we are not able to continue to grow our base of clients, we will not be able to continue to grow our customer base, our revenues or our business, which could negatively impact our business, financial condition and results of operations and may cause us to be unable to continue as a going concern.

The attractiveness of our platform depends upon, among other things:

- the number and variety of assets and other capabilities in which customers can transact through our platform;
- our reputation, as well as clients’ and customers’ experience and satisfaction with, and trust and perception of, our platform;

- technological innovation;
- regulatory compliance and data security; and
- services and products offered by competitors.

Moreover, clients may choose to contract with other providers of services that are competitive with ours. If we fail to retain existing clients, attract new clients, or continually expand usage and transaction volume on our platform, our business, financial condition, results of operations and prospects will be materially and adversely affected.

We will have both increased financial and reputational risks if there is a failure to launch one or more features, or if the launch of a new feature is unsuccessful. Also, there can be no assurance that we will receive support from clients to launch features as planned or that we will operate as anticipated. We also require regulatory approvals, including, for example, to add new crypto assets, products, and functionalities to our platform, and may require additional licenses and/or consultation with or approval of regulators to add, modify or discontinue certain aspects of our business model, which could lead to delays or other complexities in effectuating such changes and have a material adverse effect on our business and plan of operations.

Further, our business model entails numerous risks, including risks relating to our ability to:

- manage the complexity of our business model to stay current with the industry and new technologies;
- successfully enter new categories, markets and jurisdictions in which we may have limited or no prior experience;
- integrate into multiple distributed ledger technologies as they currently exist and as they evolve;
- successfully develop and integrate products, systems and personnel into our business operations;
- obtain and maintain required licenses and regulatory approvals for our business; and
- respond to, and comply with the evolving regulatory landscape for crypto and crypto platforms.

Our platform is in its early stages of release, will be further developed, and is largely untested. Any failure by us to successfully execute on the development of our platform would have an adverse effect on our business, results of operations and financial condition.

Our platform is in the early stages of release and will be further refined and developed, and certain areas of our platform are still under development and largely untested on a commercial scale. We are working to expand our service offerings, including, for example offering crypto rewards. Our platform will require additional development in order to add all of the additional functionalities and features planned by our management and activate our service offerings. There can be no assurance that the additional functionalities and features currently planned for our platform will be successfully developed in a timely fashion or at all. The addition of functionalities to our platform may require regulatory approvals, may increase our regulatory obligations and the degree of regulatory scrutiny we face, and may make regulatory compliance more complex and burdensome. We will have both increased financial and reputational risks if there is a failure to launch one or more functionalities, or if the launch of a new functionality is unsuccessful. Also, there can be no assurance that we will receive the necessary regulatory approvals or support from clients to launch features as planned or that we will operate as anticipated. Any problems that we encounter with the development or operation of our platform, including technical, legal and regulatory problems, could have a material adverse effect on our business, financial condition and results of operations.

We have a limited operating history and a history of operating losses, which make it difficult to forecast our future results of operations. Further, we expect to reduce our operating expenses in the foreseeable future, and we may not achieve or sustain profitability to absorb our targeted expense base.

We were founded in 2018 and have experienced net losses in the periods from inception through December 31, 2023. For example, our revenue was \$727.0 million and \$56.2 million in the years ended December 31, 2023 and December 31, 2022, respectively, and we generated net losses of \$225.8 million and \$1,989.9 million in the years ended

December 31, 2023 and December 31, 2022, respectively. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. As a result of our limited operating history, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Prior to the Bakkt Crypto acquisition, our historical revenue was achieved largely as the result of our white-labeled loyalty redemption product, which reflects little revenue from the launch of our broader crypto platform, and therefore should not be considered indicative of our future performance.

Because of our limited operating history and the fact that our current and historical revenue prior to the Bakkt Crypto Acquisition was largely not derived from our currently planned business model, our future revenue growth is difficult to predict. Even if we experience strong revenue growth, in future periods our revenue or revenue growth could decline for a number of reasons, including slowing demand for our platform, increased competition, changes to technology, a decrease in the growth of our overall market, or our failure, for any reason, to take advantage of growth opportunities. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described below. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

After increasing our operating costs and expenses in 2022 to complete our product road map and build public company infrastructure, we expect to reduce our operating expenses in the foreseeable future. In particular, we intend to continue to invest significant resources to further develop our platform. We have incurred increased general and administrative expenses associated with our growth, including legal and accounting expenses and costs related to internal systems and operating as a public company. We may not be able to achieve the operating expense reductions we are targeting to align with our revenue growth assumptions. Our efforts to operate our business may be costlier than we expect, or our revenue growth rate may be slower than we expect, and we may not be able to increase our revenue enough to offset our operating expenses resulting from these investments. If we are unable to achieve the revenue growth that we expect from these investments, reduce our operating expenses, or achieve profitability, it would have an adverse effect on our business, financial condition and results of operations, and the value of our business and our securities may significantly decrease.

Substantially all of our net revenues each quarter come from transactions that occur during that quarter, which has resulted in, and may continue to result in, significant fluctuations in our operating results.

Our quarterly results, including revenue, expenses, consumer metrics and other key metrics, are derived from transactions that occur during that quarter. Accordingly, our quarterly results have fluctuated and are likely to continue to fluctuate significantly due to a variety of factors, some of which are outside of our control. It is difficult for us to forecast accurately the level or source of our revenues, earnings and expenses, and the results for any one quarter are not necessarily an indication of future performance or expenses. Moreover, because of these fluctuations, our quarterly results may not fully reflect the underlying performance of our business. If our revenue, expenses, or key metrics in future quarters fall short of the expectations of our investors and financial analysts, the price of our securities could be adversely affected.

Other factors that may cause fluctuations in our quarterly results include:

- our ability to attract and retain clients and customers;
- transaction volume and mix;
- rates of repeat transaction and fluctuations in usage of our platform, including seasonality;
- the amount and timing of our expenses related to acquiring clients and customers and the maintenance and expansion of our business, operations and infrastructure;
- changes to our relationships with our clients;
- general economic, industry and market conditions;

- competitive dynamics in the industry in which we operate;
- the amount and timing of stock-based compensation expenses;
- network outages, cyberattacks, or other actual or perceived security incidents or breaches or data privacy violations;
- changes in laws and regulations that impact our business;
- the cost and outcomes of existing or potential claims or litigation; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired technologies or businesses.

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

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

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

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

Our agreements with our clients have terms that range from approximately one to three years, and in some cases, our existing clients can generally terminate these agreements without cause upon 30 to 90 days' prior written notice. In addition, many of those agreements also provide for the right of the client to terminate the agreement, or for us to pay financial penalties, in the event that we breach certain service level agreements with respect to the operation of our platform. The termination of one or more of our agreements with a client would result in a reduction in a loss of transacting accounts, transaction volume and revenue attributable to customers generated from that client relationship, and our business, financial condition, results of operations and future prospects would be materially and adversely affected.

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

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

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

Some of our current and prospective clients require the approval of their own regulators in order to deploy our solutions, especially our crypto solutions, and if they are unable to obtain those approvals on a timely basis, or at all, our results of operations and future prospects would be materially and adversely affected.

Some of our current and prospective clients themselves are regulated entities that may be restricted from engaging with us. For instance, several banks to whom we seek to provide our crypto solutions are regulated by the Federal Reserve, the Office of the Comptroller of the Currency, and/or the Federal Deposit Insurance Corporation. Pursuant to statements made by these regulators in the last several months, banks they regulate are required to consult with, and potentially obtain the approval of, their relevant regulator before “engaging in crypto-related activities.” If these banks, or other current or prospective clients that are regulated entities, are unable to obtain the approval of their regulators, or the timing of such approvals is delayed, that failure or delay would materially and adversely affect our results of operations and future prospects.

We face substantial and increasingly intense competition worldwide in the industries in which we operate.

The crypto and loyalty and rewards industries are highly competitive, rapidly changing, highly innovative, and increasingly subject to regulatory scrutiny and oversight. Although we do not believe that we have any single direct competitor for the full range of products we provide through our platform, we compete against a wide range of businesses in the crypto and loyalty industries generally, including those that are larger than us, have greater name recognition, larger pools of deployable capital, longer operating histories, or a dominant or more secure position, or offer other products and services to customers that we do not offer, as well as smaller or younger companies that may be more agile in responding quickly to regulatory and technological changes. Many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting consumer needs, and frequent introductions of new products and services. Competition also may intensify as businesses enter into business combinations and partnerships, and established companies in other segments expand to become competitive with different aspects of our business.

We compete primarily on the basis of the following:

- ability to attract, retain and engage clients (and in turn, customers) on our platform;
- ability to demonstrate to clients that they may achieve incremental revenue and attract new customers by using and offering our services to their customers;
- confidence in the safety, security, privacy and control of customer information on our platform;

- ability to develop products and services across multiple commerce channels, including crypto and loyalty points; and
- system reliability, regulatory compliance and data security.

We partner with many businesses and consider the ability to continue establishing these partnerships important to our business. Competition for relationships with these clients is intense and there can be no assurance that we will be able to continue to establish, grow, or maintain these client relationships.

Some of our current and potential competitors have larger customer bases, broader geographic scope, volume, scale, resources and market share than we do, which may provide them significant competitive advantages. Some competitors may also be subject to less burdensome licensing, anti-money laundering, counter-terrorist financing and other regulatory requirements. They may devote greater resources to the development, promotion and sale of products and services, and offer lower prices or more effectively offer their own innovative programs, products and services.

We also compete against a large number of decentralized and noncustodial platforms. On these platforms, customers can interact directly with a market-making smart contract or on-chain trading mechanism to exchange one type of crypto for another without any centralized intermediary. These platforms are typically not as easy to use as our platform, and some lack the speed and liquidity of centralized platforms, but various innovative models and incentives have been designed to bridge the gap. In addition, such platforms have low startup and entry costs as market entrants often remain unregulated and have minimal operating and regulatory costs. If the demand for decentralized platforms grows and we are unable to compete with these decentralized and noncustodial platforms, our business may be adversely affected.

If we are not able to differentiate our products and services from those of our competitors, drive value for our clients and customers, or effectively and efficiently align our resources with our goals and objectives, we may not be able to compete effectively in the market.

If our platform does not meet our service level commitments, our revenue and reputation may be negatively impacted.

We typically commit, through service level agreements or otherwise, to maintaining a minimum service levels with respect to our platform's functionality, availability and response time. If we are unable to meet these commitments, we may be obligated to provide clients with remedies set forth below. A failure to meet service level commitments, even for a relatively short duration, could cause us to be contractually obligated to issue credits or refunds to a large number of affected clients and customers, or could result in the dissatisfaction or loss of clients and customers. Affected participants could also choose to pursue other legal remedies that may be available to them.

In addition, we rely on public cloud providers, such as Microsoft Azure and Google Cloud, and any availability interruption in the public cloud could result in us not meeting our service-level commitments. In some cases, we may not have a contractual right with our public cloud providers that compensates us for any losses due to availability interruptions in the public cloud.

Any of the above circumstances or events may impact our revenues, harm our reputation, impair our ability to develop our platform and grow our base of clients and customers, subject us to financial penalties and liabilities under our service level agreements and otherwise harm our business, financial condition and results of operations.

We face operational, legal and other risks related to our reliance on third party vendors, over which we have no control.

We face operational risk because we rely on third party vendors to provide us with financial, technology and other services and to facilitate certain of our business activities, including, for example, marketing services, fulfillment services, cloud-based computer and data storage and other IT solutions and payment processing.

These third parties may be subject to financial, legal, regulatory and labor issues, cyberattacks, security incidents, privacy breaches, service terminations, disruptions or interruptions, or other problems, which may impose additional costs or requirements on us or prevent these third parties from providing services to us or our customers on our behalf, which could harm our business. Additionally, the Consumer Financial Protection Bureau (“CFPB”) and other regulators have issued guidance stating that institutions under their supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered.

In some cases, vendors are the sole source, or one of a limited number of sources, of the services they provide to us. For example, we are solely reliant on our agreement with our cloud computing web services provider for the provision of cloud infrastructure services to support our platform. Most of our vendor agreements are terminable by the vendor with little or no notice, and if our current vendors were to terminate their agreements with us or otherwise stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms, or at all. If any vendor fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyberattack or other security incident or breach, we could be subject to CFPB, Federal Trade Commission, SEC, and other regulatory enforcement actions, claims from third parties, including our customers, incur significant costs to resolve any issues or suffer economic and reputational harm, any of which could have an adverse effect on our business.

If we cannot keep pace with rapid technological developments to provide new and innovative products and services, the use of our products and services may not develop, and, consequently, our business would suffer.

Rapid, significant and disruptive technological changes impact the industries in which we operate, including developments in crypto (including distributed ledger and blockchain technologies). As a result, we expect new services and technologies to continue to emerge and evolve, and we cannot predict the effects of technological changes on our business. In addition to our own initiatives and innovations, we rely in part on third parties for the development of and access to new or evolving technologies. These third parties may restrict or prevent our access to, or utilization of, those technologies, as well as their platforms or products. In addition, we may not be able to accurately predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge and may be superior to, or render obsolete, the technologies we currently use in our products and services. Developing and incorporating new technologies into our products and services may require substantial expenditures, take considerable time, and ultimately may not be successful. In addition, our ability to adopt new products and services and to develop new technologies may be inhibited by industry-wide standards, payments networks, changes to laws and regulations, resistance to change from clients or customers, third-party intellectual property rights, or other factors. Our success will depend on our ability to develop and incorporate new technologies and adapt to technological changes and evolving industry standards. If we are unable to do so in a timely or cost-effective manner, our business could be harmed.

A large percentage of our revenue is concentrated with a small number of clients; the loss of any such client would materially and adversely affect our business, financial condition, results of operations and future prospects. Moreover, because of our B2B2C go-to-market model, the loss of any client – regardless of the reason – increases the risk that the customers that originally emanated from that client will transition to another provider or stop doing business with us, which would harm our business.

The concentration of a significant portion of our business and transaction volume with a limited number of clients exposes us disproportionately to the risk of any of those clients choosing to no longer partner with us, to the economic performance of such clients or their respective industries or to any events, circumstances, or risks affecting such clients or their respective industries. Any such loss could make our platform less appealing to existing and potential customers. Accordingly, the loss of any significant client relationship could materially and adversely affect our business, results of operations, financial condition and future prospects.

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

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, partnerships, alliances and platform technologies that we believe could complement or expand our platform, enhance our technology, or otherwise offer growth opportunities.

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

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

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

- our ability to retain the legacy clients of Bakkt Crypto, and expand those relationships, is a key growth driver for us;
- we are in the process of replacing and/or augmenting many of our existing systems and relationships (e.g., agreements with crypto liquidity providers) with those historically used by Bakkt Crypto;
- we may need to be able to accommodate the significantly increased volume on our platform;
- the completion of the integration of the Bakkt Crypto business—which includes, among other things, merging legal entities, eliminating duplicative licenses, and adjusting the amount of regulatory capital associated therewith—remains subject to regulatory approval, the delay of which extends the timeline for our recognition of the full benefits of the transaction;

- we may have increased liability and/or regulatory risk from the list of additional crypto assets on our platform and from the pre-acquisition activities of Bakkt Crypto, even after we elected to delist certain of the crypto assets on the Bakkt Crypto platform; and
- the commercial relationship with Apex Clearing Corporation that is a part of the acquisition of Bakkt Crypto is a key growth driver for us, but that relationship may not produce the benefits that we envision.

Our failure to address these risks, or other problems encountered in connection with our past or future investments, strategic transactions, or acquisitions, could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental expenses or the write-off of goodwill, any of which could harm our financial condition or results of operations, and the trading price of our Class A Common Stock could decline. For example, under the purchase agreement for the acquisition of Bakkt Crypto, we agreed to issue cash consideration of \$55.0 million, up to \$45 million in shares of our Class A Common Stock depending on Bakkt Crypto's achievement of certain profitability targets for the fourth quarter of 2022, and up to an additional \$100.0 million in shares of our Class A Common Stock depending on Bakkt Crypto's achievement of certain financial targets through 2025. Through March 8, 2024, we have delivered approximately \$9.1 million of shares of Class A Common Stock in respect of such obligations under such purchase agreement.

We may require additional capital to support the growth of our business, and such capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity financings and payments received from our platform. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. For example, in March 2024 we consummated concurrent registered direct offerings whereby we issued and sold an aggregate of 37,679,541 shares of our Class A Common Stock, warrants to purchase an aggregate of 48,898,110 shares of Class A Common Stock at an exercise price of \$1.02 per share, and pre-funded warrants to purchase an aggregate of 11,218,570 shares of Class A Common Stock at an exercise price of \$0.0001 per share for aggregate net proceeds of \$39.7 million. We also agreed to seek stockholder approval to, among other things, issue to our majority stockholder, ICE, in a subsequent closing of the registered direct offering with ICE (the "ICE Offering") an additional 8,772,016 shares of Class A Common Stock and warrants to purchase an aggregate of 8,772,016 shares of Class A Common Stock at an exercise price of \$1.02 per share for aggregate gross proceeds of \$7.6 million.

Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, financial condition, or results of operations. If we incur debt, the debt holders would have rights senior to holders of existing securities to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our Class A Common Stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our existing securities. Our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, thus we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our securities and diluting their interests.

We may not complete the subsequent closing of the ICE Offering within the time frame we anticipate or at all, which could have an adverse effect on our business, financial results, operations and/or the market price of our Class A Common Stock.

In connection with the ICE Offering, we agreed to seek stockholder approval to, among other things, issue an additional 8,772,016 shares of Class A Common Stock and warrants to purchase 8,772,016 shares of Class A Common Stock, which could result in aggregate gross proceeds to us of approximately \$7.6 million (the “Subsequent ICE Closing”).

The consummation of the Subsequent ICE Closing is subject to certain closing conditions, a number of which are not within our control, including stockholder approval of the securities issuable under the Subsequent ICE Closing. Although we have entered into a voting support agreement with ICE, pursuant to which ICE agreed, among other things, to vote in favor of proposals seeking to obtain approval of the Subsequent ICE Closing, ICE voting in support alone does not assure the outcome and we do not control whether ICE complies with such voting support agreement. In addition, the stockholder proposals approving the transactions contemplated under the Subsequent ICE Closing will be subject to a preliminary proxy statement filing, which may be subject to review by the U.S. Securities and Exchange Commission. Such review, if it occurs, may be protracted and there are no assurances that we will be able to close the Subsequent ICE Closing in the timing that we currently expect or at all. If the Subsequent ICE Closing is delayed or not consummated at all, our ongoing business and financial results may be adversely affected.

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

We intend to use our unrestricted cash and proceeds from maturity of available-for-sale debt securities to (i) fund our day-to-day operations, including, but not limited to funding our regulatory capital requirements, compensating balance arrangements and other similar commitments, each of which is subject to change, (ii) activate new crypto clients, (iii) maintain our product development efforts, and (iv) optimize our technology infrastructure and operational support. Substantial doubt was initially raised about our ability to continue as a going concern in connection with the filing of our Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2023. In connection with the filing of subsequent amendments thereto, we disclosed that without additional equity financing we could not conclude that we could maintain our operations for a period of at least 12 months from the dates of such amendment filings. We subsequently closed on equity offerings that, when considered with management’s other plans, resulted in management concluding that, notwithstanding the initial doubt that was raised, management’s plans are currently expected to alleviate substantial doubt as of the date of this filing. However, that determination may change in the future. If we cannot continue as a viable entity, our stockholders will likely lose most or all of their investment in us.

We have experienced and may continue to experience impacts to our business as a result of our partners and customers concern regarding our ability to continue as a going concern. For example, (i) one of our partners has closed out of all customer positions, (ii) we have received inquiries from partners and prospective partners about our financial position, (iii) certain of our surety bond providers have requested additional collateral, (iv) we were required to pledge as collateral the amounts that were previously required to be maintained in a concentration account for our purchasing card facility, and (v) certain of our liquidity providers have requested updated payment arrangements. There can be no assurance that we will not experience additional adverse impacts to our business, including additional or accelerated account closures, loss of future potential business, and additional demands for cash or collateral, which, individually or in the aggregate may further impair our business and exacerbate the risks related to our ability to continue as a going concern.

Notwithstanding our conclusion that our plans alleviate substantial doubt about our ability to continue as a going concern, there is significant uncertainty associated with our expansion to new markets and the growth of our revenue base given the rapidly evolving environment associated with crypto assets. Accordingly, we cannot conclude it is probable we will be able to increase revenues substantially beyond levels that we have attained in the past in order to generate sustainable operating profit and sufficient cash flows to continue doing business without raising additional capital in the near future.

If we are required to raise additional funding in the future to maintain our operations, we cannot be certain that additional capital, whether through selling additional equity or debt securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current

stockholders may experience dilution. For example, in our concurrent February 2024 registered direct offerings we agreed to issue up to an aggregate of 48,898,110 shares of our Class A Common Stock (or pre-funded warrants to purchase shares of Class A Common Stock in lieu thereof) and warrants to purchase up to an aggregate of 48,898,110 shares of our Class A Common Stock. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current platform expansion programs, cut operating costs, forego future development and other opportunities or even terminate our operations. In addition, even though as of the filing of this Annual Report on Form 10-K we determined that management's plans alleviated the substantial doubt about our ability to continue as a going concern, we may be unable to recover with investors, partners and customers due to the adverse reputational effects we experienced previously or may experience in the future.

We hold our cash and cash equivalents that we use to meet our working capital and operating expense needs in deposit accounts that could be adversely affected if the financial institutions holding such funds fail.

We hold our cash and cash equivalents that we use to meet our working capital and operating expense needs in deposit accounts at multiple financial institutions. The balances held in these accounts typically exceed the Federal Deposit Insurance Corporation deposit insurance limit. If a financial institution in which we hold such funds fails or is subject to significant adverse conditions in the financial or credit markets, we could be subject to a risk of loss of all or a portion of such uninsured funds or be subject to a delay in accessing all or a portion of such uninsured funds. Any such loss or lack of, or delay in, access to these funds could adversely impact our liquidity and our ability to meet our ongoing working capital and operating expense obligations.

We also maintain investment accounts with other financial institutions in which we hold our investments and, if access to these investments were to be impaired, we may not be able to open new operating accounts, sell investments or transfer funds from our investment accounts to new operating accounts on a timely basis sufficient to meet our operating expense obligations. In addition, if further liquidity and financial stability concerns arise with respect to banks and financial institutions, the ability of our clients or their customers to access existing cash, cash equivalents or investments or to access existing, or enter into new, banking arrangements or facilities, may be adversely impacted, which could in turn impact such parties' ability to pay their obligations to us or to our clients, or to enter into new commercial arrangements with us.

The loss of the services of our senior management could adversely affect our business.

The experience of our senior management is a valuable asset to us. If we are unable to retain members of our core senior management team, we could experience uncertainty and significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. Our management team has significant experience, is responsible for many of our core competencies, and would be difficult to replace. For example, on March 18, 2024, we announced the resignation of our President and Chief Executive Officer, effective March 25, 2024, and appointment of a new President and Chief Executive Officer. Competition for senior executives in these businesses is intense, and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management team or other key personnel. Failure to retain talented senior leadership could have a material adverse effect on our business.

Our business will suffer if we fail to attract and retain highly skilled employees.

Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization, particularly information technology and sales. Further, hiring qualified and experienced personnel in this specialized technology space is difficult due to the high level of competition and scarcity of experience. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop and maintain the skilled workforce necessary to operate our business and labor expenses may increase as a result

of a shortage in the supply of qualified personnel, which would negatively impact our business. Further, if we suffer attrition and shortages with respect to certain of our customer service personnel, such as our call centers, our ability to maintain compliance with our service level commitments to clients may be impacted, resulting in financial penalties and, potentially, damage to or loss of those client relationships.

Our revenue is impacted, to a significant extent, by the general economy.

Our business and our clients' businesses are sensitive to macroeconomic conditions. Economic factors such as interest rates, inflation, changes in monetary and related policies, market volatility (including as a result of geopolitical issues, such as the wars in Ukraine and the Middle East), consumer confidence, and unemployment rates are among the most significant factors that impact consumer spending behavior. Weak economic conditions, high interest rates, inflation or a significant deterioration in economic conditions reduce the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of consumers to accumulate and spend crypto and loyalty points or otherwise transact in such assets, which would have an adverse effect on our business, results of operations, financial condition, and future prospects. In particular, the high levels of, and increases in, inflation currently experienced in the United States could negatively impact our business by increasing our costs and reducing consumer activities necessarily to our revenue generation.

Our ability to generate subscription and service revenue and transaction revenue depends, in part, on customers continuing to access and utilize our platform. Our clients' businesses may decrease or fail to increase as a result of factors outside of their control, such as the macroeconomic conditions referenced above, or business conditions affecting a particular client, industry vertical, or region. Weak economic conditions also could extend the length of our clients' sales cycle and cause consumers to delay making (or not make) purchases. Some of our clients have experienced a decrease in sales, supply chain disruptions, inventory shortages, and other adverse effects. A decline in activity by consumers of our clients' products and services for any reason may correspondingly result in lower revenue generated by our platform.

If we experience rapid growth, it may place significant demands on our operational, administrative and financial resources and it may be difficult to sustain such growth.

We have a relatively limited operating history even at our current scale and our projected growth in future periods exposes us to increased risks, uncertainties, expenses and difficulties. If we are unable to appropriately scale our operations to support such growth, our business, results of operations, financial condition and future prospects would be materially and adversely affected.

If we experience rapid growth, we could face significant challenges in:

- maintaining and developing relationships with existing and new clients
- securing funding to maintain our operations and future growth;
- maintaining adequate financial, business and risk controls;
- implementing new or updated information and financial risk controls and procedures;
- navigating complex and evolving regulatory and competitive environments;
- attracting, integrating and retaining an appropriate number of qualified, skilled employees;
- training, managing and appropriately sizing our workforce and other components of our business on a timely and cost-effective basis;
- expanding within existing markets;
- entering new markets and introducing new solutions;
- continuing to develop, maintain, protect and scale our platform;
- effectively using limited personnel and technology resources; and

- maintaining the security of our platform and the confidentiality of the information, including personally identifiable information, provided and utilized across our platform.

We may not be able to properly manage and scale our expanding operations effectively, and any failure to do so could adversely affect our ability to generate revenue and control our expenses, which could in turn materially and adversely affect our business, financial condition, results of operations and future prospects.

Future material impairments in the value of our long-lived assets, including goodwill, have in the past negatively affected, and could in the future negatively affect, our operating results.

We regularly review our long-lived assets, including our goodwill and other intangible assets, for impairment. Goodwill and other intangible assets are subject to impairment review on an annual basis and whenever potential impairment indicators are present. Changes in market conditions or other changes in the future outlook of value may lead to impairment charges in the future. Future events or decisions may lead to asset impairments and/or related charges. Certain non-cash impairments may result from a change in our strategic goals, business direction or other factors relating to the overall business environment. Material impairment charges could negatively affect our results of operations.

For example, during the fiscal year ended December 31, 2023, we recognized \$60.5 million of goodwill and intangible assets impairments relating to the sustained decline in our market capitalization and failure to achieve our projected revenue growth. Further adverse changes to the timing for expected crypto product activations and declines in market capitalization could lead to additional goodwill or intangible asset impairment charges in future periods, which could be material to our results of operations. For more information on the valuation and impairment of long-lived assets, see “Critical Accounting Policies and Estimates” in Item 7 of this Annual Report on Form 10-K.

We may not be successful in achieving expected operating efficiencies and sustaining or improving operating expense reductions, and might experience business disruptions and adverse tax consequences associated with restructuring, realignment and cost reduction activities.

Portions of our business have been, and may in the future be, the subject of restructuring, realignment or cost reduction initiatives. For example, in the fourth quarter of 2022 and first quarter of 2023, we launched a restructuring plan in order to simplify and focus on our core capabilities. The streamlining effects of the plan could result in reduced revenue, which may adversely impact our business operations. In addition, we may not be successful in achieving the full efficiencies and cost reduction benefits we expect or such benefits might be realized later than expected, and the ongoing costs of implementing these measures might be greater than anticipated. If these measures are not successful or sustainable, we might undertake additional restructuring efforts, which could result in future charges. Moreover, our ability to achieve our other strategic goals and business plans might be adversely affected, and we could experience business disruptions, if our restructuring and realignment efforts and our cost reduction activities prove ineffective.

Stakeholders’ expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from stakeholders concerning corporate responsibility, specifically related to environmental, social and governance matters, or ESG. Some stakeholders may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to corporate responsibility are inadequate. In particular, increasing concerns over climate change have resulted and may continue to result in new regulatory requirements relating to climate change, including regulating greenhouse gas emissions (and the establishment of enhanced internal processes or systems to track them) and sustainability initiatives, which may impose more stringent restrictions and requirements than our current legal or regulatory obligations and could increase our compliance costs. We may also face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

Furthermore, if our competitors' corporate social responsibility performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of stakeholders or our initiatives are not executed as planned, our reputation and business, operating results and financial condition could be adversely impacted.

Risks Related to Crypto

Disruptions in the crypto market subject us to additional risks.

Recent financial distress in the crypto market, such as bankruptcies filed by certain market participants including providers of banking services to crypto companies, has increased uncertainty in the macroeconomic environment. There is no certainty that the measures we have taken will be sufficient to address the risks posed by the downstream effects of continued financial distress in the crypto market, and we may experience material and adverse impacts to our business as a result of the global economic impacts of such financial distress, including the loss of customer trust in crypto, including bitcoin, and any recession or economic downturn that has occurred or may occur in the future.

The ultimate impact of the financial distress in the crypto market will depend on future developments, including, but not limited to, the downstream effects of the bankruptcies filed by certain crypto market participants, their severity, and the actions taken by regulators to address its impact. Any further deterioration in the crypto markets may have an adverse effect on our reputation, and any negative perception by our clients of crypto may lead to a loss of client demand for our products and services, any of which could have an adverse impact on our business and financial condition. We may also suffer a decline in the market price of our Class A Common Stock due to any negative perception by our clients, investors, or the general public, of crypto or the crypto market.

Due to unfamiliarity and some negative publicity associated with crypto platforms, existing and potential customers may lose confidence in crypto platforms, which could have an adverse impact on our business.

Numerous crypto platforms have been sued, investigated, or shut down due to fraud, manipulative practices, business failure and security breaches. In many of these instances, customers of these platforms were not compensated or made whole for their losses. For example, in May 2019, Binance, one of the world's largest platforms, was hacked, resulting in losses of approximately \$40 million, and in February 2021, Bitfinex settled a long-running legal dispute with the State of New York related to Bitfinex's alleged misuse of over \$800 million of customer assets. Further, in 2022, each of Celsius Networks, Voyager, Three Arrows Capital and FTX declared bankruptcy, resulting in a loss of confidence in participants of the crypto economy and negative publicity surrounding crypto more broadly. In August 2023, crypto asset exchange Bittrex Inc. and its co-founder and former CEO agreed to settle charges that they operated an unregistered national securities exchange, broker, and clearing agency, and agreed to make a total monetary payment of \$24 million. In November 2023, three federal U.S. agencies—the U.S. Department of the Treasury, through the FinCEN and OFAC, the U.S. Department of Justice (DOJ), and the Commodity Futures Trading Commission ("CFTC")—all announced enforcement actions against Binance. The actions announced require Binance to pay, in the aggregate, over \$4.3 billion in criminal forfeiture, penalties, and fines, and also require Changpeng Zhao, the founder of Binance, to plead guilty to criminal money laundering charges.

In response to these events, the crypto markets have experienced extreme price volatility, certain markets experienced issues with liquidity and several other entities in the crypto industry have been, and may continue to be, negatively affected, further undermining confidence in the crypto markets and in bitcoin. If the liquidity of the crypto markets continues to be negatively impacted by these events, crypto prices (including the price of bitcoin) may continue to experience significant volatility and confidence in the crypto markets may be further undermined. These events are continuing to develop and it is not possible to predict at this time all of the risks that they may pose to us, our service providers or on the crypto industry as a whole.

In addition, there have been reports that a significant amount of crypto trading volume on crypto platforms is fabricated and false in nature, with a specific focus on unregulated platforms located outside the United States. Such reports may indicate that the market for crypto platform activities is significantly smaller than otherwise understood. Negative perception, a lack of stability and standardized regulation in the crypto industry, and the closure or temporary shutdown of crypto platforms due to fraud, business failure, hackers or malware, or government mandated regulation, and associated losses suffered by customers may reduce confidence in the crypto economy and demand for crypto products and services, and result in greater volatility of the prices of crypto, including significant depreciation in value. Any of these events could reduce customer demand for our products and services and have an adverse impact on our business.

There may be a general perception among regulators and others that crypto is used to facilitate illegal activity such as fraud, money laundering, tax evasion and scams. Because we provide the ability to transact in crypto, any negative perceptions associated with crypto could harm our reputation.

Crypto is perceived by regulators and the general public as being susceptible to, and in fact has been used on numerous occasions for, illegal or improper uses, including money laundering, tax evasion, terrorist financing, illegal online gambling, fraudulent sales of goods or services, illegal sales of prescription medications or controlled substances, piracy of software, movies, music and other copyrighted or trademarked goods (in particular, crypto goods), bank fraud, child pornography, human trafficking, prohibited sales of alcoholic beverages or tobacco products, securities fraud, pyramid or ponzi schemes, or to facilitate other illegal activity. Because our platform allows certain customers of Bakkt Trust to deposit and withdraw crypto, and our platform allows customers to transact in crypto, this perception may harm our reputation because we could be viewed as facilitating, or could otherwise become associated with, these illegal activities. Any such negative perception of our reputation could harm our business.

In addition, because we use a B2B2C go-to-market strategy, our ability to attract customers (and in turn, transaction volume that generates revenue) depends on our ability to attract and enter into relationships with clients. To the extent that these clients perceive crypto as a risky sector, or one that these clients do not wish to associate with (or allow their customers to associate with through that client's brand), that would have a material adverse effect on our business.

Further, banks may not provide banking services, or may cut off banking services, to businesses that provide crypto-related services, which could dampen liquidity in the market and damage the public perception of crypto generally or any one crypto asset in particular, which could decrease the trading volume of crypto.

Crypto custodial solutions and related technology, including our systems and custodial arrangements, are subject to risks related to a loss of funds due to theft of crypto, employee or vendor sabotage, security and cybersecurity risks, system failures and other operational issues, the loss, destruction or other compromise of our private keys and a lack of sufficient insurance.

Our systems and custodial solutions involve the processing, storage and transmission of crypto and data. Contractual limits on our exposure in the event that crypto is stolen or misappropriated may not be sufficient to protect us from liability or other harm. The theft or misappropriation of crypto held in custody by us would likely result in financial loss, reputational damage, potential lack of trust from our customers, negative press coverage, and diversion of our management's time and focus. The secure storage and transmission of crypto and data over networks is a critical element of our operations. Threats to our operations come from external factors such as governments, organized crime, hackers, and other third parties such as outsourced or infrastructure-support providers and application developers, or may originate internally from an employee or service provider to whom we have granted access to our systems.

Crypto transactions are generally irrevocable, and stolen or incorrectly transferred crypto may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the distributed ledger, an incorrect transfer of a crypto generally will not be reversible, and we may not be able to obtain compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the crypto could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Such events would have a material adverse effect on our ability to continue as a going concern.

Crypto is controllable only by the possessor of private keys relating to the distributed ledger through which the crypto is held. While the distributed ledgers require a public key relating to a crypto asset to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the crypto asset. To the extent our private keys are lost, destroyed, or otherwise compromised and no backups of the private keys are accessible, we will be unable to access the crypto held through the distributed ledger. Any loss of private keys relating to, or hack or other compromise of, our crypto could adversely affect our consumers' ability to access or sell their crypto and could harm consumers' trust in us and our products. Additionally, any loss of private keys relating to, or hack or other compromise of, the distributed ledger through which third parties store crypto could have negative reputational effects on us and harm consumers' trust in us and our products.

Our insurance policies may not be adequate to reimburse us for losses caused by security breaches or incidents, and we may lose crypto valued in excess of the insurance policy without any recourse. Unlike bank accounts or accounts at some other financial institutions, in the event of loss or loss of utility value, there is no public insurer to offer recourse to us or to any consumer and the misappropriated crypto may not be easily traced to the bad actor.

Further, when crypto custodial solutions or transfer venues, whether involving our systems or others, experience system failures or other operational issues, such events could result in a reduction in crypto prices or confidence and impact our success and have a material adverse effect on our ability to continue as a going concern.

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

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

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

Both Bakkt Trust and Bakkt Crypto use omnibus wallets to hold crypto assets belonging to the Company as well as crypto assets held for the benefit of and on behalf of customers. The balances of Bakkt Crypto-owned assets in such wallets are de minimis and are maintained solely to facilitate customer transactions, such as by funding the payment of

transfer fees and addressing rounding conventions and trade errors. Although the Company maintains detailed internal ledgers recording the ownership of crypto assets held in Company-controlled omnibus wallets, the use of omnibus wallets could complicate the disposition or treatment of customer crypto assets in the event of our bankruptcy, including by increasing the risk that crypto assets held in the omnibus wallets are considered to be the property of our bankruptcy estate.

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

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

Crypto does not have extensive historical precedent and distributed ledger technology continues to rapidly evolve. The unique characteristics of crypto presents risks and challenges to us that could have a material adverse effect on our business.

Crypto does not have extensive historical precedent and distributed ledger technology continues to rapidly evolve. Given the infancy of the development of crypto networks, parties may be unwilling to transact in crypto, which would dampen the growth, if any, of crypto networks. In our capacity as a crypto custodian, our platform holds crypto for individual and institutional customers, and buys, sells, sends and receives crypto to fulfill buy and sell orders of such consumers, which it then holds on behalf of the customers through Bakkt Trust. The rate of change of crypto networks can present technological challenges and require us to expend significant time and expenditures to adapt to new crypto network technologies. Acceptance of software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in a crypto network, such as the Bitcoin Network, could result in a “fork” in such network’s distributed ledger, resulting in the operation of multiple separate networks. This could require us to develop and incorporate new technologies to integrate with the new fork, which may require substantial expenditures and take considerable time, if it can be done at all. Until such time as we develop and incorporate such new technologies, consumers may not be able to access new forks or the assets available on new forks. Because crypto networks are dependent upon the internet, a disruption of the internet or a crypto network, such as the Bitcoin Network, would affect the ability to transfer crypto, including bitcoin. The realization of one or more of the foregoing risks may have a material adverse effect on our crypto trading and custody business. Moreover, because crypto, including bitcoin, has been in existence for a short period of time and is continuing to develop and evolve, there may be additional risks in the future that are impossible to predict and which could have a material adverse effect on our crypto and custody business.

We may encounter technical issues in connection with the integration of supported crypto assets and changes and upgrades to their underlying networks, which could adversely affect our business.

In order to support any particular crypto asset, a variety of front and back-end technical and development work is required to integrate such supported crypto asset with our existing technical infrastructure. For certain crypto assets, a significant amount of development work is required and there is no guarantee that we will be able to integrate successfully with any existing or future crypto asset. In addition, such integration may introduce software errors or weaknesses into our platform, including our existing infrastructure. Even if such integration is initially successful, any number of technical changes, software upgrades, soft or hard forks, cybersecurity incidents, bugs, errors, defects or other changes to the underlying blockchain network may occur from time to time, causing incompatibility, technical issues, disruptions, or security weaknesses to our platform. If we are unable to identify, troubleshoot and resolve any such issues successfully, we may no longer be able to support such crypto assets, our customers’ assets may be frozen or lost, the security of our hot, warm, or cold wallets may be compromised, and our platform and technical infrastructure may be affected, all of which could adversely impact our business.

The blockchains on which ownership of crypto is recorded are dependent on the efforts of third parties acting in their capacity as the blockchain transaction miners or validators, and if these third parties fail to successfully perform these functions, the operation of the blockchains that record ownership of crypto could be compromised.

Blockchain miners or validators maintain the record of ownership of crypto. If these entities suffer from cyberattacks or other security incidents (whether from hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, the inadvertent transmission of computer viruses, ransomware or other malware, other forms of malicious attacks, malfeasance or negligent acts of its personnel, or via other means, including phishing attacks and other forms of social engineering), or for financial or other reasons cease to perform these functions, the functioning of the blockchains on which the ownership of a crypto asset is recorded and the valuation based may be jeopardized. Any such interruption could result in loss of crypto and/or its value.

In addition, over the past several years, crypto mining operations have evolved from individual users mining with computer processors, graphics processing units and first-generation application specific integrated circuit (“ASIC”) machines to “professionalized” mining operations using proprietary hardware or sophisticated machines. If the profit margins of crypto mining operations are not sufficiently high, crypto miners are more likely to immediately sell tokens earned by mining, resulting in an increase in liquid supply of that crypto, which would generally tend to reduce that crypto’s market price.

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

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

Risks Related to Regulation, Taxation and Laws

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

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

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

and Bakkt Crypto is subject to reporting requirements, restrictions with respect to the investment of consumer funds, bonding requirements and inspection by state regulatory agencies.

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

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

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

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

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

- In 2023, the SEC initiated lawsuits against certain crypto asset exchanges, including Bittrex, Coinbase, Binance, and Kraken alleging among other things that those entities operated as unregistered national securities exchanges,

unregistered broker-dealers and unregistered clearing agencies and alleging that certain crypto assets available on their platforms are securities.

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

- In August 2023, the IRS published proposed regulations on tax reporting requirements for cryptocurrency brokers, which are generally expected to expand the scope of companies that are required to report basis, adjusted basis, gross proceeds and amounts realized from sales of covered crypto assets.
- In October 2023, the governor of California signed into law the Digital Financial Assets Law (“DFAL”), which establishes a required licensing framework administered by the California Department of Financial Protection and Innovation (“DFPI”) for entities engaged in digital financial asset business activity in the state of California. The Company expects that its business will require licensure under the DFAL and will therefore take steps to obtain necessary licenses prior to the enactment’s effective date of July 1, 2025. The Company notes that the DFAL provides that the DFPI may issue a conditional license to companies, such as our subsidiaries, that maintain licenses to conduct virtual currency business activity in New York or hold a charter as a New York limited purpose trust company with approval to conduct a virtual currency business under New York law. The Company will continue to monitor and review guidance from the DFPI clarifying the enactment’s scope and interpretation.

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

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

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

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

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

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

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

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

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

are able to change our related policies and procedures. Actions may also be brought by private individuals or entities alleging illegal transactions involving crypto assets that they claim are securities, and seeking rescission of those transactions, and/or other legal and equitable relief under federal or state securities laws.

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

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

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

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

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

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

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

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

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

Adverse resolution of any lawsuit or claim or regulatory proceeding against us, or any regulatory investigation involving us, could have a material adverse effect on our business and our reputation. To the extent we are found to have failed to fulfill our regulatory obligations, we could lose our authorizations or licenses or become subject to conditions that could make future operations more costly and impair our profitability. Such events could also result in consumer dissatisfaction and a decline in consumers’ willingness to use our platform.

Bakkt Holdings, Inc. is a holding company, its only material asset is its interest in Opco, and it is accordingly dependent upon distributions made by its subsidiaries to pay taxes and expenses, make payments under the Tax Receivable Agreement and pay dividends.

Bakkt Holdings, Inc. is a holding company with no material assets other than our ownership of Opco Common Units and our managing member interest in Opco. As a result, it has no independent means of generating revenue or cash

flow. Its ability to pay taxes and operating expenses, make payments under the Tax Receivable Agreement (the “Tax Receivable Agreement”) and pay dividends (if any) will depend on the financial results and cash flows of Opco and its subsidiaries and the distributions it receives from Opco. Deterioration in the financial condition, earnings or cash flow of Opco and its subsidiaries for any reason could limit or impair Opco’s ability to pay such distributions. Additionally, to the extent it needs funds and Opco and/or any of its subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of any financing arrangements, or Opco is otherwise unable to provide such funds, it could materially adversely affect Bakkt Holdings’ liquidity and financial condition.

Opco will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of Opco Common Units. Accordingly, we will be required to pay income taxes on our allocable share of any net taxable income of Opco. Under the terms of the Opco LLC Agreement, Opco is obligated to make certain tax distributions to holders of Opco Common Units (including us). In addition to tax expenses, we will also incur other expenses, including payment obligations under the Tax Receivable Agreement, which could be significant. We intend to cause Opco to make distributions to holders of Opco Common Units, *pro rata*, in aggregate amounts sufficient to cover all of our applicable income taxes, payments required to be made by us under the Tax Receivable Agreement and dividends, if any, declared by us. However, Opco’s ability to make such distributions may be subject to various limitations and restrictions including, but not limited to, restrictions on distributions that would either violate any contract or agreement to which Opco is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering Opco insolvent. If our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement and to fund our obligations, we may be required to incur additional indebtedness to provide the liquidity needed to make such payments, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest until paid; provided, however, that non-payment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement, which could be substantial.

Additionally, although Opco generally will not be subject to any entity-level U.S. federal income tax, it may be liable under federal tax legislation for adjustments to its tax return, absent an election to the contrary. In the event that the taxing authorities determine that Opco’s tax returns are incorrect, Opco and/or its members, including us, in later years may be subject to material liabilities pursuant to this federal legislation and its related guidance.

We anticipate that the distributions we will receive from Opco may, in certain periods, exceed our actual tax liabilities and obligations to make payments under the Tax Receivable Agreement. Our board of directors (the “Board”), in its sole discretion, will make determinations with respect to the use of any such excess cash, which may include, among other uses to pay dividends, which may include special dividends, on the Class A Common Stock; to fund repurchases of Class A Common Stock; or any combination of the foregoing. We will have no obligation to distribute such cash (or other available cash other than any declared dividend) to our stockholders. To the extent that we do not distribute such excess cash as dividends on Class A Common Stock or otherwise undertake ameliorative actions between Opco Common Units and shares of Class A Common Stock and instead, for example, hold such cash balances, holders of Opco Common Units that hold interests in Opco may benefit from any value attributable to such cash balances as a result of their ownership of Class A Common Stock following an exchange of their Opco Common Units, notwithstanding that such holders may previously have participated as holders of Opco Common Units in distributions by Opco that resulted in such excess cash balances for us.

Opco is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Opco (with certain exceptions) exceed the fair value of its assets. Opco’s subsidiaries are generally subject to similar legal limitations on their ability to make distributions to Opco.

Pursuant to the Tax Receivable Agreement, we are required to pay 85% of the net income tax savings we realize as a result of increases in the tax basis in Opco's assets as a result of exchanges of Opco Common Units for Class A Common Stock (or cash pursuant to the Exchange Agreement, and those payments may be substantial.

The Opco Equity Holders may exchange their Opco Common Units for shares of Class A Common Stock (or cash) pursuant to the Exchange Agreement, subject to certain conditions and transfer restrictions as set forth therein and in the Third Amended and Restated LLC Agreement. These exchanges are expected to result in increases in our allocable share of the tax basis of the tangible and intangible assets of Opco. These increases in tax basis may increase (for income tax purposes) depreciation and amortization deductions and therefore reduce the amount of U.S. federal and applicable state income tax that we would otherwise be required to pay in the future had such exchanges never occurred.

We are party to the Tax Receivable Agreement, which generally provides for the payment by us of 85% of certain net tax benefits, if any, that we realize (or in certain cases are deemed to realize) as a result of these increases in tax basis and certain other tax attributes of Opco and tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. These payments are our obligation and not an obligation of Opco. The actual increase in our allocable share of Opco's tax basis in its assets, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the market price of the Class A Common Stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of the recognition of our income. While many of the factors that will determine the amount of payments that we will make under the Tax Receivable Agreement are outside of our control, the payments we will make under the Tax Receivable Agreement could be substantial and could have a material adverse effect on our financial condition. Estimating the amount and timing of payments that may become due under the Tax Receivable Agreement is, by its nature, imprecise. The amount and timing of any payments under the Tax Receivable Agreement are dependent upon significant future events, including those noted above in respect of estimating the amount and timing of our realization of tax benefits. The potential future tax savings that we will be deemed to realize, and the Tax Receivable Agreement payments made by us, will be calculated based on the market value of the Class A Common Stock at the time of each redemption or exchange under the Exchange Agreement and the prevailing tax rates applicable to us over the life of the Tax Receivable Agreement and will depend on us generating sufficient taxable income to realize the tax benefits that are subject to the Tax Receivable Agreement. Any payments made by us under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid; however, non-payment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement, which could be substantial, as further described below. Furthermore, our future obligation to make payments under the Tax Receivable Agreement could make it a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that may be deemed realized under the Tax Receivable Agreement.

In certain cases, payments under the Tax Receivable Agreement may exceed the actual tax benefits we realize or such payments may be accelerated.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, and the Internal Revenue Service (the "IRS") or another taxing authority may challenge all or any part of the tax basis increases, as well as other tax positions that we take, and a court may sustain such a challenge. In the event any tax benefits initially claimed by us are disallowed, the current Opco Equity Holders will not be required to reimburse us for any excess payments that may previously have been made under the Tax Receivable Agreement, for example, due to adjustments resulting from examinations by taxing authorities. Rather, excess payments made to such holders will be netted against any future cash payments otherwise required to be made by us, if any, after the determination of such excess. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. As a result, in certain circumstances we could make payments under

the Tax Receivable Agreement in excess of our actual income tax savings, which could materially impair our financial condition.

Moreover, the Tax Receivable Agreement provides that, in the event that (a) we exercise our early termination rights under the Tax Receivable Agreement, (b) the Tax Receivable Agreement is rejected in a bankruptcy proceeding, (c) certain changes of control occur (as described in the Tax Receivable Agreement) or (d) we are more than thirty days late in making of a payment due under the Tax Receivable Agreement (unless we determine that we have insufficient funds to make such payment as a result of obligations imposed in connection with a senior obligation or applicable law), our obligations under the Tax Receivable Agreement will accelerate and we will be required to make an immediate lump-sum cash payment to the Opco Equity Holders equal to the present value of all forecasted future payments that would have otherwise been made under the Tax Receivable Agreement, which lump-sum payment would be based on certain assumptions, including those relating to our future taxable income. The lump-sum payment to the Opco Equity Holders could be substantial and could exceed the actual tax benefits that we realize subsequent to such payment because such payment would be calculated assuming, among other things, that we would have certain tax benefits available to it, that we would be able to use the potential tax benefits in future years, and that tax rates applicable to us would be the same as they were in the year of the termination.

There may be a material negative effect on our liquidity if the payments under the Tax Receivable Agreement exceed the actual income tax savings that we realize. Furthermore, our obligations to make payments under the Tax Receivable Agreement could also have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. We may need to incur additional indebtedness to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise.

We may have to constrain our business activities to avoid being deemed an investment company under the Investment Company Act.

In general, a company that is or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities may be deemed to be an investment company under the Investment Company Act. The Investment Company Act contains substantive legal requirements that regulate the manner in which “investment companies” are permitted to conduct their business activities. We believe we have conducted, and intend to continue to conduct, our business in a manner that does not result in us being characterized as an investment company. To avoid being deemed an investment company, we may decide not to broaden our offerings, which could require us to forgo attractive opportunities. If we are deemed to be an investment company under the Investment Company Act, we would be required to institute burdensome compliance requirements and our activities would be restricted, which would adversely affect our business, financial condition and results of operations. In addition, we may be forced to make changes to our management team if we are required to register as an investment company under the Investment Company Act.

Broker-dealers are subject to extensive state and federal government regulation in the United States, and our failure or inability to comply with these regulations or regulatory action against us could adversely affect our results of operations, financial condition, or business.

In 2023, we acquired Bumped, a broker-dealer registered with FINRA. Bumped is registered as a broker-dealer in 52 U.S. states and territories. As such, we are subject to regulation, examination, investigation, and disciplinary action by the SEC, FINRA, and state securities regulators, as well as other governmental authorities and self-regulatory organizations with which Bumped is registered or licensed or of which Bumped is a member. Our failure or inability to comply with any of these regulations or any regulatory action against us could adversely affect our results of operations, financial condition, or business.

We are subject to anti-money laundering and counter terrorist financing laws and regulations, globally, including the USA PATRIOT Act, and failure to comply with such laws and regulations may subject us to liability. There can be no assurance that our employees or agents will not violate such laws and regulations.

We are subject to anti-money laundering and counter terrorist financing laws and regulations globally, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, the regulations promulgated by FinCEN, as well as economic and trade sanctions programs, including those imposed and administered by OFAC. These regulations prohibit, among other things, our involvement in transferring the proceeds of criminal activities. Under OFAC's economic sanctions program, we are prohibited from financial transactions and other dealings with certain countries and geographies and with persons and entities included in OFAC sanctions lists, including its list of Specially Designated Nationals and Blocked Persons.

The United States is also a member of the Financial Action Task Force ("FATF"), an intergovernmental body that establishes international standards to combat money laundering, terrorist financing and other related threats to the integrity of the international financial system. FATF issues guidance that members states are required to observe. More recently, in October 2021, FATF issued the Updated Guidance for Virtual Assets and Virtual Asset Service Providers ("FATF Guidance") which provides additional details regarding expectations for crypto businesses, including those related to due diligence, transmission of transaction data and reporting.

Regulators in the United States, where we currently operate, continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program. For example, Division F of the National Defense Authorization Act for Fiscal Year 2021, titled the Anti-Money Laundering Act of 2020, makes significant reforms to the Bank Secrecy Act and other anti-money laundering rules. Evaluation and incorporation of changes required under Division F could result in greater costs for compliance. Furthermore, on March 2, 2022, a group of United States Senators sent the Secretary of the United States Treasury Department a letter asking Secretary Yellen to investigate its ability to enforce such sanctions vis-à-vis bitcoin, and on March 8, 2022, President Biden announced an executive order on crypto that seeks to establish a unified federal regulatory regime for crypto. We are unable to predict the nature or extent of new and proposed legislation and regulation affecting the crypto industry, or the potential impact of the use of crypto by Specially Designated Nationals or Blocked Persons, which could have material adverse effects on our business and our industry more broadly. Our failure to comply with such laws and regulations, as required by our regulators, may expose us to liability or enforcement actions.

There also can be no assurance that our employees or agents will not violate such anti-money laundering and counter terrorist financing laws and regulations. A failure by us or our employees or agents to comply with such laws and regulations and subsequent judgment or settlement against us under these laws could subject us to monetary penalties, damages and/or have a significant reputational impact.

Failure to comply with anti-bribery and anti-corruption laws and similar laws could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, and possibly other anti-bribery and anti-corruption laws in countries outside of the United States where we conduct our activities. Anti-corruption and anti-bribery laws are enforced aggressively and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, clients, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We may leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, clients and third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, clients or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that all of our employees, agents, representatives, clients or third-party

intermediaries will not take actions in violation of applicable law for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that none of our employees, agents, representatives, clients or third-party intermediaries will not violate our policies or applicable laws and regulations, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery and anti-corruption laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

We are subject to federal and state consumer protection laws and regulations in the jurisdictions in which we operate, which may result in liability or expense, including potential private rights of action, if we do not comply, or it is alleged that we do not to comply, with such laws.

We are subject to federal and state consumer protection laws and regulations in the jurisdictions in which we operate. In the United States, Bakkt Marketplace is subject to federal and state consumer protection laws and regulations applicable to its activities, including the Electronic Fund Transfer Act ("EFTA") and Regulation E as implemented by the CFPB. These regulations require us to provide advance disclosure of changes to our services, follow specified error resolution procedures and reimburse consumers for losses from certain transactions not authorized by the consumer, among other requirements. There are uncertainties associated with being subject to consumer protection rules and regulations of the CFPB and other regulators, including in the application of certain rules and regulations to our business model and to crypto. Bakkt Marketplace may be considered a "covered person" for purposes of the CFPB's enforcement authority and may additionally be subject to the authority of the Federal Trade Commission. Under certain consumer protection rules and regulations, we may be exposed to significant liability to consumers in the event that there is an incident which results in a large number of unauthorized and fraudulent transfers out of our system. Additionally, we could face private litigation by consumers under consumer protection laws and regulations that have private rights of action. Technical violations of consumer protection laws could result in the assessment of actual damages or statutory damages or penalties of up to \$1,000 in individual cases or up to \$500,000 per violation in any class action and treble damages in some instances; we could also be liable for plaintiffs' attorneys' fees in such cases. We could be subject to, and could be required to pay amounts in settlement of, lawsuits containing allegations that our business violated the EFTA and Regulation E or otherwise advance claims for relief relating to our business practices.

We have implemented certain changes to comply with the CFPB's rule on prepaid accounts, which requires, among other things, the disclosure of fees and other information to the consumer prior to the creation of a prepaid account, some of which constitute substantial changes to the design of certain U.S. consumer accounts and their operability, which could lead to consumer dissatisfaction, require us to reallocate resources, and increase our costs, which could negatively affect our business.

Complying with evolving privacy and other data related laws and requirements may be expensive and force us to make changes to our business, and failure to comply with such laws and requirements could result in substantial harm to our business.

We are subject to a number of laws, rules, directives and regulations ("privacy laws") relating to the collection, use, retention, security, transfer and other processing of personal information about our consumers, employees, and other individuals ("personal data") in the jurisdictions where we operate. Our business relies on the processing of data and the movement of data, and, as a result, much of the personal data that we process, especially financial information, may be

regulated by multiple privacy laws. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among us, our subsidiaries and other parties with which we have commercial relationships. Regulatory scrutiny of privacy, data protection and the collection, storage, use and sharing of personal data is increasing across multiple jurisdictions.

Furthermore, laws relating to privacy, data protection and cybersecurity, including with respect to the use of data in artificial intelligence and machine learning, are rapidly evolving, extensive, complex and include inconsistencies and uncertainties. Examples of recent and anticipated developments that have or could impact our business include the following:

- The California Consumer Privacy Act (“CCPA”), as amended by the California Privacy Rights (“CPRP”) provide California residents increased privacy rights and protections with respect to certain sensitive personal information, including the ability to opt out of sales of their personal information. The CPRP also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRP.
- Numerous other U.S. states are considering, and in certain cases have adopted, laws similar to the CCPA. For example, legislation similar to the CCPA has been adopted in Virginia, Colorado, Utah, Connecticut, Iowa, Indiana, Montana, Tennessee, Oregon, Florida, Delaware, Texas, and New Jersey. The U.S. federal government has also considered privacy legislation. These and other new and evolving laws could have potentially conflicting requirements that would make compliance challenging.
- The United States government is considering regulating artificial intelligence and machine learning.
- The certifications we maintain and the standards we comply with, including the Payment Card Industry Data Security Standard, among others, are becoming more stringent.

These and other similar legal and regulatory developments could contribute to legal and economic uncertainty, affect how we design, market, sell and operate our platform, how our clients, customers and vendors process and share data, how we process and use data, and how we transfer personal data from one jurisdiction to another, which could negatively impact demand for our platform. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our clients relating to their own compliance with applicable laws and regulations, and to establish and maintain internal policies, self-certifications and third-party certifications supporting our compliance programs. Our clients may delegate their obligations relating to these or other laws or regulations to us via contract, and may impose additional obligations upon us via contract. More generally, we may be required to expend resources to assist our clients with such compliance obligations and to comply with our contractual obligations to our clients. In addition, any actual or perceived non-compliance with applicable laws, regulations, policies, industry data protections, security standards, certifications, and other actual or alleged obligations or undertakings relating to privacy or cybersecurity could result in proceedings, investigations, or claims against us by regulatory authorities, consumers, clients, or others, leading to reputational harm, significant fines, litigation costs, damages and other liabilities. Furthermore, many foreign countries and governmental bodies have laws and regulations concerning the collection, use, processing, storage, and deletion of personal data obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. As we expand our business activities into jurisdictions beyond the United States, including as a result of the Apex acquisition our practices, offerings, or platform could fail, or be alleged to fail to meet applicable requirements in the jurisdictions in which we operate. All of these impacts could have a material adverse effect on our business, financial condition and results of operations.

We may at times fail to comply with our privacy policies or other notices or statements we may make regarding the collection, use, disclosure and other processing of personal data, including credit card information, and certain other information or may be perceived to have failed to do so. We may also not be successful in achieving compliance if our employees or vendors fail to comply with our policies, certifications, documentation, notices and statements. Such failures can subject us to potential local, state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

In addition, because of the large number of text messages, emails, phone calls and other communications we send or make to our consumers for various business purposes, communication-related privacy laws that provide a specified monetary damage award or fine for each violation could result in particularly significant damage awards or fines. For example, under the Telephone Consumer Protection Act (“TCPA”), in the U.S., plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may triple the damage award for willful or knowing violations. We could be subject to lawsuits (including class-action lawsuits) containing allegations that our business violated the TCPA. These lawsuits seek damages (including statutory damages) and injunctive relief, among other remedies. Given the large number of communications we send to our consumers, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

We may be unable to sufficiently protect our proprietary rights and may encounter disputes from time to time relating to our use of the intellectual property of third parties.

We rely on a combination of trademarks, patents, service marks, copyrights, trade secrets, domain names and agreements with employees and third parties to protect our proprietary rights. Nonetheless, third parties may challenge, invalidate or circumvent our intellectual property, and our intellectual property may not be sufficient to provide it with a competitive advantage.

Despite our efforts to protect these rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our technology and processes. Our competitors and other third parties independently may design around or develop similar technology or otherwise duplicate our services or products such that we could not assert our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property and confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. Measures in place may not prevent misappropriation or infringement of our intellectual property or proprietary information and the resulting loss of competitive advantage, and we may be required to litigate to protect our intellectual property and proprietary information from misappropriation or infringement by others, which is expensive, could cause a diversion of resources and may not be successful.

We also may encounter disputes from time to time concerning intellectual property rights of others, and we may not prevail in these disputes. Third parties may raise claims alleging that we, or consultants or other third parties retained or indemnified by us, infringe on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us may cause us to spend significant amounts to defend the claim, even if we ultimately prevail, pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property (temporarily or permanently), cease offering certain products or services, or incur significant license, royalty or technology development expenses.

Regulatory requirements upon a change of control of our regulated subsidiaries may require an investor to obtain prior approval or submit information to regulators upon acquiring a direct or indirect controlling interest in us.

Certain of our subsidiaries are subject to regulatory supervision, including the requirement to obtain prior consent from the relevant regulator when a person holds, acquires or increases a controlling interest in those entities. For instance, under certain state money transmitter regulations, no person may hold or acquire, alone or together with others, a direct or indirect stake of 10% or more of us, or exercise, directly or indirectly, a controlling influence over us or any of the regulated subsidiaries. Under other state money transmitter regulations, that threshold may be higher.

Non-compliance with those requirements may lead to injunctions, penalties and sanctions against us as well as the person seeking to hold, acquire or increase a controlling interest, may subject the relevant transactions to cancellation or forced sale, and may result in increased regulatory compliance requirements or other potential regulatory restrictions on our business (including in respect of matters such as corporate governance, restructurings, mergers and acquisitions, financings

and distributions). If any of this were to occur, it could damage our reputation, limit our growth and materially and adversely affect our business, financial condition and results of operations.

Our tax information reporting obligations with respect to transactions involving loyalty points or other incentives are subject to change.

Under the current law, we do not believe that we are required to file any information returns with taxing authorities with respect to the issuance by our clients of loyalty points or other incentives, and we believe that we are in compliance with our tax information reporting obligations with respect to incentives that we issue. There can be no assurance that the IRS will not challenge our position, or that the applicable laws and administrative guidance will not change in a manner requiring us to provide additional tax information reporting to our customers.

It is unclear whether the conversion to crypto of loyalty points by means of using our platform is or may become subject to information reporting by us. In our capacity as the facilitator of an exchange on which such transactions occur, we may be deemed to have certain information reporting obligations to the IRS or another taxing authority. The IRS has provided limited guidance with respect to information reporting obligations for transactions involving loyalty points or other incentives, and, absent future regulatory or administrative guidance, we expect to file information returns with the IRS for only a limited number of such transactions. There can be no assurances, however, that the IRS will not take a contrary position with respect to our information reporting obligations. If the IRS were to successfully challenge our position with respect to its information reporting obligations or if it were ultimately determined that the conversion of loyalty points to crypto is subject to information reporting obligations, we could potentially be subject to penalties for any failure to satisfy such information reporting obligations. Additionally, changes in applicable laws and administrative guidance could impose such obligations on us. For example, under the Infrastructure Investment and Jobs Act of 2021 (Pub. L. 117-58) (the “Infrastructure Act”), we may be treated as a “broker” with respect to crypto transactions we facilitate. As a result, we may be required to file certain information reports, including customer’s names and addresses, gross proceeds from sales, and any capital gains or losses to the IRS. In August 2023, the IRS published proposed regulations on tax reporting requirements for cryptocurrency brokers, which were intended to implement the changes in law enacted by the Infrastructure Act. Such changes in our tax information reporting obligations may have a negative effect on the experience of our customers and may significantly increase our compliance costs. As a result of the foregoing, our planned business model may be adversely affected or it may incur additional costs in connection therewith.

Changes in tax laws or their judicial or administrative interpretations, or becoming subject to additional taxes that cannot be passed through to our loyalty customers, could negatively affect our business, financial condition and results of operations.

Our operations may be subject to extensive tax liabilities, including federal and state income taxes and other taxes, such as excise, sales/use, payroll, franchise, withholding and ad valorem taxes. Changes in tax laws or their judicial or administrative interpretations could decrease the amount of revenues we receive, the value of any tax loss carryforwards and tax credits recorded on our balance sheet and the amount of our cash flow and may have a material adverse impact on our business, financial condition and results of operations. Some of our tax liabilities may be subject to periodic audits by the applicable taxing authority, which could increase our tax liabilities. Furthermore, we may become subject to taxation in various taxing jurisdictions. If we are required to pay additional taxes and are unable to pass the tax expense through to our customers, our costs would increase and our net income would be reduced, which could have a material adverse effect on our business, financial condition and results of operations.

Because there is limited guidance for tax reporting or accounting of bitcoin and other crypto transactions, the determination that we have made for how to account for or report the tax treatment of crypto transactions may be subject to change and challenge by relevant tax authorities in various countries, including the United States. Failure to properly report activity related to crypto for tax or accounting purposes may have negative regulatory or legal outcomes and harm our reputation.

Because there has been limited guidance for the tax reporting or accounting of crypto and limited guidance has been provided by the IRS, it is unclear how crypto transactions or other actions related to crypto (such as forks, provision of staking rewards and other crypto incentives and rewards products or other similar items) and related tax consequences should be accounted for or reported for tax purposes. In 2014, the IRS released Notice 2014-21, IRB 2014-16, or IRS Notice, discussing certain aspects of “convertible virtual currency” (that is, crypto currency that has an equivalent value in real (or fiat) currency or that acts as a substitute for fiat currency) for U.S. federal income tax purposes. IRS stated that such crypto currency is treated as “property”, not “currency” for purposes of the rules relating to foreign currency gain or loss, and may be held as a capital asset. In 2019, the IRS released Revenue Ruling 2019-24 and a set of “Frequently Asked Questions”, or the 2019 Revenue Ruling & FAQs, that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of crypto currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of crypto currency. In 2023, the IRS released Revenue Ruling 2023-14, or the 2023 Revenue Ruling, that provides a cash-method taxpayer that receives additional units of crypto from staking must include those rewards in gross income. However, the IRS Notice, the 2019 Revenue Ruling & FAQs and the 2023 Revenue Ruling do not address other significant aspects of the U.S. federal income tax treatment of crypto and related transactions. Furthermore, the accounting treatment for revenues from crypto transactions is currently under review and subject to change. Failure to properly account for and report the transactions and other items related to the crypto held by our consumers to relevant tax authorities, such as the IRS, could have negative outcomes for us and harm our reputation with consumers and others.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing positions with respect to crypto in the future or that a court would uphold the treatment set forth in the existing IRS guidance. It is also unclear what additional guidance may be issued in the future on the treatment of existing crypto transactions and future crypto innovations for purposes of U.S. federal income tax or other foreign tax regulations. Any such alteration of existing IRS and foreign tax authority positions or additional guidance regarding crypto products and transactions could result in adverse tax consequences for holders of crypto and could have an adverse effect on the value of crypto and the broader crypto markets. Future technological and operational developments that may arise with respect to crypto currencies may increase the uncertainty with respect to the treatment of crypto currencies for U.S. federal income and foreign tax purposes. The uncertainty regarding tax treatment of crypto transactions impacts our customers, and could impact our business, both domestically and abroad.

It is likely that the IRS will introduce new rules related to our tax reporting and withholding obligations on our customer transactions in the future, possibly in ways that differ from our existing compliance protocols and where there is risk that we do not have proper records to ensure compliance for certain legacy customers. If the IRS determines that we are not in compliance with our tax reporting or withholding requirements with respect to customer crypto transactions, we may be exposed to significant penalties, which could adversely affect our financial position. We anticipate additional guidance from the IRS regarding tax reporting and withholding obligations with respect to customer crypto transactions that will likely require us to invest substantially in new compliance measures and may require significant retroactive compliance efforts, which could adversely affect our financial position. Similarly, it is likely that new rules for reporting crypto under the “common reporting standard” will be implemented on our international operations, creating new obligations and a need to invest in new onboarding and reporting infrastructure. Such rules are under discussion today by the member and observer states of the “Organization for Economic Cooperation and Development” and may give rise to potential liabilities or disclosure requirements for prior customer arrangements and new rules that affect how we onboard our customers and report their transactions to taxing authorities.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations under U.S. or foreign tax law.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its net operating losses, or NOLs to offset future taxable income. Future changes in our stock ownership, the causes of which may be outside of our control, could result in an ownership change under Section 382 of the Code. Any future NOLs we generate may also be impaired under state laws.

In addition, under the 2017 Tax Cuts and Jobs Act, or Tax Act, future tax losses may be utilized to offset no more than 80% of taxable income annually. We may be required to pay federal income taxes in future years despite generating a loss for federal income tax purposes. There is also a risk that due to statutory or regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our future NOLs could expire or otherwise be unavailable to offset future income tax liabilities. Based on state conformity or the lack thereof to the provisions in the Tax Act, as amended by the CARES Act, there is the potential that the Company may also be required to pay state income taxes despite generating a loss for state income tax purposes. For these reasons, we may not be able to realize a tax benefit from the use of any future NOLs we generate, whether or not we attain profitability.

We may be subject to various governmental export control and trade sanctions laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

In some cases, our platform may be subject to export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce, and our activities may be subject to trade and economic sanctions, including those administered by the United States Department of the Treasury's Office of Foreign Assets Control, or OFAC (collectively, "Trade Controls"). As such, a license may be required to make our platform available to certain countries and end-users, and for certain end-uses. The process for obtaining necessary licenses may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities, and these licenses may not be issued. Trade Controls are complex and dynamic regimes and monitoring and ensuring compliance can be challenging. Although we have procedures in place designed to ensure our compliance with Trade Controls, any failure to comply could subject us to both civil and criminal penalties, including substantial fines, possible incarceration of responsible individuals for willful violations, possible loss of our export or import privileges, and reputational harm.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our software and services or could limit our customers' ability to implement our platform in those countries. Changes in our platform or changes in export and import regulations in such countries may create delays in the introduction of our platform into international markets, prevent our customers with international operations from deploying our platform globally or, in some cases, prevent or delay the export or import of our software and services to certain countries, governments, or persons altogether.

Risks Related to Information Technology and Data

Actual or perceived cyberattacks, security incidents or breaches could result in serious harm to our reputation, business and financial condition.

Our business involves the collection, storage, processing and transmission of confidential information and customers' personal data, including financial information and information about how customers interact with our platform. We have built our reputation on the premise that we offer customers a secure and convenient way to manage their crypto. We also maintain and process other information in our business, including our own proprietary, confidential, or otherwise sensitive information, and information we maintain or otherwise process for third parties. An increasing number of organizations, including large merchants, businesses, technology companies and financial institutions, as well as government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on their websites, mobile applications and infrastructure.

The techniques used to obtain unauthorized, improper, or illegal access to systems and information (including customers' personal data), disable or degrade service, or sabotage systems are constantly evolving and have become very complex and sophisticated, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. We may be unable to anticipate these techniques or to implement adequate preventative measures, and any cyberattack, breach or other security incident may take longer than expected to remediate or otherwise address. Unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems or facilities through various means, including, but not limited to, hacking into our systems or facilities or those of our customers or vendors, and attempting to fraudulently induce users of our systems (including employees and customers)

into disclosing customer names, passwords, payment card information, or other sensitive information, which may in turn be used to access our information technology systems, or to steal crypto stored by our customers. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage and insider threats. Certain efforts may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. The Russia-Ukraine war and Israel-Hamas war, and other geopolitical tensions and military conflicts, may increase the risks we and our vendors face from cyberattacks. Numerous and evolving cybersecurity threats, including advanced and persistent cyberattacks, cyberextortion, ransomware, denial-of-service attacks, spear phishing and social engineering schemes, the introduction of computer viruses, ransomware or other malware, and the physical destruction of all or portions of our information technology and infrastructure could compromise the confidentiality, availability and integrity of the information (including consumers' personal data) in our systems. Although we have developed systems and processes designed to protect information we manage, prevent data loss and other security breaches and effectively respond to known and potential risks, and we expect to continue to expend significant resources to bolster these protections, there can be no assurance that these security measures will provide absolute security or have prevented or will prevent breaches, security incidents or attacks, in particular, as the frequency and sophistication of cyberattacks increases.

Our information technology and infrastructure and those of our vendors (including data center and cloud computing providers) may be vulnerable to cyberattacks, security incidents and breaches and third parties may be able to access our customers' personal data and/or proprietary information, banking, crypto and payment card information, or other confidential, proprietary, or otherwise sensitive information, stored on or accessible through those systems. We have experienced from time to time, and may experience in the future, security incidents or breaches due to human error, malfeasance, insider threats, system errors, bugs, vulnerabilities, or other causes. Actual or perceived breaches of our or our vendors' security could, among other things:

- interrupt our operations;
- result in our systems or services being unavailable or degraded;
- result in improper disclosure or other processing of information (including consumers' personal data) and actual or perceived violations of applicable privacy and other laws;
- materially harm our reputation;
- result in significant liability claims, litigation, regulatory scrutiny, investigations and other proceedings, fines, penalties and other legal and financial exposure;
- cause us to incur significant remediation costs;
- lead to loss or theft of customer crypto or loyalty points and other harm to customers;
- lead to loss or theft of intellectual property;
- lead to loss of customer confidence in, or decreased use of, our products and services;
- divert the attention of management from the operation of our business;
- result in significant compensation or contractual penalties from us to our customers as a result of losses to them or claims by them; and
- adversely affect our business and results of operations.

We have expended and expect to continue to invest in resources to protect against privacy and security incidents and breaches and may be required to redress problems caused by privacy and security incidents or breaches. We have implemented remote and hybrid working protocols and offer work-issued devices to certain employees, but the actions of employees while working remotely may have a greater effect on the security of our infrastructure, networks, and the information, including personal data, we process, including for example by increasing the risk of compromise to systems or information arising from employees' combined personal and private use of devices, accessing our networks or information

using wireless networks that we do not control, or the ability to transmit or store information outside of our secured network. Our employees' or third parties' intentional, unintentional, or inadvertent actions may increase our vulnerability or expose us to security threats, such as ransomware, other malware and phishing attacks, and we may remain responsible for unauthorized access to, loss, alteration, destruction, acquisition, disclosure or other processing of information we or our vendors process or otherwise maintain, even if the security measures used to protect such information comply with applicable laws, regulations and other actual or asserted obligations. Also, cyberattacks, including on the supply chain, continue to increase in frequency and magnitude, and we cannot provide assurances that our preventative efforts will be successful.

Financial services regulators in various jurisdictions have implemented authentication requirements for banks and payment processors intended to reduce online fraud, which could impose significant costs, require us to change our business practices, make it more difficult for new consumers to join us, and reduce the ease of use of our platform, which could harm our business. Our insurance policies may not be adequate to reimburse us for losses caused by security incidents or breaches. We also cannot be certain that our insurance coverage will be adequate for incurred information security liabilities, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, results of operations, and reputation.

Systems failures and resulting interruptions in the availability of our websites, applications, products or services could harm our business.

Our systems and those of our service providers and clients have experienced from time to time, and may experience in the future service interruptions or degradation because of hardware and software defects or malfunctions, insider threats, human error, earthquakes, hurricanes, floods, fires and other natural disasters, power losses, disruptions in telecommunications services, fraud, geopolitical tensions, and military or political conflicts (including the Russia-Ukraine and Israel-Hamas wars), terrorist attacks, computer viruses, ransomware or other malware, or other events. We have experienced from time to time, and may experience in the future, disruptions in our systems. In addition, as a provider of payments solutions and crypto trading and custody solutions, we are subject to heightened scrutiny by regulators that may require specific business continuity, resiliency and disaster recovery plans and more rigorous testing of such plans, which may be costly and time-consuming to implement, and may divert our resources from other business priorities.

We have experienced and expect to continue to experience system failures, denial-of-service attacks and other events or conditions from time to time that interrupt the availability, or reduce or adversely affect the speed or functionality, of our products and services. These events have resulted and likely will result in loss of revenue. A prolonged interruption in the availability or reduction in the availability, speed, or functionality of our products and services could materially harm our business. Frequent or persistent interruptions in our services could cause current or potential clients to believe that our systems are unreliable, leading them to switch to competitors or to avoid or reduce the use of our platform, and could permanently harm our reputation. Moreover, if any system failure or similar event results in damages to our customers, these clients could seek significant compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address, and could have other consequences described in this "Risk Factors" section under the caption "Actual or perceived cyberattacks, security incidents, or breaches could result in serious harm to our reputation, business and financial condition." Further, frequent or persistent site interruptions could lead to regulatory scrutiny, significant fines and penalties and mandatory and costly changes to our business practices, and ultimately could cause us to lose existing licenses that we need to operate or prevent or delay us from obtaining additional licenses that may be required for our business.

We also rely on facilities, components, applications and services supplied by third parties, including data center facilities and cloud storage services, which subjects us to risks in the nature of those discussed in this "Risk Factors" section under the caption "We face operational, legal and other risks related to our reliance on third party vendors, over

which we have no control.” From time to time, such third parties may cease to provide us with such facilities and services. Additionally, if these third parties experience operational interference or disruptions, breach their agreements with us, fail to perform their obligations and meet our expectations, or experience a cyberattack, security incident or breach, our operations could be disrupted or otherwise negatively affected, which could result in consumer dissatisfaction, regulatory scrutiny and damage to our reputation and brands and materially and adversely affect our business. Our business interruption insurance coverage may be insufficient to compensate us for all losses that may result from interruptions in our service as a result of systems failures and similar events.

Implementation of new systems and technologies is complex, expensive and time-consuming. If we fail to timely and successfully implement new information systems and technologies, or improvements or upgrades to existing information systems and technologies, or if such systems and technologies do not operate as intended, this could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations and financial condition.

If we use open source software inconsistent with our policies and procedures or the license terms applicable to such software, we could be subject to legal expenses, damages, or costly remediation or disruption to our business.

We use open source software in our platform. While we have policies and procedures in place governing the use of open source software, there is a risk that we incorporate open source software with onerous licensing terms, including the obligation to make our source code available for others to use or modify without compensation. If we receive an allegation that we have violated an open source license, we may incur significant legal expenses, be subject to damages, be required to redesign our platform to remove the open source software, or be required to comply with onerous license restrictions, all of which could have a material impact on our business. Even in the absence of a claim, if we discover the use of open source software inconsistent with our policies, we could expend significant time and resources to replace the open source software or obtain a commercial license, if available. All of these risks are heightened by the fact that the ownership of open source software can be uncertain, leading to litigation, and many of the licenses applicable to open source software have not been interpreted by courts, and these licenses could be construed to impose unanticipated conditions or restrictions on our ability to commercialize our products. Any use of open source software inconsistent with our policies or licensing terms could harm our business and financial position.

Risks Related to Risk Management and Financial Reporting

Real or perceived inaccuracies in our key operating metrics may harm our reputation and negatively affect our business.

We track certain key operating metrics with internal systems and tools that are not independently verified by any third party. While the metrics presented in this Annual Report on Form 10-K are based on what we believe to be reasonable assumptions and estimates, our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time. In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If the internal systems and tools we use to track these metrics understate or overstate performance or contain algorithmic or other technical errors, the key operating metrics we report may not be accurate. If investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed and our results of operations and financial condition could be adversely affected.

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

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

has excluded Bakkt Crypto. There is no assurance that we will not identify control deficiencies or material weaknesses when our assessment include Bakkt Crypto in future periods.

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

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

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

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed financial statements and income and expenses during the periods reported. Actual results could materially differ from those estimates and the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report on Form 10-K. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve those related to going concern, revenue recognition, internal-use software development costs, valuation of our stock-based compensation awards, including the determination of fair value of our common stock, accounting for income taxes, the carrying value of operating lease right-of-use assets and useful lives of long-lived assets, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our securities.

Our management has limited experience in operating a public company.

Certain of our executive officers and directors, including our incoming Chief Executive Officer, have limited experience in the management of a publicly traded company. Such limited experience in dealing with the complex laws pertaining to public companies could be a disadvantage and result in a significant amount of their time being devoted to these activities, which will result in less time being devoted to our management and growth.

If members or former members of our management engage in business activities of the types conducted by us, we may be materially adversely affected.

Certain members and former members of our management and their affiliates have in the past provided management services to other finance and technology companies that may compete with us. Certain members and former members of our management have entered into restrictive covenant agreements with non-competition provisions. If these

agreements are not effective in preventing these parties from engaging in business activities that are competitive with us, it could have a material adverse effect on our business, financial condition, results of operations or prospects and our ability to make distributions to our equity holders.

We have incurred and continue to incur increased costs as a public company, and our management is required to devote substantial time to compliance matters.

As a public company, we have incurred and expect to continue to incur significant legal, accounting, reporting and other expenses we did not incur as a private company, including costs associated with public company reporting requirements (which expenses may increase once we no longer qualify as an “emerging growth company” under the JOBS Act) and costs of recruiting and retaining non-executive directors. We also have incurred, and will continue to incur, costs associated with compliance with the rules and regulations of the SEC, the listing requirements of NYSE, and various other costs of a public company. The expenses generally incurred by public companies for reporting and corporate governance purposes have been increasing. Our management needs to devote a substantial amount of time to ensure that we comply with all of these requirements. These laws and regulations also could make it more difficult and costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult to attract and retain qualified persons to serve on our Board and Board committees and serve as executive officers.

Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our securities, fines, sanctions and other regulatory action and potentially civil litigation.

We are an “emerging growth company” and a “smaller reporting company” and any decision to comply with certain reduced reporting and disclosure requirements applicable to emerging growth companies and smaller reporting companies could make our securities less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including:

- not being required to have an independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a result, our stockholders may not have access to certain information that they may deem important. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we had at least \$1.235 billion in annual revenue;
- the date we qualify as a “large accelerated filer,” with at least \$700.0 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; or
- December 31, 2025.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to take advantage of this extended transition period and as a result, our financial statements may not be comparable with similarly situated public companies. To the

extent that we continue to qualify as a “smaller reporting company,” as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), after we cease to qualify as an emerging growth company, we will continue to be permitted to make certain reduced disclosures in our periodic reports and other documents that we file with the SEC.

If some investors find our securities less attractive because we rely on any of these exemptions, there may be a less active trading market for such securities and the market price of such securities may be more volatile and may decline.

Future changes in financial accounting standards may significantly change our reported results of operations.

GAAP is subject to standard setting or interpretation by the Financial Accounting Standards Board (“FASB”), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results. For example, the accounting treatment for revenues from crypto transactions is under review and subject to change. To the extent we account for revenue from crypto transactions in a manner that is different than the manner ultimately established by the SEC and GAAP, such revenue information, and the timing of revenue recognition, could vary materially and require subsequent adjustment. Any such adjustment could materially impact our reported results of operations, which could have negative outcomes for us and harm our reputation and could affect the reporting of transactions completed before the announcement of a change.

Material weaknesses or control deficiencies could occur that could adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses identified through such evaluation in those internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

We can give no assurance that material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

Risks Related to Our Securities

Our warrants are exercisable for Class A Common Stock. Any such exercise increases the number of shares outstanding and eligible for future resale in the public market and results in dilution to our stockholders.

As of December 31, 2023, our warrants to purchase an aggregate of 7,140,814 shares of Class A Common Stock are exercisable in accordance with the terms of the warrant agreement. In addition, we have outstanding warrants to purchase up to an aggregate of 48,898,110 additional shares Class A Common Stock at an exercise price \$1.02 per share and pre-funded warrants to purchase up to 11,218,570 additional shares of Class A Common Stock at an exercise price of \$0.0001 per share. To the extent such warrants are exercised, additional shares of Class A Common Stock will be issued, which will result in dilution to the holders of Class A Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of Class A Common Stock.

The valuation of our warrants could increase the volatility in our net income (loss in our consolidated statements of operations).

The change in fair value of our warrants is the result of changes in stock price and warrants outstanding at each reporting period. (Loss) gain from change in fair value of warrant liabilities represents the mark-to-market fair value adjustments to the outstanding warrants. Significant changes in our stock price or number of warrants outstanding may adversely affect our net income (loss) in our consolidated statements of operations.

We may issue additional shares of common stock or other equity securities , which would dilute stockholders' ownership interest in us and may reduce the market price of our securities.

We may issue additional shares of our Class A Common Stock or other equity securities in the future in connection with, among other things, future acquisitions, repayment of outstanding indebtedness, the exercise of warrants issued pursuant to the Concurrent Offerings (as defined below), or grants under the 2021 Omnibus Incentive Plan, as amended (the "Equity Incentive Plan"), without stockholder approval in a number of circumstances. We may also issue, subject to obtaining stockholder approval, to ICE 8,772,016 shares of Class A Common Stock and warrants to purchase up to 8,772,016 shares of Class A Common Stock pursuant to a securities purchase agreement. The issuance of additional Class A Common Stock or other equity securities could have, among other things, one or more of the following effects:

- our existing stockholders' proportionate ownership interest will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share of our common stock may be diminished; and
- the market price of our Class A Common Stock and/or Warrants may decline.

We may not receive any additional funds upon the exercise of the Pre-Funded Warrants or Warrants.

Each Pre-Funded Warrant and Warrant (each as defined below) may be exercised by way of a cashless exercise, meaning that the holder may not pay a cash purchase price upon exercise, but instead would receive upon such exercise the net number of shares of the Class A Common Stock as determined according to the formulas set forth in the Pre-Funded Warrant or Warrant. In addition, upon the occurrence of certain events, the Class 2 Warrants (as defined below) may be exercised by way of an alternative cashless exercise, allowing the holder to receive the product of (x) the aggregate number of shares subject to the alternative cashless exercise (up to the full number of shares that would be issuable upon exercise of the Class 2 Warrant in accordance with the terms of the Class 2 Warrant if such exercise were by means of a cash exercise rather than a cashless exercise) and (y) 0.5. Accordingly, we may not receive any additional funds upon the exercise of the Pre-Funded Warrants or Warrants.

If securities and industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the prices and trading volumes of our securities could decline.

The trading market for our securities depends, in part, on the research and reports that securities and industry analysts publish about us and our business. If securities and industry analysts downgrade our securities or publish inaccurate or unfavorable research about our business, the market price of our securities would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our stock could decrease, which might cause the market price and trading volume of our securities to decline.

Delaware law and our Certificate of Incorporation and By-Laws contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation (the "Certificate of Incorporation") and our by-laws (the "By-Laws") contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by the Board and therefore depress the trading price of our securities. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of the Board or taking other corporate actions, including effecting changes in management. Among other things, the Certificate of Incorporation and By-Laws include provisions regarding:

- a classified Board with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of the Board;
- the ability of the Board to issue shares of Preferred Stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- the right of the Board to elect a director to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on the Board;
- the requirement that directors may only be removed from the Board for cause and upon the affirmative vote of the holders of at least 66 2/3% of the total voting power of then outstanding Class A Common Stock;
- a prohibition on stockholder action by written consent (except for actions by the holders of Class V Common Stock or as required for holders of future series of Preferred Stock), which forces stockholder action to be taken at an annual or special meeting of stockholders and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by the Board, the Chairman of the Board or our Chief Executive Officer, which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of the Board and stockholder meetings;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the total voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend, alter, change or repeal certain provisions in the Certificate of Incorporation which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in the Board and also may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of the Board to amend the By-Laws, which may allow the Board to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the By-Laws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which our stockholders must comply to nominate candidates to the Board or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in the Board and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in the Board or management.

We cannot predict the impact our dual class structure may have on the stock price of our Class A Common Stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A Common Stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Under these policies, our dual class capital structure may make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. It is unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. As a result, the market price of shares of our Class A Common Stock could be adversely affected.

Our Certificate of Incorporation designates a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, or if such court does not have subject matter jurisdiction, any other court located in the State of Delaware with subject matter jurisdiction, will be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of us, (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of ours to us or our stockholders, (c) any action asserting a claim against us or our officers or directors arising pursuant to any provision of the DGCL or the Certificate of Incorporation or By-Laws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, (d) any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or the By-Laws or any provision thereof, (e) any action asserting a claim against us or any current or former director, officer, employee, stockholder or agent of ours governed by the internal affairs doctrine of the law of the State of Delaware or (f) any action asserting an "internal corporate claim" as defined in Section 115 of the DGCL.

Section 22 of the Securities Act of 1933 (the "Securities Act") creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Notwithstanding the foregoing, the Certificate of Incorporation provides that the exclusive forum provision will not apply to suits brought to enforce any cause of action arising under the Securities Act, any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities will be deemed to have notice of and consented to this provision. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find these exclusive-forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

Our Certificate of Incorporation does not limit the ability of ICE to compete with us.

ICE and its affiliates engage in a broad spectrum of activities, including investments in the financial services and technology industries. In the ordinary course of its business activities, ICE and its respective affiliates may engage in activities where their interests conflict with our interests, or those of our other stockholders. The Certificate of Incorporation provides that ICE and its affiliates (including any non-employee directors of ours appointed by ICE) have no duty to refrain from (1) engaging in and possessing interests in other business ventures of every type and description, including those engaged in the same or similar business activities or lines of business in which we now engage or propose to engage or (2) otherwise competing with us, on their own account, in partnership with, or as an employee, officer, director or shareholder of any other individual, corporation, general or limited partnership, limited liability company, joint venture, trust, association or any other entity. ICE also may pursue, in its capacity other than as directors of the Board, acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, ICE may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to our other

stockholders. ICE will not be liable to us, our stockholders any of our affiliates for breach of any fiduciary duty solely by reason of the fact that they engage or have engaged in any such activities.

ICE may exert significant influence over us and its interests may conflict with yours or those of other stockholders in the future.

Each share of Class A Common Stock and Class V Common Stock entitles its holder to one vote on all matters presented to stockholders generally. Accordingly, ICE is able to exert significant influence over the election and removal of our directors and thereby significantly influence corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, amendment of our Certificate of Incorporation and By-Laws and other significant corporate transactions for so long as it retains significant ownership. This concentration of ownership may delay or deter possible changes in control, which may reduce the value of an investment in our securities. So long as ICE continues to own a significant amount of the combined voting power, even if such amount is less than 50%, ICE will continue to be able to strongly influence our decisions. While the Voting Agreement (as defined below) limits ICE to vote only an aggregate of 30% of its voting power, such amount may result in substantial influence in voting matters. The Voting Agreement provides that this limitation on ICE's voting power will terminate at such time as its ownership is less than a majority of the outstanding voting power, at which time ICE will be entitled to vote all of its voting shares, which may result in an increase in its potential influence.

The price of our securities may be volatile.

The trading market for our securities has in the past been and could in the future be impacted by market volatility. The price of our securities may fluctuate due to a variety of factors, including:

- changes in the industries in which we operate, including, in particular, the crypto industry;
- changes in laws and regulations affecting our business;
- developments involving our competitors or other companies in our industries;
- variations in our operating performance and the performance of our competitors in general;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- actions by stockholders;
- the exercise of warrants to purchase our securities;
- additions and departures of key personnel;
- commencement of, or involvement in, litigation involving the combined companies;
- changes in our capital structure, such as future issuances of securities or the incurrence of debt;
- the volume of our Class A Common Stock available for public sale; and
- general economic and political conditions, such as recessions, inflation, volatility in the markets, increases in interest rates, local and national elections, fuel prices, international currency fluctuations, corruption, political instability, pandemics or other public health emergencies and acts of war or terrorism, such as the war in the Middle East and ongoing geopolitical tensions related to Russia's actions in Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions.

These market and industry factors may materially reduce the market price of our securities regardless of our operating performance.

Because there are no current plans to pay cash dividends on the Class A Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Class A Common Stock at a price greater than what you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of Class A Common Stock will be at the sole discretion of the Board. The Board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, implications of the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as the Board may deem relevant. As a result, you may not receive any return on an investment in Class A Common Stock unless you sell your Class A Common Stock for a price greater than that which you paid for it.

Our securities may be delisted from the New York Stock Exchange if we cannot regain compliance with the NYSE's continued listing requirements.

On March 13, 2024, we were notified by the NYSE that we were not in compliance with Section 802.01C of the NYSE Listed Company Manual (the "Listing Rule") because the average closing stock price of a share of our Class A Common Stock was less than \$1.00 per share over a consecutive 30 trading-day period. Pursuant to the Listing Rule, we have six months following the NYSE notification to regain compliance with the Listing Rule, during which time the Company's Class A Common Stock will continue to be listed on the NYSE. There can be no assurances that we will be able to regain compliance with the Listing Rule or any other NYSE continued listing requirements during such period, or at all.

If we do not regain compliance with the Listing Rule within six months of receipt of the NYSE notification, our securities may be delisted. If the NYSE delists our securities from trading on its exchange and we are not able to list its securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- determination that our Class A Common Stock is a "penny stock," which will require brokers trading in the common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- the incurrence of additional costs under state blue sky laws in connection with any sales of our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats, as such term is defined in Item 106(a) of Regulation S-K. These risks include, among other things, operational risks; intellectual property loss or theft; fraud; extortion; harm to employees or customers; potential litigation, regulatory investigations or other proceedings, and other legal risks; and reputational risks. We have implemented cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage such material risks.

To identify and assess material risks from cybersecurity threats, our Enterprise Risk Management program considers cybersecurity risks alongside other company risks as part of our overall risk assessment process. We perform specific cybersecurity risk assessments at least annually to identify and assess material cybersecurity threat risks, their severity, and potential mitigations. We employ a range of tools and services, including regular network and endpoint monitoring, vulnerability assessments, penetration testing, and tabletop exercises to further identify risks.

To provide for the availability of critical data and systems, address regulatory compliance requirements, manage our material risks from cybersecurity threats, and to protect against, detect, and respond to cybersecurity incidents, we undertake these activities:

- undertake an annual review of our policies and statements related to cybersecurity;
- conduct cybersecurity awareness training for all employees annually;
- conduct privileged access and incident training for employees involved in our systems and processes that handle sensitive data;
- conduct regular phishing email simulations for all employees and all contractors with access to corporate email systems to enhance awareness and responsiveness to such possible threats;
- through policy, practice and contract (as applicable), require employees, as well as applicable third parties who provide services on our behalf, to treat customer information and data with care;
- conduct tabletop exercises to simulate a response to a cybersecurity incident and use the findings to improve our processes and technologies;
- leverage the National Institute of Standards and Technology incident handling framework as the foundation of our incident response plan to help us identify, protect, detect, respond, and recover when there is an actual or potential cybersecurity incident; and
- carry information security risk insurance that provides protection against the certain potential losses arising from a cybersecurity incident.

Our incident response plan coordinates the activities we take in our efforts to prepare for, detect, respond to and recover from cybersecurity incidents, which include processes designed to triage, assess severity, escalate, contain, investigate, and remediate the incident, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage. We regularly engage with independent third parties to review our cybersecurity program and assess the effectiveness of our controls. These third parties include our Internal Audit department as well as external reputable and well-known firms, all of which review various aspects of our cybersecurity program, processes, and controls throughout the year.

We also maintain processes to address cybersecurity threat risks associated with our use of third-party service providers, including those who have access to our systems or data or facilities that house such systems and data. Cybersecurity considerations affect the selection and oversight of these third-party service providers. We perform diligence on these third parties and monitor cybersecurity threat risks identified through such diligence. Additionally, we generally require those third parties that we believe could introduce significant cybersecurity risk to us to agree by contract to manage their cybersecurity risks in specified ways, and be subject to certain obligations related to their cybersecurity practices.

Like other technology companies, we have faced cybersecurity incidents in the past. As of the date of this Annual Report on Form 10-K, however, we have not assessed any risks from prior cybersecurity incidents as having materially affected or being reasonably likely to materially affect us. We face risks from cybersecurity threats, including those associated with cyberattacks and security breaches and incidents, in the future. For additional information regarding whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, results of

operations, or financial condition in “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K, which disclosures are incorporated by reference herein.

Cybersecurity Governance

Cybersecurity is an important part of our risk management processes and an area of focus for our Board and management. Our Board’s Audit and Risk Committee is responsible for the oversight of risks from cybersecurity threats. At least quarterly, the entire Board receives an overview from management of our cybersecurity program and strategy processes covering topics such as data security posture, results from third-party assessments, progress towards pre-determined risk-mitigation-related goals, our incident response plan, and certain cybersecurity threat risks or incidents and developments, as well as the steps management has taken to respond to such risks. The Board discusses such matters with our Chief Risk Officer (CRO) and Chief Information Security Officer (CISO). Members of the Board are also encouraged to regularly engage in ad hoc conversations with management on cybersecurity-related news events and discuss any updates to our cybersecurity risk management and strategy programs.

Our enterprise risk management and strategy processes are led by our CRO. Cybersecurity program management and strategy processes are led by our CISO. Such individuals have collectively over 40 years of prior work experience in various roles involving managing enterprise risk and information security, developing cybersecurity strategy, and implementing effective information and cybersecurity programs, as well as several relevant degrees and certifications, including Certified Information Security Manager, Certified Information Systems Auditor, and Certified Information Systems Security Professional. The CRO and CISO provide regular updates to the executive management team. The executive management team monitors the prevention, mitigation, detection, and remediation of cybersecurity incidents through their participation in the cybersecurity risk management and strategy processes described above, including the operation of our incident response plan. As discussed above, the CRO and CISO report to the entire Board about cybersecurity threat risks, among other cybersecurity related matters, at least quarterly.

Item 2. Properties

Facilities

We lease facilities under operating leases in Alpharetta, Georgia, one for our corporate headquarters with an expiration date in October 2032, and another for a call center with an expiration date in April 2026, in Scottsdale, Arizona, our principal customer service center with an expiration date in September 2030, and in New York, New York, our satellite corporate office with an expiration date in March 2030.

Item 3. Legal Proceedings

From time to time we are subject to legal proceedings and claims arising in the ordinary course of business. Based on our current knowledge, we believe that the amount or range of reasonably possible losses will not, either individually or in the aggregate, have a material adverse effect on our business, results of operations, or financial condition.

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

The results of any litigation cannot be predicted with certainty, and an unfavorable resolution in any legal proceedings could materially affect our future business, results of operations, or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management

resources, and other factors. For additional information on our ongoing legal proceedings, refer to Note 14 in our audited consolidated financial statements included in this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters, And Issuer Purchases Of Equity Securities

Market Information and Holders

Our Class A Common Stock and Public Warrants trade on NYSE under the trading symbols “BKKT” and “BKKT WS,” respectively.

As of March 18, 2024, we had 141,798,069 shares of Class A Common Stock issued and outstanding held of record by 171 holders, 179,883,479 shares of Class V Common Stock issued and outstanding held of record by 3 holders, and 7,140,808 Public Warrants issued and outstanding, each exercisable for one share of Class A Common Stock, held of record by 1 holder. There is no public market for our Class V Common Stock.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of the Board subject to applicable laws and will depend upon, among other factors, our operating results, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our capital stock may be limited by any future debt instruments or preferred securities.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Unregistered Sales of Equity Securities

None.

Item 7. Management’s Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis of financial condition and results of operations should be read together with our audited consolidated financial statements and the related notes included under Item 8 of this Annual Report on Form 10-K (the “audited consolidated financial statements”). References in this section to “we,” “us,” “our,” “Bakkt” or the “Company” and like terms refer to Bakkt Holdings, Inc. and its subsidiaries for the years ended December 31, 2023 and December 31, 2022, unless the context otherwise requires. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business, includes forward-looking statements. Such forward-looking statements are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those factors discussed above in “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors.”

Overview

Founded in 2018, Bakkt builds technology that connects the digital economy by offering one ecosystem for crypto and loyalty points. We enable our clients to deliver new opportunities to their customers through software as a service (“SaaS”) and API solutions that unlock crypto and drive loyalty, powering engagement and performance. The global market for crypto, while nascent, is rapidly evolving and expanding. We believe we are well-positioned to provide

innovative, multi-faceted product solutions and grow with this evolving market. Our platform is uniquely positioned to power commerce by enabling consumers, brands, and financial institutions to better manage, transact with and monetize crypto in exciting new ways.

Our platform is built to operate across various crypto assets and offers clients 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 clients may choose to enable our capabilities directly in their experience, while others may want a “ready-to-go” storefront and leverage capabilities such as our web-based technology. Our institutional-grade platform, born out of our former parent company, Intercontinental Exchange, Inc. (“ICE”), supports “know your customer” (“KYC”), anti-money laundering (“AML”), and other anti-fraud measures to combat financial crime.

Recent Developments

Crypto Market Developments

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

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

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

February 2024 Concurrent Registered Direct Offerings

On February 29, 2024, we entered into a securities purchase agreement (the “Third-Party Purchase Agreement”) with certain institutional investors (the “Third-Party Purchasers”). The consummation of the transactions contemplated by the Third-Party Purchase Agreement (the “Third-Party Closing”) occurred on March 4, 2024. At the Third-Party Closing, pursuant to the Third-Party Purchase Agreement, we issued and sold to the Third-Party Purchasers an aggregate of 34,917,532 shares of our Class A Common Stock, Class 1 Warrants (“Class 1 Warrants”) to purchase an aggregate of 23,068,051 shares of Class A Common Stock, Class 2 Warrants (“Class 2 Warrants”) to purchase an aggregate of 23,068,051 shares of Class A Common Stock and Pre-Funded Warrants (“Pre-Funded Warrants”) to purchase an aggregate of 11,218,570 shares of Class A Common Stock. As of the date of this report, holders have exercised all of the Pre-Funded Warrants. The offering of such securities was conducted in a registered direct offering (the “Third-Party Offering”). The purchase price of each share of Class A Common Stock and accompanying Class 1 Warrant or Class 2 Warrant (each, a “Warrant”) was \$0.8670 and the purchase price of each Pre-Funded Warrant and accompanying Warrant was \$0.8669.

In a concurrent registered direct offering (the “ICE Offering” and, together with the Third-Party Offering, the “Concurrent Offerings”), we entered into a securities purchase agreement (the “ICE Purchase Agreement” and, together with the Third-Party Purchase Agreement, the “Purchase Agreements”) with ICE, pursuant to which we agreed to sell to ICE up to 11,534,024 shares of Class A Common Stock, Class 1 Warrants to purchase up to 5,767,012 shares of Class A Common Stock, and Class 2 Warrants to purchase up to 5,767,012 shares of Class A Common Stock. The purchase price of each share of Class A Common Stock and accompanying Warrant in the ICE Offering is \$0.8670.

In the ICE Offering, we closed the sale and issuance to ICE of 2,762,009 shares of Class A Common Stock, Class 1 Warrants to purchase up to 1,381,004 shares of Class A Common Stock and Class 2 Warrants to purchase up to 1,381,004 shares of Class A Common Stock, concurrently with the Third-Party Closing (the “Initial ICE Closing”). The closing of the issuance and sale of the remaining 8,772,016 shares of Class A Common Stock, Class 1 Warrants to purchase up to 4,386,008 shares of Class A Common Stock and Class 2 Warrants to purchase up to 4,386,008 shares of Class A Common Stock in the ICE Offering is conditioned on us obtaining stockholder approval for such issuances under the rules and regulations of the NYSE and other customary closing conditions.

See “Liquidity and Capital Resources” below for management’s assertions on the impact of the Concurrent Offerings on our going concern considerations.

Apex Crypto Acquisition

On April 1, 2023, we completed the acquisition of 100% of the ownership interests of Apex Crypto LLC (“Apex Crypto”) and subsequently changed the name of the legal entity to Bakkt Crypto Solutions, LLC (“Bakkt Crypto”). We are leveraging Bakkt Crypto’s proprietary trading platform and existing relationships with liquidity providers to provide a wider range of assets and competitive pricing to our customers. Our acquisition of Bakkt Crypto complements our B2B2C growth strategy by broadening our business partnerships to fintechs and neobanks. Specifically, Bakkt Crypto offers customers the ability to purchase, sell, store and, in approved jurisdictions, deposit and withdraw approved crypto assets, all from within the applications of its clients with whom customers already have a relationship. Using Bakkt Crypto’s platform, customers can purchase approved crypto assets, store crypto assets in custodial wallets, liquidate their holdings, and transfer supported crypto assets between a custodial wallet maintained by Bakkt Crypto and external wallets in certain jurisdictions, if enabled by the client.

In addition, Bakkt Crypto is in the process of developing, subject to applicable regulatory approvals, functionalities enabling transfers of supported crypto assets between registered customers, and conversion of certain loyalty and rewards points into supported crypto assets. Bakkt Crypto is also in the process of enhancing capabilities on its trading platform, including support for larger orders and recurring buys, and extending the platform to support institutional execution.

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

At the time our acquisition of Bakkt Crypto closed, Bakkt Crypto had agreements with more than 30 fintech clients pursuant to which the clients made Bakkt Crypto’s crypto asset trading service available to their customer base. Our acquisition of Bakkt Crypto resulted in us obtaining access to such partners. The majority of these fintech clients are also part of Apex Fintech Solutions’ client network.

The agreements with these fintech clients provide for licensing of their front-end trading platforms by Bakkt Crypto and cooperation between the parties in facilitating consumers' transactions in crypto assets. The agreements are for a term of either one or two years and can be terminated by either party for breach or in case of a change of control. In most cases, the agreements also contain provisions giving Bakkt Crypto discretion in the choice of crypto assets offered to each client through its platform, and, in some cases, exclusivity covenants pursuant to which clients have agreed not to refer their customers to other crypto asset trading platforms.

Following the closing of the acquisition of Bakkt Crypto and in light of recent regulatory developments, we reviewed all crypto assets then available on the Bakkt Crypto platform and determined it was appropriate to delist certain of such crypto assets. In effecting such delisting decisions, we attempted to mitigate impacts on our business and customers by affording customers a period in which to exit their positions in the impacted crypto assets as part of an orderly wind-down. The delisting process was completed on September 21, 2023 and we recognized transactional revenue associated with delisted crypto assets of approximately \$27.6 million on that date.

Bumped Acquisition

On February 8, 2023, we acquired 100% of the units of Bumped Financial, LLC, which we subsequently renamed Bakkt Brokerage, LLC ("Bakkt Brokerage"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc., for cash consideration of \$0.6 million. Bakkt Brokerage is not engaged in any business activities at this time and we have no current plans for it to engage in future business activities.

Key Factors Affecting Our Performance

Growing Our Client Base

Our ability to increase our revenue stream depends on our ability to grow clients on our platform. We collaborate with leading brands and have built an extensive network across numerous industries including financial institutions, merchants and travel and entertainment. To date, management has been focused on building through clients within a business-to-business-to-consumer ("B2B2C") model. Our goal is to provide these clients opportunities to leverage our capabilities either through their existing environment or by leveraging our platform. Our acquisition of Bakkt Crypto complements our B2B2C growth strategy by broadening our business partnerships to fintechs and neobanks. *See "Apex Crypto Acquisition" above.*

Product Expansion and Innovation

The crypto marketplace is rapidly evolving. We believe our ability to continue innovating our platform will increase the attractiveness of our platform to clients. Our ability to meet the capability demands of our clients will allow us to continue to grow revenue.

Competition

The crypto marketplace is highly competitive with numerous participants competing for the same clients. We believe we are well positioned with our ability to provide capabilities around emerging crypto assets alongside loyalty points on a single, highly secure, institutional-grade technology platform.

General Economic and Market Conditions

Our performance is impacted by the strength of the overall macroeconomic environment and crypto market conditions, which are beyond our control. Negative market conditions hinder client activity, including extended decision timelines around implementing crypto strategies. *See "Crypto Market Developments" above.*

Regulations in US & International 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 crypto. We are and will continue to 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 crypto. As investment continues, the intersection of technology and finance will require ongoing engagement as new applications emerge. Crypto asset and distributed ledger technology have significant, positive potential with proper collaboration between industry and regulators. For more information around regulations, please see “*Item 1. Business*”.

Safeguarding Obligation Liability and Safeguarding Asset Related to Crypto Held for Other Parties

As detailed in Note 18 to our audited consolidated financial statements included in this Annual Report on Form 10-K, upon the adoption of Staff Accounting Bulletin 121 (“SAB 121”), we recorded a safeguarding obligation liability and a corresponding safeguarding asset related to the crypto held for other parties. As of December 31, 2023, the safeguarding obligation liability related to crypto held for other parties was \$701.6 million. We have taken steps to mitigate the potential risk of loss for the crypto we hold for other parties, including holding insurance coverage specifically for certain crypto incidents and using secure cold storage to store the vast majority of crypto that we hold. SAB 121 also asks us to consider the legal ownership of the crypto held for other parties, including whether the crypto held for other parties would be available to satisfy general creditor claims in the event of our bankruptcy.

The legal rights with respect to crypto held on behalf of third parties by a custodian, such as us, upon the custodian’s bankruptcy have not yet been settled by courts and are highly fact-dependent. However, based on the terms of our terms of service and applicable law, in the event that we were to enter bankruptcy, we believe the crypto that we hold in custody for users of our platform should be respected as users’ property (and should not be available to satisfy the claims of our general creditors). We do not allow users to purchase crypto on margin, and crypto held on our platform does not serve as collateral for margin loans. We hold crypto in custody for users in one or more omnibus crypto wallets. We hold cryptographic key information and maintain internal record keeping for the crypto we hold in custody for users, and we are obligated to secure such assets from loss or theft. Our contractual arrangements state that our customers and clients retain legal ownership of the crypto custodied by us on their behalf; they also benefit from the rewards and bear the risks associated with their ownership, including as a result of any price fluctuations. We have been monitoring and will continue to actively monitor legal and regulatory developments and may consider further steps, as appropriate, to support this contractual position so that in the event of our bankruptcy, the crypto custodied by us should not be deemed to be part of our bankruptcy estate. We do not expect potential future cash flows associated with the crypto safeguarding obligation liability.

Key Performance Indicators

We use four key performance indicators (“KPIs”) that are key to understanding our business performance, as they reflect the different ways we enable clients to engage with our platform.

- ***Crypto-enabled accounts.*** We define crypto-enabled accounts as the total crypto accounts open on our platform. There were 6.2 million and less than 0.1 million crypto-enabled accounts as of December 31, 2023 and December 31, 2022, respectively.
- ***Transacting accounts.*** We define transacting accounts as unique accounts that perform transactions on our platform each month. We use transacting accounts to reflect how users across our platform use the variety of services we offer, such as buying and selling crypto to facilitate everyday purchases, redeeming loyalty points for travel or merchandise, or converting loyalty points to cash or gift cards. There were 3.8 million and 3.0 million unique monthly transacting accounts during the years ended December 31, 2023 and December 31, 2022, respectively.
- ***Notional traded volume.*** We define notional traded volume as the total notional volume of transactions across crypto and loyalty platforms. The figures we use represent gross values recorded as of the order date. Notional traded volumes were \$1,531.7 million and \$832.3 million during the years ended December 31, 2023 and December 31, 2022, respectively.
- ***Assets under custody.*** We define assets under custody as the sum of coin quantities held by customers multiplied by the final quote for each coin on the last day of the period. Assets under custody were \$701.6 million and \$15.8 million as of December 31, 2023 and December 31, 2022, respectively.

Results of Operations

The following table is our consolidated statements of operations for the years ended December 31, 2023 and December 31, 2022, respectively (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues:		
Crypto services	\$ 726,988	\$ 1,745
Loyalty services, net	53,148	54,479
Total revenues	780,136	56,224
Operating expenses:		
Crypto costs	718,511	1,657
Execution, clearing and brokerage fees	3,772	—
Compensation and benefits	102,042	139,049
Professional services	10,382	11,483
Technology and communication	20,837	17,079
Selling, general and administrative	33,385	35,414
Acquisition-related expenses	4,299	5,675
Depreciation and amortization	13,932	25,350
Related party expenses	3,902	1,168
Goodwill and intangible assets impairments	60,499	1,822,089
Impairment of long-lived assets	30,265	11,494
Restructuring expenses	4,608	2,336
Other operating expenses	1,592	2,343
Total operating expenses	1,008,026	2,075,137
Operating loss	(227,890)	(2,018,913)
Interest income, net	4,338	1,877
(Loss) gain from change in fair value of warrant liability	(1,571)	16,638
Other expense, net	(245)	(856)
Loss before income taxes	(225,368)	(2,001,254)
Income tax (expense) benefit	(444)	11,320
Net loss	(225,812)	(1,989,934)
Less: Net loss attributable to noncontrolling interest	(150,958)	(1,411,829)
Net loss attributable to Bakkt Holdings, Inc.	\$ (74,854)	\$ (578,105)
Net loss per share attributable to Class A common stockholders:		
Basic	\$ (0.84)	\$ (8.12)
Diluted	\$ (0.84)	\$ (8.12)

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Financial Summary

The year ended **December 31, 2023** included the following notable items relative to the year ended **December 31, 2022**:

- Revenue increased \$723.9 million primarily driven by a significant increase in crypto services revenue due to our acquisition of Bakkt Crypto; and

- Operating expenses decreased \$1,067.1 million primarily driven by goodwill and intangible asset impairments recorded in the prior year, partially offset by increased crypto trading costs in connection with our acquisition of Bakkt Crypto

Revenue

Revenues consist of crypto and loyalty revenue. We earn revenue when consumers use our services to buy, sell, and store crypto and redeem loyalty points. We generate revenue across our platform in the following key areas:

- Subscription and service revenue. We receive a recurring subscription revenue stream from client platform fees as well as service revenue from software development fees and call center support.
- Transaction revenue. We generate transaction revenue from crypto buy/sell trades where we earn a spread on both legs of the transaction (reported gross) and through loyalty redemption volumes where we receive a percentage fee based on the volume (reported net of associated costs).

Our loyalty revenue has seasonality and is typically higher in the fourth quarter, driven by holiday spending and the booking of travel. Revenue generated from our crypto services had been immaterial prior to our acquisition of Bakkt Crypto; however, revenue from crypto services is now a significant driver of our business, and we expect crypto revenue to increase as we grow our client base and our customers. As a result of our acquisition of Bakkt Crypto, we expect loyalty revenue, which prior to the Bakkt Crypto acquisition was the source of substantially all of our revenue, to be a smaller percentage of overall revenue in the future as the revenue from our crypto product and service offerings grows.

Crypto Services Revenue

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Crypto services	\$ 726,988	\$ 1,745	\$ 725,243	n/m

Crypto services revenue increased by \$725.2 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily driven by increased crypto trading volume due to our acquisition of Bakkt Crypto.

Loyalty Services Revenue

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Loyalty services, net	\$ 53,148	\$ 54,479	\$ (1,331)	(2.4%)

Loyalty services revenue decreased by \$1.3 million, or 2.4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily related to reduced volume-based service revenue, partially offset by increased transaction volume.

Operating Expenses

Operating expenses consist of crypto costs, execution, clearing and brokerage fees, compensation and benefits, professional services, technology and communication expenses, selling, general and administrative expenses, acquisition-related expenses, depreciation and amortization, related party expenses, goodwill and intangible assets impairments, impairment of long-lived assets, restructuring charges, and other operating expenses.

Crypto Costs

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Crypto costs	\$ 718,511	\$ 1,657	\$ 716,854	n/m

Crypto costs represent the gross value of crypto sold by our customers on our platform. These costs are measured at the executed price at the time of the trade. Crypto costs increased by \$716.9 million for the year ended December 31, 2023 compared to the year ended December 31, 2022, which reflects increased volume driven by our acquisition of Bakkt Crypto.

Execution, Clearing and Brokerage Fees

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Execution, clearing and brokerage fees	\$ 3,772	\$ —	\$ 3,772	n/m

Execution, clearing and brokerage fees primarily represent payments to clients in exchange for driving order flow to our platform. Execution, clearing and brokerage fees were \$3.8 million during the year ended December 31, 2023. The increase reflects increased volume driven by our acquisition of Bakkt Crypto.

Compensation and Benefits

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Compensation and benefits	\$ 102,042	\$ 139,049	\$ (37,007)	(26.6%)

Compensation and benefits expense include all salaries and benefits, compensation for contract labor, incentive programs for employees, payroll taxes, share-based and unit-based compensation and other employee related costs.

Our headcount decreased year over year as we undertook restructuring actions and right sized our expense base to meet current market demand. We expect to limit future hiring and further optimize our headcount as we complete development projects on our platform. Compensation and benefits expense is a significant component of our operating expenses, and we expect this will continue to be the case. However, we expect that our compensation and benefits expenses will decrease as a percentage of our revenue over time. Compensation and benefits decreased by \$37.0 million, or 26.6%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily due to decreases of \$21.9 million in non-cash compensation and incentive bonuses, \$10.2 million in contract labor, net of capitalized software development and \$2.6 million in recruiting fees, as well as \$1.8 million of non-recurring severance payments made during the year ended December 31, 2022 that were not related to the restructuring actions.

Professional Services

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Professional services	\$ 10,382	\$ 11,483	\$ (1,101)	(9.6%)

Professional services expense includes fees for accounting, legal and regulatory fees. Professional services decreased by \$1.1 million, or 9.6%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily due to decreases of \$0.9 million in audit and tax fees and \$1.3 million in other professional fees, which was partially offset by an increase in legal fees of \$1.0 million.

Technology and Communication

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Technology and communication	\$ 20,837	\$ 17,079	\$ 3,758	22.0%

Technology and communication costs represent all non-headcount related costs to deliver technological solutions. 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 client 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 communications expense increased by \$3.8 million, or 22.0%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was primarily due to an increase in software license fees.

Selling, General and Administrative

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Selling, general and administrative	\$ 33,385	\$ 35,414	\$ (2,029)	(5.7%)

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 clients, 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. 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 decreased by \$2.0 million, or 5.7%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily due to a \$4.3 million reduction in marketing expenses and decreased travel and entertainment expenses of \$0.3 million, partially offset by increases of \$1.2 million in occupancy costs, \$1.0 million in dues and subscriptions and \$0.3 million in regulatory filing fees. In 2022, the majority of marketing expenses were web-based promotional campaigns associated with our direct to consumer app, which we retired in the first quarter of 2023. We expect marketing efforts going forward to reflect our B2B2C focus and we will scale investments up or down depending on market conditions and opportunities.

Acquisition-related Expenses

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Acquisition-related expenses	\$ 4,299	\$ 5,675	\$ (1,376)	(24.2%)

Acquisition-related expenses increased by \$1.4 million, or 24.2%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Acquisition-related expenses for the year ended December 31, 2023 primarily consisted of fees for investment banking advisors, lawyers, accountants, tax advisors and public relations firms

related to the acquisitions of Bakkt Crypto and Bakkt Brokerage. Acquisition-related expenses for the year ended December 31, 2022 consisted of fees for investment banking advisors, lawyers, accountants, tax advisors and public relations firms directly related to the acquisition of Bakkt Crypto and Bakkt Brokerage. The amount and timing of acquisition-related expenses is expected to vary across periods based on potential transaction activities.

Depreciation and Amortization

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Depreciation and amortization	\$ 13,932	\$ 25,350	\$ (11,418)	(45.0%)

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 client relationships from completed acquisitions, including our acquisition of Bakkt Crypto. Depreciation and amortization decreased by \$11.4 million, or 45.0%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily due to lower net book values of intangible assets after impairments were recognized in 2022 and 2023.

Related Party Expenses

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Related party expenses	\$ 3,902	\$ 1,168	\$ 2,734	234.1%

Related party expenses consist of fees for transition services agreements. Related party expenses increased by \$2.7 million, or 234.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase was due to fees associated with Bakkt Crypto's transition services agreement, as well as higher fees associated with ICE's transition services agreement.

Goodwill and Intangible Assets Impairments

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Goodwill and intangible assets impairments	\$ 60,499	\$ 1,822,089	\$ (1,761,590)	n/m

We recorded intangible asset impairments of \$60.5 million during the year ended December 31, 2023. We recorded impairments of goodwill and other intangible assets of \$1,822.1 million during the year ended December 31, 2022. Refer to Note 5 in audited our consolidated financial statements included in this Annual Report on Form 10-K for further information. Impairment of our remaining goodwill or intangible assets may occur in the future.

Impairment of long-lived assets

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Impairment of long-lived assets	\$ 30,265	\$ 11,494	\$ 18,771	163.3%

Impairment of long-lived assets expense increased by \$18.8 million, or 163.3%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. During the year ended December 31, 2023, we recorded impairment charges of \$12.9 million related to certain fixed assets, \$8.9 million related to our right of use assets, \$7.5 million related to

certain internally developed software assets and \$0.8 million related to other assets. During the year ended December 31, 2022, we recorded impairment charges of \$8.7 million related to certain internally developed software assets pursuant to our fourth quarter impairment described in Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K and \$2.8 million in unrelated charges for another software product that was cancelled prior to being placed in service. Impairment of our remaining long-lived assets may occur in the future.

Restructuring expenses

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Restructuring expenses	\$ 4,608	\$ 2,336	\$ 2,272	97.3%

Restructuring expenses of \$4.6 million for the year ended December 31, 2023 consist of severance costs as part of our business simplification initiatives to focus on capabilities with strong product market fit and scalability. Restructuring expenses of \$2.3 million for the year ended December 31, 2022 consist of severance costs as part of our business simplification initiatives to focus on capabilities with strong product market fit and scalability.

(Loss) Gain from Change in Fair Value of Warrant Liability

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
(Loss) gain from change in fair value of warrant liability	\$ (1,571)	\$ 16,638	\$ (18,209)	(109.4%)

We recorded a loss of \$1.6 million during the year ended December 31, 2023 for the change in fair value on the revaluation of our warrant liability associated with our public warrants. We recorded a gain of \$16.6 million during the year ended December 31, 2022 for the change in fair value on the revaluation of our warrant liability associated with our public warrants. This is a non-cash charge and is driven by fluctuations in the market price of our warrants.

Other Expense, net

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Other expense, net	\$ (245)	\$ (856)	\$ 611	(71.4%)

Other expense, net primarily consists of non-operating gains and losses. During the year ended December 31, 2023, we recorded expense of \$0.4 million related to foreign currency transaction loss. During the year ended December 31, 2022, we recorded expense of \$1.2 million for the loss on sale of assets, partially offset by \$0.3 million of foreign currency transaction gains.

Income Tax (Expense) Benefit

<i>(\$ in thousands)</i>	Year Ended December 31, 2023	Year Ended December 31, 2022	\$ Change	% Change
Income tax (expense) benefit	\$ (444)	\$ 11,320	\$ (11,764)	(103.9%)

Income tax expense in the year ended December 31, 2023 primarily consists of current state tax expense related to certain state jurisdictions wherein we are required to file income tax returns. Income tax expense in the year ended December 31, 2022 primarily consists of \$11.6 million of deferred tax benefit resulting from book-tax differences stemming from investments in Opco and its subsidiaries.

Liquidity and Capital Resources

As of December 31, 2023, we had \$52.9 million and \$31.8 million of cash and cash equivalents and restricted cash, respectively. Additionally, as of December 31, 2023, we had \$17.4 million of available-for-sale debt securities that mature over the next four months. 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, or as collateral for insurance contracts. Restricted cash increased during 2023 primarily due to insurance collateral requirements.

As discussed above, we consummated the initial closings related to Concurrent Offerings in March 2024. As of February 29, 2024, we had \$38.1 million and \$36.9 million of cash and cash equivalents and restricted cash, respectively. Additionally, as of February 29, 2024, we did not have any available-for-sale debt securities. As of March 18, 2024, we have raised net proceeds from the Concurrent Offerings of approximately \$40.0 million, after deducting the placement agent's fees and estimated offering expenses payable by us, and may raise an additional \$7.6 million in gross proceeds from the ICE Offering, assuming all securities are issued in the ICE Offering. Approximately \$2.4 millions of proceeds from the ICE Offering were received concurrently with the closing of the Third-Party Offering.

We intend to use our unrestricted cash, inclusive of the net proceeds from the Concurrent Offerings, and proceeds from maturity of available-for-sale debt securities to (i) fund our day-to-day operations, including, but not limited to funding our regulatory capital requirements, compensating balance arrangements and other similar commitments, each of which is subject to change, (ii) activate new crypto clients, (iii) maintain our product development efforts, and (iv) optimize our technology infrastructure and operational support. We expect to leverage the team we have built to date as well as our Bakkt Crypto acquisition to execute our growth strategy. We are undertaking further strategic analysis of our headcount and expense base and will take further action to right-size both in 2024. We expect that we will be able to reduce the amount of cash that is restricted associated with regulatory capital and insurance requirements through the integration of Bakkt Crypto. Excluding the cash purchase price to acquire Bakkt Crypto, we expect our operating cash usage in 2024 (exclusive of potential acquisitions or other strategic initiatives) to decline from 2023 levels driven by the combined impact of increased revenue and expense reductions related to the completion of large-dollar investments in 2023 and benefits from restructuring actions. 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 available funds are based on our present plans, objectives and business condition.

Our future cash requirements will depend on many factors, including our revenue growth rate, the timing and extent of overhead, sales and marketing expenditures to support projected growth, and our ability to limit our software development investments to features and functionality with a clear line of sight to revenue generation. We made substantial investments in our platforms in 2022 and 2023, which we expect will enable us to simplify our organization and focus on the core capabilities that are critical to our strategy.

Our losses and projected cash needs, combined with our liquidity level, raised substantial doubt about our ability to continue as a going concern. Management believes the expected impact on our liquidity and cash flows resulting from the Concurrent Offerings, entity integration and operational initiatives outlined above are probable of occurring, sufficient to enable us to meet our obligations for at least twelve months from the date the audited financial statements in this Annual Report on Form 10-K are issued and alleviate the conditions that raised substantial doubt about our ability to continue as a going concern. However, there are certain risks associated with this determination. Please see "Risk Factors - Risks Related to Our Business, Finance and Operations - We might not be able to continue as a going concern." for more information.

The following table summarizes our cash flows for the periods presented:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net cash used in operating activities	\$ (60,697)	\$ (117,597)
Net cash provided by (used in) investing activities:	\$ 65,970	\$ (171,961)
Net cash used in financing activities:	\$ (2,634)	\$ (2,584)

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, 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 \$60.7 million for the year ended December 31, 2023 was primarily related to our net loss of \$225.8 million, offset by non-cash charges of \$123.2 million and changes in our operating assets and liabilities of \$41.9 million. The non-cash charges for the year ended December 31, 2023 primarily consisted of intangible and long-lived asset impairments of \$90.8 million, share-based compensation of \$15.5 million, depreciation and amortization of \$13.9 million, non-cash lease expense of \$3.1 million and the loss from the change in fair value of our warrant liability of \$1.6 million, partially offset by the change in fair value of the contingent consideration of \$3.0 million. Net cash inflows from changes in our operating assets and liabilities for the year ended December 31, 2023 resulted primarily from a \$32.3 million increase in customer funds, a non-recurring return of a \$15.2 million deposit with ICE Clear US, Inc., a decrease in prepaid insurance of \$9.8 million, and an increase in amounts due to related parties of \$2.1 million, which were partially offset by an increase in accounts payable and accrued liabilities of \$8.0 million, an increase in operating lease liabilities of \$3.0 million, and an increase in accounts receivable of \$10.0 million.

Net cash used in operating activities of \$117.6 million for the year ended December 31, 2022 was primarily related to our net loss of \$1,989.9 million, offset by non-cash charges of \$1,869.4 million and changes in our operating assets and liabilities of \$2.9 million. The non-cash charges for the year ended December 31, 2022 primarily consisted of goodwill and intangible assets impairments of \$1,822.1 million, share-based compensation of \$31.6 million, depreciation and amortization of \$25.4 million and impairment of long-lived assets of \$11.5 million, partially offset by the gain from the change in fair value of our warrant liability of \$16.6 million and deferred tax expense of \$11.6 million. Net cash inflows from changes in our operating assets and liabilities for the year ended December 31, 2022 resulted primarily from a decrease in prepaid insurance of \$9.4 million, an increase in operating lease liabilities of \$4.2 million, and an increase in accounts payable and accrued liabilities of \$0.7 million, which were partially offset by an increase in accounts receivable of \$7.2 million, an increase in other assets and liabilities of \$2.4 million and a decrease in deferred revenue of \$2.4 million.

Investing Activities

Net cash flows provided by investing activities of \$66.0 million for the year ended December 31, 2023 primarily consisted of the receipt of \$185.8 million of proceeds from the sale of available-for-sale securities, partially offset by the purchase of \$61.8 million of available-for-sale debt securities, \$47.9 million net cash used to acquire Bakkt Crypto, \$0.6 million cash used to acquire Bakkt Brokerage and \$9.4 million of capitalized costs of internally developed software for our technology platforms.

Net cash flows used in investing activities of \$172.0 million for the year ended December 31, 2022 primarily consisted of \$306.6 million related to the purchase of available for sale debt securities and \$30.5 million of capitalized costs of internally developed software for our technology platforms, partially offset by the receipt of \$165.2 million of proceeds from the sale of available-for-sale securities.

Financing Activities

Net cash flows used in financing activities of \$2.6 million for the year ended December 31, 2023 resulted from proceeds from the repurchase and retirement of Class A Common Stock of \$2.6 million.

Net cash flows used in financing activities of \$2.6 million for the year ended December 31, 2022 resulted from proceeds from the repurchase and retirement of Class A Common Stock of \$2.6 million.

Tax Receivable Agreement

Concurrently with the completion of the VIH Business Combination, we entered into a Tax Receivable Agreement (“TRA”) with certain Bakkt Equity Holders. Pursuant to the TRA, among other things, holders of Bakkt Common Units may, subject to certain conditions, from and after April 16, 2022, exchange such Common Units (along with a corresponding number of shares of our Common Stock), for Class A Common Stock on a one-for-one basis, subject to the terms of the Exchange Agreement, including our right to elect to deliver cash in lieu of Class A Common Stock and, in certain cases, adjustments as set forth therein. Bakkt will have in effect an election under Section 754 of the Internal Revenue Code for each taxable year in which an exchange of Bakkt Common Units for Class A Common Stock (or cash) occurs.

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

The TRA provides for the payment by us to exchanging holders of Bakkt Common Units of 85% of certain net income tax benefits, if any, that we realize (or in certain cases is deemed to realize) as a result of these increases in tax basis related to entering into the TRA, including tax benefits attributable to payments under the TRA. This payment obligation is an obligation of the Company and not of Bakkt. For purposes of the TRA, the cash tax savings in income tax will be computed by comparing our actual income tax liability (calculated with certain assumptions) to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of Bakkt as a result of Bakkt having an election in effect under Section 754 of the Code for each taxable year in which an exchange of Bakkt Common Units for Class A Common Stock occurs and had we not entered into the TRA. Such change will be calculated under the TRA without regard to any transfers of Bakkt Common Units or distributions with respect to such Bakkt Common Units before the exchange under the Exchange Agreement to which Section 743(b) or 734(b) of the Code applies. As of December 31, 2023, 25,952,197 Opco common units were exchanged for Class A Common Stock. Based on the Company's history of taxable losses, the Company has concluded that it is not probable to expect cash tax payments in the foreseeable future and as such, no value has been recorded under the TRA.

Contractual Obligations and Commitments

The following is a summary of our significant contractual obligations and commitments as of December 31, 2023 (in thousands):

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Purchase obligations ⁽¹⁾	\$ 6,800	\$ 14,100	\$ —	\$ —	\$ 20,900
Future minimum operating lease payments ⁽²⁾	4,993	9,624	7,549	10,704	32,870
Total contractual obligations	11,793	23,724	7,549	10,704	53,770

- (1) Represents minimum commitment payments under a four-year cloud computing arrangement and a separate five-year marketing partnership. In December 2023, we agreed to amend the cloud computing arrangement and extended the payment period for an additional year.
- (2) Represents rental payments under operating leases with remaining non-cancellable terms in excess of one year.

Additionally, we, through our loyalty business, had a purchasing card facility with a bank that we utilized for redemption purchases made from vendors as part of our loyalty redemption platform. Expenditures made using the purchasing card facility were payable monthly, were not subject to formula-based restrictions and did not bear interest if amounts outstanding were paid when due and in full. Among other covenants, the purchasing card facility required that we maintain a month-end cash balance of \$40.0 million. In January 2021, the purchasing card facility was extended to April 15, 2022 in order to facilitate a long-term agreement on more favorable terms for us. In April 2022, we further extended the maturity date of the purchasing card facility to August 12, 2022, to transition over to the purchasing card facility with Bank of America described below. The maturity date of the purchasing card facility was further extended as of August 12, 2022 to January 13, 2023. During September 2022 we paid off the majority of the remaining balance of the purchasing card facility. The purchasing card facility was closed during October 2022.

On April 7, 2022, we entered into a corporate card services agreement with Bank of America to provide a new purchasing card facility. Total borrowing capacity under the facility is \$35 million and there is no defined maturity date. Expenditures made using the purchasing card facility are payable monthly, are not subject to formula-based restrictions and do not bear interest if amounts outstanding are paid when due and in full. The purchasing card facility requires us to maintain a concentration account with the lender subject to a minimum liquidity maintenance requirement of \$7.0 million as collateral along with the accounts receivable of our subsidiary, within the loyalty business. Bakkt Holdings, Inc. serves as the guarantor on behalf of our subsidiary under the commercial purchasing card facility. We began using the purchasing card facility in August 2022.

In February 2024, Bank of America reduced our credit line associated with the purchasing card facility from \$35.0 million to \$15.0 million, increased the payment frequency and required us to pledge as collateral the amounts which were previously required to be maintained in the concentration account.

Non-GAAP Financial 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, acquisition-related expenses, share-based and unit-based compensation expense, goodwill and intangible assets impairments, restructuring charges, changes in the fair value of our warrant liability and certain other non-

cash and/or non-recurring items that do not contribute directly to our evaluation of operating results and are not components of our core business operations. 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.

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. 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):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss	\$ (225,812)	\$ (1,989,934)
Depreciation and amortization	13,932	25,350
Interest income, net	(4,338)	(1,877)
Income tax expense (benefit)	444	(11,320)
EBITDA	(215,774)	(1,977,781)
Acquisition-related expenses	4,299	5,675
Share-based and unit-based compensation expense	16,761	32,114
Cancellation of common units	(13)	(185)
Loss (gain) from change in fair value of warrant liability	1,571	(16,638)
Goodwill and intangible assets impairments	60,499	1,822,089
Impairment of long-lived assets	30,265	11,494
Restructuring expenses	4,608	2,336
Transition services expense	3,902	1,168
Adjusted EBITDA loss	<u>\$ (93,882)</u>	<u>\$ (119,728)</u>

Adjusted EBITDA loss for the year ended December 31, 2023 decreased by \$25.8 million, or 21.6%, as compared to the year ended December 31, 2022. The decrease was primarily due to a \$15.6 million decrease in compensation and benefits expense, a \$4.3 million reduction of marketing expenses and a \$1.3 million reduction in professional services fees.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires us to make estimates and apply judgments that affect the reported amounts. In our notes to the audited consolidated financial statements, we describe the significant accounting policies used in preparing the consolidated financial statements. Our management has discussed the development, selection, and disclosure of our critical accounting policies and estimates with the Audit Committee of our Board of Directors. The following items require significant estimation or judgement:

Going Concern

At each reporting period, in accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, we evaluate whether there are conditions or events that raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued. In accordance with ASC 250-40, our initial

evaluation can only include management's plans that have been fully implemented as of the issuance date. Operating forecasts for new products/markets cannot be considered in the initial evaluation as those product/market launches have not been fully implemented.

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

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") Accounting Standards Codification ("ASC") Topic 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. Contingent consideration is initially recorded at its fair value at the acquisition date and is revalued every financial reporting date thereafter. Adjustments to contingent consideration liabilities after the completion of acquisition accounting are recorded in the consolidated statement of operations. We base our fair value estimates on assumptions we believe are reasonable but recognize that the assumptions are inherently uncertain.

If the initial accounting for the 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 the 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.

Goodwill and Other Intangible Assets

Goodwill and intangible assets that have indefinite useful lives are accounted for in accordance with 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 intangible assets amounts have been impaired, we 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 the carrying amount of the reporting unit or intangible asset. 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 recorded impairment of goodwill and other intangible assets of \$60.5 million and \$1,822.1 million during the years ended December 31, 2023 and December 31, 2022, respectively. See Note 5 to our audited consolidated financial statements for additional disclosures related to the impairment of goodwill and other intangible assets. The carrying value of our tradename intangible asset was equal to its fair value and our single reporting unit had no cushion on its goodwill impairment analysis immediately after the impairment was recorded. Therefore if there are further delays in our ability to execute on our strategy, negative deviations from the budgets utilized in these analyses or further declines in our market capitalization further impairment of our assets is possible.

Crypto Revenue Recognition

Bakkt Crypto offers customers the ability to purchase or sell certain crypto on its platform. Bakkt Crypto partners with a number of liquidity providers to provide customers with immediate liquidity and access to crypto. Bakkt Crypto settles with the liquidity partners on a daily basis. The contract with a customer is created when a customer agrees to execute a trade on our platform. Each customer purchase transaction includes multiple performance obligations including execution, custody of the customer's purchased crypto, and material rights for ongoing custody beyond the original contractual period. Customer sales only carry a single performance obligation which is execution of the trade. We consider the sale of customer crypto associated with delisted crypto to be revenue in the context of our contracts with customers. We own the crypto during the period of time between the customer transaction and the liquidity provider settlement and accordingly act as a principal in the arrangement. We report the gross proceeds of a sale to a customer or liquidity provider, including a spread on the market price of the crypto as revenue. Substantially all of the consideration is allocated to the execution performance obligation, which is satisfied when we record the transaction to the customer's account. Custody services are rendered over the initial contract term which we have concluded is one day. Customers have a material right to obtain additional custody services at no cost by not selling the purchased crypto, which is recognized over the period that the assets are held on our platform. The consideration allocated to the custody and material right performance obligations is estimated on the basis of a cost plus a margin approach and was not material to the year ended December 31, 2023.

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

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

Loyalty Redemption Platform Revenue Recognition

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 crypto, merchandise and services. Our customer in these arrangements is generally the loyalty program sponsor (our client). 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) facilitation of order fulfillment services. We are the principal related to providing access

to our redemption platform. We are acting as the agent to facilitate order fulfillment services on behalf of the loyalty program sponsor. Revenues generated from our loyalty redemption platform include the following:

- **Platform subscription fees:** Monthly fixed fee charged to clients 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 client 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. Revenue from our platform subscription fees is included in “Subscription and services revenue” in the disaggregation of revenue table by service type in Note 3 to our audited consolidated financial statements.
- **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 program sponsor, and therefore are recognized net of the related redemption cost. We allocate transaction fees to the period in which the related transaction occurs. Revenue from our transaction fees is included in “Transaction revenue, net” in the disaggregation of revenue table by service type in Note 3 to our audited consolidated financial statements.
- **Revenue share fees:** We are entitled to revenue share fees in the form of rebates from third-party commerce merchants and other clients which provide services facilitating redemption order fulfillment. We allocate revenue share fees to the period in which the related transaction occurs. Revenue from our revenue share fees is included in “Transaction revenue, net” in the disaggregation of revenue table by service type in Note 3 to our audited consolidated financial statements.
- **Service fees:** We earn fees for certain software development activities associated with the implementation of new clients on our loyalty redemption platform and other development activities if a client requests that we customize certain features and functionalities for their loyalty program. We also earn fees from providing call center services to clients. 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 client 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. We recognize deferred revenue when all such fees are billed. Revenue from our services fees is included in “Subscription and services revenue” in the disaggregation of revenue table by service type in Note 3 to our audited consolidated financial statements.

Deferred Revenue

Deferred revenue includes amounts invoiced prior to us meeting the criteria for revenue recognition. We invoice clients 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 current deferred revenue, and the remaining portion is recorded as non-current deferred revenue. We have determined that these arrangements do not contain a significant financing component, and therefore the transaction price is not adjusted.

Warrants

We account for our ordinary share warrants in accordance with applicable accounting guidance provided in ASC Topic 815, *Derivatives and Hedging—Contracts in Entity’s Own Equity* (“ASC Topic 815”), as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. We classify as equity any equity-linked contracts that (1) require physical settlement or net-share settlement or (2) give us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement). We classify as assets or liabilities any equity-linked contracts that (1) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside our control) or (2) give the counterparty a choice of net-cash settlement or settlement in

shares (physical settlement or net-share settlement). All public and private placement warrants issued by us were deemed to qualify for liability classification.

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 recorded impairment of goodwill and other intangible assets of \$30.3 million and \$11.5 million during the years ended December 31, 2023 and December 31, 2022, respectively. See Notes 5 and 6 to our audited consolidated financial statements for additional disclosures related to impairment of long-lived assets.

Unit-Based Compensation

Unit-based compensation expense relates to the replacement incentive units and phantom units (“participation” units) granted prior to the VIH Business Combination on October 15, 2021, that were issued to employees as purchase consideration. The replacement incentive units and participation units were measured at fair value on the Closing Date, and we recognize 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 participation units based on changes to the fair value of the awards at each reporting date. We elect to account for forfeitures as they occurred. See Note 11 to our audited consolidated financial statements for additional disclosures related to unit-based compensation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our audited consolidated financial statements and accompanying notes. We base our estimates and assumptions on various judgments that we believe to be reasonable under the circumstances. The significant estimates and assumptions that affect the financial statements may include, but are not limited to, going concern, those that are 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 credit losses, valuation of acquired tangible and intangible assets, the impairment of intangible assets and goodwill, and fair market value of Bakkt common units, incentive units and participation units. Actual results and outcomes may differ from management’s estimates and assumptions and such differences may be material to our audited consolidated financial statements.

Recently Issued and Adopted Accounting Pronouncements

Recently issued and adopted accounting pronouncements are described in Note 2 to our audited consolidated financial statements.

Item 7A. Qualitative And Quantitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements And Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Bakkt Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bakkt Holdings, Inc. (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2023 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Atlanta, GA
March 25, 2024

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

	As of December 31, 2023	As of December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,882	\$ 98,332
Restricted cash	31,838	16,500
Customer funds	32,925	591
Available-for-sale securities	17,398	141,062
Accounts receivable, net	29,664	25,306
Prepaid insurance	13,049	22,822
Safeguarding asset for crypto	701,556	15,792
Other current assets	3,332	6,060
Total current assets	882,644	326,465
Property, equipment and software, net	60	19,744
Goodwill	68,001	15,852
Intangible assets, net	2,900	55,833
Deposits with clearinghouse	159	15,150
Other assets	13,103	22,458
Total assets	\$ 966,867	\$ 455,502
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 55,379	\$ 66,787
Customer funds payable	32,925	591
Deferred revenue, current	4,282	3,972
Due to related party	3,230	1,168
Safeguarding obligation for crypto	701,556	15,792
Other current liabilities	4,702	3,819
Total current liabilities	802,074	92,129
Deferred revenue, noncurrent	3,198	3,112
Warrant liability	2,356	785
Other noncurrent liabilities	23,525	23,402
Total liabilities	831,153	119,428
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Class A common stock (\$0.0001 par value, 750,000,000 shares authorized, 94,845,942 shares issued and outstanding as of December 31, 2023 and 80,926,843 shares issued and outstanding as of December 31, 2022)	9	8
Class V common stock (\$0.0001 par value, 250,000,000 shares authorized, 180,001,606 shares issued and outstanding as of December 31, 2023 and 183,482,777 shares issued and outstanding as of December 31, 2022)	19	19
Additional paid-in capital	799,656	772,973
Accumulated other comprehensive loss	(101)	(290)
Accumulated deficit	(751,301)	(676,447)
Total stockholders' equity	48,282	96,263
Noncontrolling interest	87,432	239,811
Total equity	135,714	336,074
Total liabilities and stockholders' equity	\$ 966,867	\$ 455,502

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues:		
Crypto services	\$ 726,988	\$ 1,745
Loyalty services, net	53,148	54,479
Total revenues	780,136	56,224
Operating expenses:		
Crypto costs (See Note 2)	718,511	1,657
Execution, clearing and brokerage fees	3,772	—
Compensation and benefits	102,042	139,049
Professional services	10,382	11,483
Technology and communication	20,837	17,079
Selling, general and administrative	33,385	35,414
Acquisition-related expenses	4,299	5,675
Depreciation and amortization	13,932	25,350
Related party expenses	3,902	1,168
Goodwill and intangible assets impairments	60,499	1,822,089
Impairment of long-lived assets	30,265	11,494
Restructuring expenses	4,608	2,336
Other operating expenses	1,592	2,343
Total operating expenses	1,008,026	2,075,137
Operating loss	(227,890)	(2,018,913)
Interest income, net	4,338	1,877
(Loss) gain from change in fair value of warrant liability	(1,571)	16,638
Other expense, net	(245)	(856)
Loss before income taxes	(225,368)	(2,001,254)
Income tax (expense) benefit	(444)	11,320
Net loss	(225,812)	(1,989,934)
Less: Net loss attributable to noncontrolling interest	(150,958)	(1,411,829)
Net loss attributable to Bakkt Holdings, Inc.	\$ (74,854)	\$ (578,105)
Net loss per share attributable to Class A common stockholders:		
Basic	\$ (0.84)	\$ (8.12)
Diluted	\$ (0.84)	\$ (8.12)

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss	\$ (225,812)	\$ (1,989,934)
Currency translation adjustment, net of tax	436	(850)
Unrealized gains on available-for-sale securities, net of tax	114	59
Comprehensive loss	\$ (225,262)	\$ (1,990,725)
Comprehensive loss attributable to noncontrolling interest	(150,597)	(1,412,385)
Comprehensive loss attributable to Bakkt Holdings, Inc.	<u>\$ (74,665)</u>	<u>\$ (578,340)</u>

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

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

	Class A Common Stock		Class V Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	\$	Shares	\$						
Balance as of December 31, 2021	57,164,388	\$ 6	206,271,792	\$ 21	\$ 566,766	\$ (98,342)	\$ (55)	\$ 468,396	\$ 1,825,775	\$ 2,294,171
Share-based compensation	—	—	—	—	31,557	—	—	31,557	—	31,557
Unit-based compensation	—	—	—	—	—	—	—	—	3,847	3,847
Forfeiture and cancellation of common units	—	—	(313,144)	—	—	—	—	—	(185)	(185)
Exercise of warrants	221	—	—	—	2	—	—	2	—	2
Shares issued upon vesting of share-based awards, net of tax withholding	1,286,363	—	—	—	(2,586)	—	—	(2,586)	—	(2,586)
Exchange of Class V shares for Class A shares	22,475,871	2	(22,475,871)	(2)	177,241	—	—	177,241	(177,241)	—
Increase in deferred tax liability from step-up tax basis related to exchanges of Opco common units	—	—	—	—	(7)	—	—	(7)	—	(7)
Currency translation adjustment, net of tax	—	—	—	—	—	—	(254)	(254)	(596)	(850)
Unrealized gains on available-for-sale securities	—	—	—	—	—	—	19	19	40	59
Net loss	—	—	—	—	—	(578,105)	—	(578,105)	(1,411,829)	(1,989,934)
Balance as of December 31, 2022	<u>80,926,843</u>	<u>\$ 8</u>	<u>183,482,777</u>	<u>19</u>	<u>\$ 772,973</u>	<u>\$ (676,447)</u>	<u>\$ (290)</u>	<u>\$ 96,263</u>	<u>\$ 239,811</u>	<u>\$ 336,074</u>
Share-based compensation	—	—	—	—	15,452	—	—	15,452	—	15,452
Unit-based compensation	—	—	—	—	—	—	—	—	1,357	1,357
Forfeiture and cancellation of common units	—	—	(4,845)	—	—	—	—	—	(13)	(13)
Shares issued upon vesting of share-based awards, net of tax withholding	4,190,368	—	—	—	(2,634)	—	—	(2,634)	—	(2,634)
Shares issued upon vesting of participation units, net of tax withholding	111,794	—	—	—	176	—	—	176	—	176
Shares issued in connection with Apex acquisition	6,140,611	1	—	—	10,563	—	—	10,564	—	10,564
Exchange of Class V shares for Class A shares	3,476,326	—	(3,476,326)	—	3,126	—	—	3,126	(3,126)	—
Currency translation adjustment, net of tax	—	—	—	—	—	—	146	146	290	436
Unrealized gains on available-for-sale securities	—	—	—	—	—	—	43	43	71	114
Net loss	—	—	—	—	—	(74,854)	—	(74,854)	(150,958)	(225,812)
Balance as of December 31, 2023	<u>94,845,942</u>	<u>\$ 9</u>	<u>180,001,606</u>	<u>19</u>	<u>\$ 799,656</u>	<u>\$ (751,301)</u>	<u>\$ (101)</u>	<u>\$ 48,282</u>	<u>\$ 87,432</u>	<u>\$ 135,714</u>

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities:		
Net loss	\$ (225,812)	\$ (1,989,934)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	13,932	25,350
Change in fair value of contingent consideration liability	(2,952)	—
Non-cash lease expense	3,058	2,679
Share-based compensation expense	15,452	31,557
Unit-based compensation expense	1,309	557
Forfeiture and cancellation of common units	(13)	(185)
Deferred income taxes	—	(11,594)
Impairment of long-lived assets	30,265	11,494
Goodwill and intangible assets impairments	60,499	1,822,089
Loss on disposal of assets	75	3,834
Loss (gain) from change in fair value of warrant liability	1,571	(16,638)
Other	19	285
Changes in operating assets and liabilities:		
Accounts receivable	(10,036)	(7,164)
Prepaid insurance	9,773	9,384
Deposits with clearinghouse	14,991	1
Accounts payable and accrued liabilities	(7,985)	744
Due to related party	2,062	551
Deferred revenue	396	(2,364)
Operating lease liabilities	(3,029)	4,150
Customer funds payable	32,334	40
Other assets and liabilities	3,394	(2,433)
Net cash used in operating activities	<u>(60,697)</u>	<u>(117,597)</u>
Cash flows from investing activities:		
Capitalized internal-use software development costs and other capital expenditures	(9,433)	(30,543)
Purchase of available-for-sale securities	(61,829)	(306,593)
Proceeds from the maturity of available-for-sale securities	185,765	165,175
Acquisition of Bumped Financial, LLC	(631)	—
Acquisition of Apex Crypto LLC, net of cash acquired	(47,902)	—
Net cash provided by (used in) investing activities:	<u>65,970</u>	<u>(171,961)</u>
Cash flows from financing activities:		
Repurchase and retirement of Class A common stock	(2,634)	(2,586)
Proceeds from the exercise of warrants	—	2
Net cash used in financing activities:	<u>(2,634)</u>	<u>(2,584)</u>
Effect of exchange rate changes	436	(850)
Net increase (decrease) in cash, cash equivalents, deposits, restricted cash and customer funds	3,075	(292,992)
Cash, cash equivalents, deposits, restricted cash and customer funds at the beginning of the period	115,423	408,415
Cash, cash equivalents, deposits, restricted cash and customer funds at the end of the period	<u>\$ 118,498</u>	<u>\$ 115,423</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 239	\$ —
Non-cash operating lease right-of-use asset acquired	3,788	11,006
Supplemental disclosure of non-cash investing and financing activity:		
Capitalized internal-use software development costs and other capital expenditures included in accounts payable and accrued liabilities	478	3,900
Reconciliation of cash, cash equivalents, deposits, restricted cash and customer funds to consolidated balance sheets:		
Cash and cash equivalents	\$ 52,882	\$ 98,332
Restricted cash	31,838	16,500
Customer funds	32,925	591
Deposits (See Note 6)	\$ 853	\$ —
Total cash, cash equivalents, deposits, restricted cash and customer funds	<u>\$ 118,498</u>	<u>\$ 115,423</u>

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

Notes to the Consolidated Financial Statements

1. Organization and Description of Business

Organization

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

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

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

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

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

On April 1, 2023 we completed the acquisition of 100% of the ownership interests of Apex Crypto LLC (“Apex Crypto”) and subsequently changed the name of the legal entity to Bakkt Crypto Solutions, LLC (“Bakkt Crypto”), effective June 12, 2023.

Description of Business

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

Crypto

- **Custody.** Our institutional-grade qualified custody solution is primarily provided by our subsidiary, Bakkt Trust Company LLC (“Bakkt Trust”), a limited purpose trust company that is supervised by the New York State Department of Financial Services (“NYDFS”) and governed by an independent Board of Managers. In connection to the acquisition of Apex Crypto, we acquired third-party custodial relationships with BitGo and Coinbase Custody, which are currently used by Bakkt Crypto for custody and coin transfers, where applicable. In addition, Bakkt Crypto also self-custodies select coins to facilitate consumer withdrawals.
- **Trading.** Our platform provides customers with the ability to buy, sell and store crypto via application programming interfaces or embedded web experience. We enable clients in various industries to provide their

customers with the ability to transact in crypto directly in their trusted environments. We currently facilitate transactions in the crypto assets listed in the table below.

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

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

As of December 31, 2023, we offer crypto services in the U.S., Latin America and Europe. We expect to continue to pursue new markets in the future by working with our existing client base as well as targeting new clients.

Loyalty

We offer a full spectrum of supplier content through configurable, white-label e-commerce storefronts that end users can acquire via redemption of loyalty points. Our redemption catalog spans a variety of rewards categories including travel, gift cards and merchandise, including a unique Apple product and services storefront. Our travel solution offers a retail e-commerce booking platform with direct supplier integrations, as well as a U.S.-based call center for live-agent booking and servicing. Our platform provides a unified shopping experience that is built to seamlessly extend our customers' loyalty strategies and user experience for their loyalty programs. Our platform's functionality includes a mobile-optimized user interface, numerous configurations to support diverse program needs, promotional campaign services, comprehensive fraud protection capabilities and the ability to split payments across both loyalty points and credit cards.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying audited consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and include the accounts of the Company and our subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In addition, certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to conform to current presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation have been included. The historical financial information is not necessarily indicative of our future results of operations, financial position, and cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates and assumptions on historical experience and various judgments that we believe to be reasonable under the circumstances. The significant estimates and assumptions that affect the financial statements may include, but are not limited to, those that are related to going concern, income tax valuation allowances, useful lives and fair value 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 and long-lived assets and goodwill, and fair market value of stock-based awards. Actual results and outcomes may differ from management's estimates and assumptions and such differences may be material to our audited consolidated financial statements.

Liquidity and Going Concern

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

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

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

Evaluation in conjunction with the issuance of the December 31, 2023 audited consolidated financial statements

In forecasting our expectation of cash needs for the initial ASC 205-40 evaluation, the crypto revenue growth projections exclude expansion to international retail crypto markets where such arrangements are not signed, as well as activation of new clients currently not live on our platform as of the date of release of these audited consolidated financial statements.

Substantial doubt was initially raised about our ability to continue as a going concern in connection with the filing of our Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2023. At that time we determined management's plans were sufficient to alleviate the substantial doubt. We have incurred net losses and consumed cashflow from operations since our inception and incurred losses and consumed cash through the date of this filing in excess of our budgets, due to increased cash utilization in operations and lower realization of actual revenues. For the year ended December 31, 2023, we incurred a net loss of \$225.8 million and consumed \$60.7 million of cash in operations. The

Company has historically relied on its existing cash and available-for-sale securities portfolio to fund operations. As of December 31, 2023, we had \$52.9 million of available cash and cash equivalents that was not restricted or required to be held for regulatory capital (see Note 13) and \$17.4 million in available-for-sale securities. We do not have any long-term debt to service but have commitments under long-term cloud computing, lease and marketing contracts as described in Notes 14 and 17. We expect to continue to incur losses and consume cash for the foreseeable future. This raised substantial doubt about our ability to continue as a going concern given our present liquidity.

On February 29, 2024, we entered into a securities purchase agreement with certain institutional investors, pursuant to which we agreed to sell and issue a combination of Class A Common Stock, Class 1 Warrants, Class 2 Warrants and Pre-Funded Warrants in a registered direct offering (the “Third-Party Offering”). In a concurrent registered direct offering (the “ICE Offering” and, together with the Third-Party Offering, the “Concurrent Offerings”) on February 29, 2024, we entered into a securities purchase agreement with ICE, pursuant to which we agreed to sell and issue a combination of Class A Common Stock, Class 1 Warrants and Class 2 Warrants. We raised net proceeds from the Third-Party Offering of approximately \$37.6 million, after deducting the placement agent’s fees and estimated offering expenses payable by us, and expect to raise net proceeds from the ICE Offering of approximately \$9.8 million, after deducting estimated offering expenses payable by us, assuming all securities are issued in the ICE Offering. Approximately \$2.4 million of proceeds from the ICE Offering were received concurrently with the closing of the Third-Party Offering, with the remainder to be issued after we obtain stockholder approval for such issuance, subject to other customary closing conditions. We intend to use the net proceeds from the Concurrent Offerings for working capital and other general corporate purposes.

We have been executing a strategic plan to optimize our capital allocation and expense base since the fourth quarter of 2022, which has reduced our annual cash expenses year over year and which we expect will continue to reduce our cash expenses in 2024. As a part of those plans, we will continue to align headcount and employee related costs to further reduce cash expenses. We have received approval in 2024 to integrate Bakkt Marketplace and Bakkt Crypto Services to reduce regulatory capital and insurance requirements. However, it is critical to our plan to mitigate our cash burn that we significantly expand our revenue base to be able to generate a sustainable operating profit. There is significant uncertainty associated with our expansion to new markets and the growth of our revenue base given the uncertain and rapidly evolving environment associated with crypto assets. We believe that our cash, after giving effect to the net proceeds received in the Concurrent Offerings and other management plans to reduce cash expenses, short-term securities, and restricted cash will be sufficient to fund our operations for the next 12 months from the date of these financial statements. We believe the expected impact on our liquidity and cash flows resulting from the capital raise, entity integration and the operational initiatives outlined above are probable of occurring and sufficient to enable us to meet our obligations for at least twelve months from the date the financial statements are issued and alleviate the substantial doubt about our ability to continue as a going concern.

Segment Information

We have 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 our CEO, in deciding how to allocate resources and assessing performance. During the years ended December 31, 2023 and December 31, 2022, all material operations are within the United States. Our chief operating decision maker allocates resources and assesses performance based upon financial information at the consolidated level.

Cash and Cash Equivalents and Restricted Cash

We consider all short-term, highly liquid investments with maturities from the purchase date of three months or less to be cash equivalents. Cash equivalents consists of amounts invested in money market funds of \$26.1 million and \$0.2 million as of December 31, 2023 and December 31, 2022, respectively.

We classify all cash and cash equivalents that are not available for immediate or general business use as restricted. Restricted cash includes amounts set aside due to regulatory requirements or insurance collateral. Refer to Note 13 for additional information.

Customer Funds and Customer Funds Payable

Customer funds represents fiat currency deposited in bank accounts segregated from corporate funds. In accordance with state money transmitter laws, we may invest customer cash deposits in certain permissible investments. As of December 31, 2023, we had not made any such investments. We classify the assets as current since they are readily available for customer use with a corresponding customer funds payable liability.

Translation of Foreign Currencies and Foreign Currency Transactions

Our foreign subsidiaries' functional currencies are their respective local currencies. The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rate at the balance sheet date. Revenue and expenses are translated using average monthly rates. Translation adjustments are included in "Accumulated other comprehensive loss" on the consolidated balance sheets and reflected as "Currency translation adjustment, net of tax" in the consolidated statements of comprehensive loss.

Monetary assets and liabilities are translated at the rate in effect at the balance sheet date, with subsequent changes in exchange rates resulting in transaction gains or losses, which are included in "Other income (expense), net" in the consolidated statements of operations. Non-monetary assets and liabilities are translated at historical rates and revenue and expenses are translated at average rates in effect during each reporting period.

Accounts Receivable and Allowance for Doubtful Accounts

We classify rights to consideration in exchange for services or goods as accounts receivable. Accounts receivable are rights to consideration that are unconditional (i.e., only the passage of time is required before payment is due). "Accounts receivable, net" includes billed and contract assets (i.e., unbilled receivables), net of an estimated allowance for doubtful accounts. We calculate the allowance using the current expected credit loss model. The allowance is based upon historical loss patterns, the number of days that billings are past due and, an evaluation of the potential risk of loss associated with delinquent accounts and incorporates the use of forward-looking information over the contractual term of our accounts receivable. Receivables are written-off and charged against our recorded allowance when we have exhausted collection efforts without success. The allowance for doubtful accounts was \$0.7 million and \$0.2 million as of December 31, 2023 and December 31, 2022, respectively. There were no write-offs of receivables during the years ended December 31, 2023 and December 31, 2022.

Property, Equipment and Software, Net

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

Costs related to software we develop or obtain for internal use are included in "Property, equipment and software, net" on the consolidated balance sheets. Costs incurred during the preliminary or maintenance development stage are expensed, 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:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Internal use software	3-7 years	3-7 years
Purchased software	3 years	3 years
Assets under finance lease	2-5 years	2-5 years
Office, furniture and equipment	7-10 years	7-10 years
Leasehold improvements	7 years	7 years
Other computer and network equipment	3 years	3 years

Leases

We determine if an arrangement is a lease and whether it is classified as finance or operating at the inception of the contract. We recognize the lease at its commencement date on the balance sheet as a liability for our obligation related to the lease and a corresponding asset representing our right to use the underlying asset over the period of use. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the lease expense for these leases is recognized on a straight-line basis over the lease term.

The lease liability for each lease is recognized as the present value of the lease payments not yet paid at the commencement date. The right-of-use (“ROU”) asset for each lease is recorded at the amount equal to the initial measurement of lease liability, adjusted for balances of prepaid rent, lease incentives received and initial direct costs incurred.

When determining lease term, we consider renewal options that are reasonably certain to exercise and termination options that are reasonably certain to not be exercised, in addition to the non-cancellable lease term.

For operating leases, expense is generally recognized on a straight-line basis over the lease term and is recorded within “Selling, general and administrative” in the consolidated statements of operations. For finance leases, interest on lease liability is recognized using the effective interest method, while the ROU asset is amortized on a straight-line basis over the shorter of the useful life of the ROU asset or the lease term. Interest on lease liability is recorded within “Interest income (expense), net” in the consolidated statements of operations, and amortization of right-of-use assets is recorded within “Depreciation and amortization” in the consolidated statements of operations.

Impairment of Long-Lived Assets

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. The period of depreciation and amortization of long-lived assets is evaluated to determine whether events or circumstances warrant revised estimates of useful lives. When indicators of impairment are present, the recoverability of our long-lived assets is determined by comparing the carrying value of the long-lived assets to the total amount of 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 recorded impairment charges of \$30.3 million and \$11.5 million related to long-lived assets during the years ended December 31, 2023 and December 31, 2022, respectively. Refer to Note 6 for additional information.

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”) Accounting Standards Codification (“ASC”) Topic 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.

For business combinations including contingent consideration, we evaluate the contractual terms to determine whether the contingency should be liability or equity classified. For liability classified contingent consideration, we evaluate the fair value of the contingent consideration each reporting period, and record the changes in the fair value through income.

If the initial accounting for the 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 the 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.

Goodwill and Intangible Assets

Goodwill and intangible assets that have indefinite useful lives are accounted for in accordance with 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. Our annual testing date is October 1st of each year. 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 intangible assets amounts have been impaired, we 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 the carrying amount of the reporting unit or intangible asset. 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 recorded \$60.5 million and \$1,822.1 million of impairment charges related to goodwill and other intangible assets during the years ended December 31, 2023 and December 31, 2022, respectively. Refer to Note 5 for additional information.

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.

Crypto Services

Crypto services revenues are derived from our crypto trading and custody services.

Trading: Bakkt Crypto offers customers the ability to purchase or sell certain crypto on its platform. Bakkt Crypto partners with a number of liquidity providers to provide customers with immediate liquidity and access to crypto. Bakkt Crypto settles with the liquidity partners on a daily basis. The contract with a customer is created when a customer agrees to execute a trade on our platform. Each customer purchase transaction includes multiple performance obligations including execution, custody of the customer's purchased crypto, and material rights for ongoing custody beyond the original contractual period. Customer sales only include a single performance obligation which is execution of the trade. We consider the sale of customer crypto associated with delisted crypto to be revenue in the context of our contracts with customers. We report the gross proceeds of a sale to a customer or liquidity provider, including a spread on the market price of the crypto as revenue. Substantially all of the consideration is allocated to the execution performance obligation, which is satisfied when we record the transaction to the customer's account. Custody services are rendered over the initial contract term which we have concluded is one day.

Judgment is required in determining whether the Company is the principal or the agent in our contracts with customers. We have determined that we are the principal in transactions with customers as we control the crypto during the period of time between the customer transaction and the liquidity provider settlement and we are primarily responsible for the delivery of the crypto to the customer. Accordingly, revenue associated with Bakkt Crypto's services is presented gross in "Crypto services" revenue in our consolidated statement of operations and the cost basis of acquired cryptocurrency associated with Bakkt Crypto's services are presented gross in "Crypto costs" in our consolidated statement of operations.

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

We maintain an inventory of crypto to facilitate consumer transactions if needed. We may adjust our inventory levels under our inventory policy. Sales of crypto resulting from inventory adjustments are not part of our normal course of business. Accordingly, proceeds from the sale of crypto outside of the normal course of business are included in "Other income (expense), net," net of the cost of crypto sold, in the statements of operations. We recognized income from the sale of crypto in our inventory reserve, net of the cost of crypto sold, of \$0.2 million during the year ended December 31, 2023. We did not recognize any income from inventory reserve adjustments during the year ended December 31, 2022.

Custody: For customers using Bakkt Trust's 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 crypto represents an obligation to provide custody services for crypto. 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 crypto, without incurring a penalty. As a result, we believe our contracts represent day-to-day contracts with each day representing a renewal. 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 "Crypto services" revenues in the statements of operations.

Bakkt Crypto's customers have a material right to obtain additional custody services at no cost by not selling the purchased crypto, which is recognized over the period that the assets are held on our platform. The consideration allocated to the custody and material right performance obligations is estimated on the basis of a cost plus a margin approach and was not material to the years ended December 31, 2023 or December 31, 2022.

Revenue from our custody services is included in "Subscription and services revenue" in the disaggregation of revenue by service type table within Note 3.

Loyalty redemption platform

We host, operate and maintain a loyalty redemption platform connecting loyalty programs to e-commerce merchants allowing loyalty point holders to redeem a spectrum of loyalty currencies for crypto, merchandise and services. Our customer in these arrangements is generally the loyalty program sponsor. Our contracts related to our loyalty redemption platform consist of two performance obligations: (1) access to our software as a service ("SaaS")-based redemption platform and customer support services and (2) facilitation of order fulfillment services. We are the principal related to providing access to our redemption platform. We are acting as the agent to facilitate order fulfillment services on behalf of the loyalty program sponsor. Revenues generated from our loyalty redemption platform are included in "Net revenues" in the consolidated statements of operations and include the following:

- **Platform subscription fees:** Monthly fixed fee charged to customers 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 customer 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. Revenue from our platform subscription fees is included in "Subscription and services revenue" in the disaggregation of revenue table by service type in Note 3.
- **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 program sponsor, and therefore are recognized net of the related redemption cost. We allocate transaction fees to the period in which the related transaction occurs. Revenue from our transaction fees is included in "Transaction revenue, net" in the disaggregation of revenue table by service type in Note 3.
- **Revenue share fees:** We are entitled to revenue share fees in the form of rebates from third-party commerce merchants and other clients which provide services facilitating redemption order fulfillment. We allocate revenue share fees to the period in which the related transaction occurs. Revenue from our revenue share fees is included in "Transaction revenue, net" in the disaggregation of revenue table by service type in Note 3.
- **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 customer requests that we customize certain features and functionalities for their loyalty program. We recognize revenue from software development activities 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. We recognize deferred revenue when all such fees are billed. We also earn fees for providing call center services for customers. We recognize revenue from call center services in the period in which we provide such services. Revenue from our services fees is included in "Subscription and services revenue" in the disaggregation of revenue table by service type in Note 3.

Practical expedients

We have elected the following practical expedients under ASC 606:

- Excluding sales taxes from the measurement of the transaction price;

- Not adjusting 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; and
- Not providing 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.

Refer to Note 3 for additional disclosures related to our recognition of revenue.

Safeguarding Obligation for Crypto

On March 31, 2022, the Securities and Exchange Commission issued Staff Accounting Bulletin (“SAB”) Number 121 (“SAB 121”), which provides the SEC staff’s view that it would be appropriate for an entity that has an obligation to safeguard crypto held for platform users to record a liability and corresponding asset on its balance sheet at the fair value of the crypto. We adopted the guidance in SAB 121 during the quarter ended June 30, 2022.

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

Deferred Revenue

Deferred revenue includes amounts invoiced and collected prior to our meeting the criteria for revenue recognition. We invoice customers for service fees at the time the service is performed, and such fees are recognized as revenue over time as we satisfy our performance obligation. The portion of deferred revenue to be recognized in the succeeding twelve-month period is recorded as “Deferred revenue, current” on the consolidated balance sheets, and the remaining portion is recorded as “Deferred revenue, noncurrent” on the consolidated balance sheets. We have determined that these arrangements do not contain a significant financing component, and therefore the transaction price is not adjusted.

Compensation and Benefits

Compensation and benefits expense primarily consists of salaries and wages, bonuses, contract labor fees, share-based compensation, unit-based compensation, payroll taxes and benefits associated with the compensation of our employees, excluding share-based and unit-based compensation discussed in “Restructuring expenses” in the statements of operations.

Share-Based Compensation

Share-based compensation expense relates to the restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted or outstanding during the period. Our RSUs and PSUs are measured at fair value on the date of grant and recognized as expense in “Compensation and benefits” in the statements of operations over the requisite service period. Expense is recognized on a straight-line basis for awards that vest based solely on a service condition. In addition to a service condition, PSUs provide an opportunity to receive shares based on our performance as measured against objective performance goals. We record compensation expense for PSUs on an accelerated attribution basis based on our assessment

of the probable outcome of the performance conditions at each reporting period. The fair value of our RSUs and PSUs is determined as the closing price of our Class A common stock on the date of grant. We account for forfeitures as they occur. See Note 11 for additional information about share-based compensation.

Unit-Based Compensation

Unit-based compensation expense relates to the replacement incentive units and phantom units (“participation” units) granted prior to the VIH Business Combination on October 15, 2021, that were issued to employees as purchase consideration. The replacement incentive units and participation units were measured at fair value on the Closing Date, and we recognize 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 participation units, which historically have been classified as liabilities, based on changes to the fair value of the awards at each reporting date. We elect to account for forfeitures as they occurred. See Note 11 for additional disclosures related to unit-based compensation.

Professional Services

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

Technology and Communication

Technology and communication expenses include costs incurred in operating and maintaining our 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 advertising costs for the years ended December 31, 2023 and December 31, 2022, were \$4.6 million and \$8.8 million, respectively.

Acquisition-Related Expenses

We incur incremental costs relating to acquisitions and other strategic opportunities. This includes fees for investment banking advisors, lawyers, accountants, tax advisors and public relations firms, as well as other external costs directly related to the proposed or closed transactions. See Note 4 for additional information related to acquisition-related expenses.

Restructuring Expenses

The Company groups restructuring obligations into four categories: involuntary employee termination benefits, contractual employee termination benefits, costs to terminate contracts, and other associated costs. Involuntary employee termination benefits include cash and non-cash compensation and is recognized as incurred upon communication of the plan to the identified employees. Contractual employee termination benefits include cash and non-cash compensation owed to an employee pursuant to their individual employment agreements. Cash termination benefits are recorded at the employee notice date, while non-cash compensation is recorded over any remaining service term. Costs to terminate contracts are recognized upon termination agreement with the provider. Other associated restructuring costs are expensed as incurred.

Warrant Accounting

We account for our Class A common stock warrants in accordance with applicable accounting guidance provided in ASC Topic 815, *Derivatives and Hedging—Contracts in Entity's Own Equity*, as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. We classify as equity any equity-linked contracts that (1) require physical settlement or net-share settlement or (2) give us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement). We classify as assets or liabilities any equity-linked contracts that (1) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside our control) or (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). All public and private placement warrants issued by us were deemed to qualify for liability classification. See Note 9 for additional information.

Noncontrolling Interest

Bakkt Holdings, Inc. is the sole managing member of Opco and, as a result, consolidates the financial results of Opco. We report a noncontrolling interest representing the portion of Opco that we control and consolidate but do not own. We recognize each noncontrolling holder's respective share of the estimated fair value of the net assets at the date of formation or acquisition. Noncontrolling interest is subsequently adjusted by the noncontrolling holders' share of additional contributions, distributions and their share of the net earnings or losses of each respective consolidated entity. We allocate net income or loss to noncontrolling interest based on the weighted average ownership interest during the period. The net income or loss that is not attributable to the Company is reflected in "Net loss attributable to noncontrolling interest" in the consolidated statements of operations. Each Opco Common Unit, when coupled with one share of our Class V common stock is referred to as a "Paired Interest." When Paired Interests are exchanged, the Company will receive a corresponding number of Opco Common Units, increasing the Company's total ownership interest in Opco. Changes in our ownership interest in Opco while we retain a controlling interest in Opco are accounted for as equity transactions. As such, future redemptions or direct exchanges of Opco Common Units by the noncontrolling members of Opco will result in a change in ownership and reduce the amount recorded as noncontrolling interest and increase additional paid-in capital.

Income Taxes

We account for deferred federal and state income taxes 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 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. We recognize interest and penalties related to uncertain tax positions in "Income tax expense" in the consolidated statements of operations.

Fair Value Measurements

We account for our financial assets and liabilities that are recognized and/or disclosed at fair value on a recurring basis in accordance with ASC 820, *Fair Value Measurements and Disclosures*. Fair value is defined 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. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability. ASC 820 establishes a hierarchy of

valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable and proscribes the following fair value hierarchy in determining fair values:

Level 1 — Quoted prices for identical assets or liabilities in active markets.

Level 2 — Inputs other than quoted prices within Level 1 that are observable either directly or indirectly, including quoted prices in active markets for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data such as interest rates or yield curves.

Level 3 — Unobservable inputs reflecting our view about the assumptions that market participants would use in measuring the fair value of the assets or liabilities.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable, including unbilled accounts receivable. 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. We have not experienced any losses on our deposits of cash and cash equivalents.

As of December 31, 2023, and December 31, 2022, the three largest customer balances represented approximately 44% and 65%, respectively, of total accounts receivable.

For the year ended December 31, 2023, we had no revenue concentration with any individual customer. However, our customers are introduced to us via client relationships. For the year ended December 31, 2023 our top three Crypto clients represented approximately 86%, of Crypto revenue. One client represented over 10% of our Crypto revenue, which accounted for revenue of \$529.6 million during the year ended December 31, 2023. We had no material concentration risk for the year ended December 31, 2022 as our crypto revenues were not material.

For the years ended December 31, 2023 and December 31, 2022, our top three Loyalty customers represented approximately 63% and 61%, respectively, of Loyalty net revenue. Three customers, that each represented over 10% of our Loyalty net revenue, combined to account for net revenue of \$33.2 million and \$33.0 million during the years ended December 31, 2023 and December 31, 2022.

Investments

We classify our investments in debt securities as available-for-sale investments. Our investments in debt securities consist of U.S. Treasury debt securities held in the custody of a major financial institution. Investments are classified as current or non-current depending on their maturity dates and when they are expected to be converted into cash.

Recently Adopted Accounting Pronouncements

We did not adopt any significant accounting pronouncements during the years ended December 31, 2023 or December 31, 2022.

Recently Issued Accounting Pronouncements Not Yet Adopted

On December 13, 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-08, which addresses the accounting and disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, with changes in fair value recorded in net income in each reporting period. We

will also be required to provide additional disclosures about the holdings of certain crypto assets. The ASU will be effective for our fiscal year 2025 including interim periods within that year. We do not believe the implementation of the ASU will have a material impact on our consolidated balance sheet or statement of operations.

We do not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our financial statements.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

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

Service Type	Year Ended December 31, 2023	Year Ended December 31, 2022
Transaction revenue ^(a)	\$ 756,165	\$ 29,541
Subscription and service revenue	23,971	26,683
Total revenue	\$ 780,136	\$ 56,224

(a) Amounts are net of rebates and incentive payments of \$0.1 million and \$0.6 million for the years ended December 31, 2023 and December 31, 2022, respectively. Included in these amounts are amounts earned from related parties of less than \$0.1 million for both years ended December 31, 2023 and December 31, 2022, respectively.

Platform	Year Ended December 31, 2023	Year Ended December 31, 2022
Loyalty redemption platform	53,148	54,479
Crypto services ^(b)	726,988	1,745
Total revenue	\$ 780,136	\$ 56,224

(b) Amounts are net of rebates and incentive payments of \$0.1 million and \$0.6 million for the years ended December 31, 2023 and December 31, 2022, respectively. Included in these amounts are amounts earned from related parties of less than \$0.1 million for both years ended December 31, 2023 and December 31, 2022, respectively.

We recognized revenue from foreign jurisdictions of \$15.9 million and \$3.8 million for the years ended December 31, 2023 and December 31, 2022, respectively.

We have one reportable segment. See Note 2 for additional information.

Deferred Revenue

Contract liabilities consist of deferred revenues for amounts invoiced prior to us meeting the criteria for revenue recognition. We invoice customers for service fees at the time the service is performed, and such fees are recognized as revenue over time as we satisfy its performance obligation. Contract liabilities are classified as “Deferred revenue, current” and “Deferred revenue, noncurrent” in our consolidated balance sheets. The activity in deferred revenue for the years ended December 31, 2023 and December 31, 2022 was as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning of the period contract liability	\$ 7,084	\$ 9,448
Revenue recognized from contract liabilities included in the beginning balance	(4,045)	(4,739)
Increases due to cash received, net of amounts recognized in revenue during the period	4,441	2,375
End of the period contract liability	<u>\$ 7,480</u>	<u>\$ 7,084</u>

Remaining Performance Obligations

As of December 31, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts was \$21.6 million, comprised of \$14.1 million of subscription fees and \$7.5 million of service fees that are deferred. We will recognize our subscription fees as revenue over a weighted-average period of 25 months (ranges from 2 months – 33 months) and our service fees as revenue over a weighted-average period of 36 months.

As of December 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations related to partially completed contracts is \$27.5 million, comprised of \$20.4 million of subscription fees and \$7.1 million of service fees that are deferred. We will recognize our subscription fees as revenue over a weighted-average period of 35 months (ranges from 2 months – 45 months) and our service fees as revenue over a weighted-average period of 23 months.

Contract Costs

For the years ended December 31, 2023 and December 31, 2022, we did not incur any incremental costs to obtain and/or fulfill contracts with customers, respectively.

4. Business Combinations and Asset Acquisition

Apex Crypto

On April 1, 2023 we completed the acquisition of 100% of the ownership interests of Apex Crypto. We recognized goodwill from the acquisition due to the assembled, experienced workforce and anticipated growth we expect to achieve from Apex Crypto's sales pipeline and product capabilities. The total consideration as measured at April 1, 2023 included \$55.0 million in cash, approximately \$10.5 million in Class A common stock payable based on Apex Crypto's performance in the fourth quarter of 2022, and \$11.8 million of cash paid for net working capital, which was predominantly cash held in banks. In addition, we may pay up to \$100.0 million of our Class A common stock as additional consideration depending on Apex Crypto's achievement of certain financial targets through 2025 (the "contingent consideration"). As part of the purchase price allocation the value of the contingent consideration was estimated to be \$2.9 million.

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

(\$ in millions)

Cash consideration paid	55.0
Cash paid for working capital and cash	11.8
Class A common stock at transaction close	10.5
Estimated fair value of Class A common stock contingent consideration	2.9
Total consideration	\$ 80.2
Current assets	31.8
Safeguarding asset for crypto	689.3
Non-current assets	0.3
Intangible assets - developed technology	5.6
Intangible assets - customer relationships	10.2
Goodwill	52.0
Current liabilities	(19.7)
Safeguarding obligation for crypto	(689.3)
Net assets acquired	\$ 80.2

The above fair values are as of the acquisition date. The acquired intangible assets and goodwill required the use of significant unobservable inputs including client activation forecasts, expectations about customer trading volume and frequency, customer attrition rates, and estimated useful lives of acquired technology and discount rates (level 3 inputs). The acquired customer relationships were valued using a multi-period excess earnings model. The acquired developed technology was valued using a relief from royalty method. Acquired crypto safeguarding asset and obligation were valued based on the midpoint of a bid-ask spread as of the acquisition date (level 2 inputs). Other assets and liabilities were carried over at their acquired costs which was not materially different than their fair values.

The contingent consideration payable in Class A common stock to Apex Crypto's former owners based on the performance of the business in the 2023-2025 annual periods was estimated using a Monte Carlo model given the range of possible outcomes. As of December 31, 2023, we determined the value of the contingent consideration was zero, based on our forward-looking projections and minimum profit requirements associated with the earnout and reversed the accrual through acquisition expenses.

Revenue generated by Apex Crypto from the acquisition date through December 31, 2023 was \$725.9 million, and is included in the Company's statements of operations. Net loss generated by Apex Crypto from the acquisition date through December 31, 2023 was \$39.9 million, and is included in the Company's statements of operations.

The following unaudited pro forma financial information presents the Company's results of operations as if the acquisition of Apex Crypto had occurred on January 1, 2022. The unaudited pro forma financial information as presented below is for illustrative purposes and does not purport to represent what the results of operations would actually have been if the acquisition of Apex Crypto occurred as of the date indicated or what the results would be for any future periods. The unaudited pro forma results reflect the step-up amortization adjustments for the fair value of intangible assets acquired, acquisition-related expenses, and share-based compensation expense for newly issued restricted stock units. Proforma revenue for the years ended December 31, 2023 and December 31, 2022 would be \$1,225.5 million and \$3,127.7 million, respectively. Proforma net loss for the years ended December 31, 2023 and December 31, 2022 would be \$219.5 million and \$2,004.1 million, respectively.

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

Bumped Acquisition

On February 8, 2023, we acquired 100% of the units of Bumped Financial, LLC, which we subsequently renamed Bakkt Brokerage, LLC ("Bakkt Brokerage"), a broker-dealer registered with the SEC and the Financial Industry Regulatory

Authority, Inc., for cash consideration of \$0.6 million. Because of the limited scope of its historical operations, we determined that substantially all of the purchase consideration in the transaction would be allocated to the in-place licenses Bakkt Brokerage held and as such, have accounted for this as an asset acquisition.

5. Goodwill and Intangible Assets, Net

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

Balance as of December 31, 2022	15,852
Apex acquisition	52,149
Impairment	—
Balance as of December 31, 2023	<u>\$ 68,001</u>

Impairment Analyses Performed During The Year Ended December 31, 2023

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

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

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

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

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

During the fourth quarter of 2023, we determined we would not be able to continue as a going concern for twelve months subsequent to the expected release of the 2023 financial statements absent additional equity financing. We determined this was a triggering event and conducted an additional impairment analysis on our indefinite-lived intangible assets, long-lived assets and goodwill. We determined the carrying value of our tradename exceeded its fair value by approximately \$1.4 million and recognized a corresponding impairment loss. The fair value inputs associated with the tradename impairment loss are consistent with those described above, updated for revenue growth consistent with that observed since our impairment analysis performed as of the period ended September 30, 2023.

The undiscounted and discounted cashflow analyses conducted for the loyalty asset group indicated that its limited prospects for growth resulted in full impairment of the loyalty intangible and long-lived assets (Level 3 inputs). Accordingly we recognized impairment losses associated with the acquired customer relationships, developed technology, property plant and equipment, and prepaid customer acquisition costs of \$16.7 million, \$8.6 million, \$1.9 million, and \$4.4 million, respectively. The right of use assets associated with the leased properties in the loyalty asset group were also impaired based on a fair market value analysis considering a hypothetical sublease of these properties (Level 2 inputs), resulting in an additional impairment loss of \$4.5 million.

The undiscounted and discounted cashflow analyses conducted for the crypto asset group used revenue projections that assumed retail trading and engagement metrics would remain at average 2023 levels for a significant period of time and limited the growth associated with our international expansion and institutional businesses given their limited performance track record (Level 3 inputs). The discounted cash flow impairment analysis indicated the acquired customer relationships, developed technology, property, plant and equipment, and licenses were fully impaired, resulting in impairment losses of \$9.4 million, \$8.0 million, \$11.0 million, and \$0.6 million, respectively. Certain right of use assets associated with leased properties were also impaired based on a fair market value analysis considering a hypothetical sublease of these properties (level 2 inputs), resulting in an additional impairment loss of \$4.4 million.

After giving effect to the above impairments, we determined that goodwill was not impaired based on a comparison of the remaining book value of equity to our market capitalization. We considered the existence of material nonpublic information as of December 31, 2023 related to going concern risk, the Concurrent Offerings, and subsequent declines in our market capitalization once the going concern risk was disclosed, in reaching this conclusion (Level 3 inputs). Further declines in our market capitalization or the failure to execute on business objectives could result in future goodwill or intangible asset impairments.

Impairment Analyses Performed During The Year Ended December 31, 2022

During the third quarter of 2022, we commenced our annual strategic planning process which included updating expected crypto product activations in light of the crypto market volatility and elongation of decision timeframes for activations of crypto strategy by our clients. We assessed the changes in circumstances that occurred during the period ended September 30, 2022 to determine if it was more likely than not that the fair values of any indefinite-lived intangible assets, long-lived assets or goodwill were below their carrying amounts. Several determinative factors, including the elongated timing for expected crypto product activations and the sustained decline in our market capitalization, led us to conclude that it was more likely than not that the fair value of our equity was lower than book basis as of September 30, 2022, and our indefinite-lived intangible assets, long-lived assets and goodwill should be evaluated for impairment as of September 30, 2022. We then performed quantitative impairment tests of the indefinite-lived intangible assets, long-lived assets, and goodwill.

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

During the fourth quarter of 2022 a number of high-profile bankruptcies among crypto companies exacerbated the volatility in the market for our services we observed earlier in the year. This created a further depression of our stock price and created additional uncertainty about our ability to achieve the growth we expected when the impairment test as of September 30, 2022 was performed. Accordingly, we concluded our indefinite-lived intangible assets, long-lived assets and goodwill should be quantitatively tested for impairment as of December 31, 2022.

We concluded the carrying value of the reporting unit exceeded its fair value and recorded an incremental goodwill impairment of \$121.4 million.

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

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

For the impairment analysis conducted as of December 31, 2022 we also concluded that the fair value of our licenses, trademark/trade name indefinite lived intangible assets and the technology finite lived intangible asset associated with our mobile app fell below their carrying values and recorded impairments of \$110.0 million, \$5.0 million, and \$38.0 million, respectively.

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

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

The discount rate used in the valuations conducted during 2022 was 15.5%, which was 400 basis points higher than the discount rate assumed in the valuation of these intangibles for the VIH Business Combination. The higher discount

rate reflects the higher risk-free rate and beta observed as of September 30, 2022 and December 31, 2022 as compared to the October 15, 2021 VIH Business Combination valuation date.

Our goodwill was not impacted by foreign currency translation during the year ended December 31, 2023. Our goodwill was impacted by foreign currency translation of less than \$0.1 million during the year ended December 31, 2022.

Intangible assets consisted of the following (in thousands):

December 31, 2023					
	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Licenses	Indefinite	\$ 611	\$ —	\$ (611)	\$ —
Trademarks / trade names	Indefinite	8,000	—	(5,100)	2,900
Technology	5	18,360	(6,234)	(12,126)	—
Customer relationships	8.4	55,170	(12,508)	(42,662)	—
Total		<u>\$ 82,141</u>	<u>\$ (18,742)</u>	<u>\$ (60,499)</u>	<u>\$ 2,900</u>

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

Amortization of intangible assets for the years ended December 31, 2023 and December 31, 2022 was \$8.8 million and \$21.8 million, respectively, and is included in “Depreciation and amortization” in the consolidated statements of operations.

Estimated future amortization for definite-lived intangible assets as of December 31, 2023 is zero as our finite lived intangible assets have been fully impaired.

Intangible assets also include crypto we own, which are accounted for as indefinite-lived intangible assets and are initially measured at cost (under a first-in, first-out basis) under the guidance in ASC 350 *Intangibles - Goodwill and Other*. These assets are not amortized, but assessed for impairment continually given the volatility of markets for these assets. Impairment exists when the carrying amount exceeds its fair value. The fair value of crypto is determined as the lowest price of executed transactions during the measurement or holding period using the quoted price of the crypto in our principal market. The carrying amount of a crypto asset after its impairment becomes its new cost basis. Impairment losses are not reversible or recoverable and are included in “Crypto costs” in the consolidated statement of operations. Impairment losses were not material for the years ended December 31, 2023 and December 31, 2022. Our owned crypto are typically liquidated on a daily basis during the fulfillment of customer orders and settlement with our liquidity providers. We classify cash flows from crypto within cash flows from operating activities.

6. Consolidated Balance Sheet Components

Accounts Receivable, Net

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

	December 31, 2023	December 31, 2022
Trade accounts receivable	\$ 14,987	\$ 16,284
Customers, clients and liquidity providers	4,121	—
Unbilled receivables	6,125	—
Deposits	939	6,445
Other receivables	4,223	2,787
Total accounts receivable	30,395	25,516
Less: Allowance for doubtful accounts	(731)	(210)
Total	<u>\$ 29,664</u>	<u>\$ 25,306</u>

Deposits includes cash, as noted on the consolidated statements of cash flows, at clearing agencies used to settle customer transactions. Amounts payable and receivable to our liquidity providers are reported net by counterparty when the right of offset exists.

Other Current Assets

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

	December 31, 2023	December 31, 2022
Prepaid expenses	\$ 3,307	\$ 6,060
Other	25	—
Total	<u>\$ 3,332</u>	<u>\$ 6,060</u>

Property, Equipment and Software, Net

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

	December 31, 2023	December 31, 2022
Internal-use software	\$ —	\$ 4,383
Purchased software	—	99
Office furniture and equipment	—	2,303
Other computer and network equipment	800	4,732
Leasehold improvements	—	10,102
Property, equipment and software, gross	800	21,619
Less: accumulated amortization and depreciation.	(740)	(1,875)
Total	<u>\$ 60</u>	<u>\$ 19,744</u>

For the years ended December 31, 2023 and December 31, 2022, depreciation and amortization expense related to property, equipment and software amounted to \$5.1 million and \$3.5 million, respectively, of which \$1.8 million and \$1.7 million, respectively, related to amortization expense of capitalized internal-use software placed in service.

The Company conducted a quantitative impairment test of long-lived assets as of December 31, 2023 and concluded certain leasehold improvements, office furniture and equipment and internal use software were fully impaired. An impairment charge of \$21.3 million was recognized in “Impairment of long-lived assets” in the consolidated statements

of operations. Significant judgments in this analysis include the division of long-lived assets into asset groups and cashflow assumptions that are consistent with the inputs used in the income approach for the goodwill impairment analysis. See Note 5 for additional information.

The Company conducted a quantitative impairment test of long-lived assets as of December 31, 2022 and concluded certain internal use software was fully impaired. An impairment charge of \$8.7 million was recognized in “Impairment of long-lived assets” in the consolidated statements of operations. Significant judgments in this analysis include the division of long-lived assets into asset groups and cashflow assumptions that are consistent with the inputs used in the income approach for the goodwill impairment analysis.

Deposits with Clearinghouse

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

Other Assets

Other assets consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 11,456	\$ 19,632
Other	1,647	2,826
Total	<u>\$ 13,103</u>	<u>\$ 22,458</u>

The Company conducted a quantitative impairment test of long-lived assets as of December 31, 2023 and concluded certain right-of-use assets were fully impaired, while certain other right-of-use assets were partially impaired. An impairment charge of \$8.9 million was recognized in “Impairment of long-lived assets” in the consolidated statements of operations. Significant judgments in this analysis include the division of long-lived assets into asset groups, discount rates and the market comparable properties included in the hypothetical sublease analysis (Level 2 inputs).

Accounts Payable and Accrued Liabilities

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

	December 31, 2023	December 31, 2022
Accounts payable	\$ 14,925	\$ 25,975
Payables to clients and customers	4,906	—
Accrued expenses	15,970	15,537
Purchasing card payable	11,830	10,686
Salaries and benefits payable	4,442	13,926
Loyalty revenue share liability	2,686	43
Other	620	620
Total	<u>\$ 55,379</u>	<u>\$ 66,787</u>

Other Current Liabilities

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

	December 31, 2023	December 31, 2022
Participation units liability, current	\$ —	\$ 275
Current maturities of operating lease liability	3,636	3,014
Other	1,066	530
Total	<u>\$ 4,702</u>	<u>\$ 3,819</u>

Other Noncurrent Liabilities

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

	December 31, 2023	December 31, 2022
Operating lease liability, noncurrent	\$ 23,525	\$ 23,402
Total	<u>\$ 23,525</u>	<u>\$ 23,402</u>

Amounts receivable and payable included in the tables above related to our crypto transactions pending settlement with our customers and liquidity providers were settled in early 2024 in amounts consistent with those reflected above.

7. Tax Receivable Agreement

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

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

The TRA provides for the payment by us to exchanging holders of Opco common units of 85% of certain net income tax benefits, if any, that we realize (or in certain cases is deemed to realize) as a result of these increases in tax basis related to entering into the TRA, including tax benefits attributable to payments under the TRA. This payment obligation is an obligation of the Company and not of Opco. For purposes of the TRA, the cash tax savings in income tax will be computed by comparing our actual income tax liability (calculated with certain assumptions) to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of Opco as a result of Opco having an election in effect under Section 754 of the Code for each taxable year in which an exchange of Opco common units for Class A common stock occurs and had we not entered into the TRA. Such change will be calculated under the TRA without regard to any transfers of Opco common units or distributions with respect to such Opco common units before the exchange under the Exchange Agreement to which Section 743(b) or 734(b) of the Code applies. As of December 31, 2023, 25,952,197 Opco common units were exchanged for Class A common stock. Refer to Note 14 regarding the contingency related to the TRA.

8. Related Parties

ICE Management and Technical Support

Upon consummation of the VIH Business Combination, we entered into a Transition Services Agreement (the “ICE TSA”) with ICE, pursuant to which ICE provides insurance, digital warehouse, data center, technical support, and other transition-related services in exchange for quarterly service fees payable by us. We recognized \$2.8 million and \$1.2 million of expense related to the ICE TSA for the years ended December 31, 2023 and December 31, 2022, respectively, which are reflected as “Related party expenses” in the consolidated statements of operations. As of December 31, 2023 and December 31, 2022, we had \$3.0 million and \$1.2 million, respectively, reflected as “Due to related party” in the consolidated balance sheets related to the ICE TSA. The agreement terminated in December 2023.

Triparty Agreement

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

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

Apex Crypto Technical Support

In connection with our acquisition of Apex Crypto, we entered into a Transition Services Agreement (the “Apex TSA”) with Apex Fintech Solutions, Inc. (“AFS”), pursuant to which AFS provides technical support and other transition-related services in exchange for quarterly service fees payable by us. We recognized \$1.1 million of expense related to the Apex TSA during the year ended December 31, 2023, which is reflected as “Related party expenses” in the consolidated statements of operations. As of December 31, 2023, we had \$0.2 million reflected as “Due to related party” in the consolidated balance sheets related to the Apex TSA.

9. Warrants

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

During the year ended December 31, 2023, we did not issue any shares of Class A common stock in exchange for the exercise of public warrants, nor did we receive any proceeds from the exercise of the public warrants. During the year ended December 31, 2022, we issued 221 shares of Class A common stock in exchange for the exercise of 221 public warrants. We received less than \$0.1 million in proceeds from the exercise of the public warrants. We recognized a loss

from the change in fair value of the warrant liability during the year ended December 31, 2023 of \$1.6 million, which is reflected in “(Loss) gain from change in fair value of warrant liability” in the consolidated statements of operations. We recognized a gain from the change in fair value of the warrant liability during the year ended December 31, 2022 of \$16.6 million, which is reflected in “(Loss) gain from change in fair value of warrant liability” in the consolidated statements of operations.

10. Stockholders’ Equity

Preferred Stock

We are authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share. The holders of a series of preferred stock shall be entitled only to such voting rights as shall expressly be granted thereto by the Certificate of Incorporation (including any certificate of designation relating to such series of preferred stock). As of December 31, 2023, no shares of preferred stock have been issued.

Common Stock

Class A Common Stock

We are authorized to issue 750,000,000 shares with a par value of \$0.0001 per share. Each holder of record of Class A common stock is entitled to one vote for each share of Class A common stock held on all matters on which stockholders generally or holders of Class A common stock as a separate class are entitled to vote, including the election or removal of directors (whether voting separately as a class or together with one or more classes of our capital stock). As of December 31, 2023 and December 31, 2022, there were 94,845,942 and 80,926,843 shares of Class A common stock issued and outstanding, respectively.

Dividends

Subject to preferences that may be applicable to any outstanding preferred stock, the holders of shares of Class A common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our Board out of funds legally available therefor. As of December 31, 2023, no dividends have been declared.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Class A common stock are entitled to share ratably in all assets remaining after payment of our debts and other liabilities, subject to prior distribution rights of preferred stock or any class or series of stock having a preference over the Class A common stock, then outstanding, if any.

Class V Common Stock

We are authorized to issue 250,000,000 shares with par value \$0.0001 per share. These shares have no economic value but entitle the holder to one vote per share. Paired Interests may be exchanged for one share of our Class A common stock or a cash amount in accordance with the Third Amended and Restated Limited Liability Company Agreement of Opco and the Amended and Restated Exchange Agreement. Holders of Paired Interests became eligible on April 16, 2022 under the Exchange Agreement to exchange their Paired Interests for Class A common stock, or, at our election, cash in lieu thereof. During the year ended December 31, 2023, there were 3.5 million Paired Interests exchanged for our Class A common stock, and the Company did not elect to settle any such exchanges in cash. As of December 31, 2023 and December 31, 2022, there were 180,001,606 and 183,482,777 shares of Class V common stock issued and outstanding, respectively.

Dividends

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

Liquidation

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

Restrictions

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

Noncontrolling Interest

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

	December 31, 2023		December 31, 2022	
	Opco Common Units	Ownership %	Opco Common Units	Ownership %
Opco common units held by Bakkt Holdings, Inc.	94,845,942	35 %	80,926,843	31 %
Opco common units held by noncontrolling interest holders	180,001,606	65 %	183,482,777	69 %
Total Opco common units outstanding	274,847,548	100 %	264,409,620	100 %

The weighted average ownership percentages for the applicable reporting periods are used to attribute net loss and other comprehensive loss to the Company and the noncontrolling interest holders. The noncontrolling interest holders' weighted average ownership percentage for the years ended December 31, 2023 and December 31, 2022 was 67.0% and 72.6%, respectively.

Members' Equity

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

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

Issuance of Class C Warrant

In May, 2020, Opco issued a warrant to a minority investor to purchase 3,603,600 of Opco's Class C voting units ("Class C Warrant"), at an exercise price of \$1.11 per unit. The 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 \$1.6 million.

In August 2021, Opco amended the Class C Warrant to change the service conditions for 781,515 warrant units. The service conditions for the remaining 2,822,085 units were unchanged.

Opco 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 model. The fair value of the modified warrant units on modification date was estimated to be \$1.0 million. The key inputs used in the valuation were as follows:

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 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. Opco had neither declared or paid any cash dividends and did not plan to pay cash dividends in the foreseeable future as of the issuance date. As a result, an expected dividend yield of zero percent was used.

In connection with the VIH Business Combination, the modified warrant units automatically converted into the right to purchase 793,352 Paired Interests in Opco at an exercise price of \$5.04 per Paired Interest. As of December 31, 2023 and December 31, 2022, 172,055 modified warrant units have vested but have not been exercised, and the remaining 621,297 warrant units have not vested or been exercised. No expenses were recorded in the years ended December 31, 2023 or December 31, 2022 since the service conditions were not probable of being met in those periods.

11. Share-Based and Unit-Based Compensation

2021 Incentive Plan

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

Share-Based Compensation Expense

During the year ended December 31, 2023, we granted 7,783,077 RSUs and 673,627 PSUs, which represents 100% of the target award, to employees and directors. During the year ended December 31, 2022, we granted 10,251,747 RSUs and 5,116,984 PSUs, which represents 100% of the target award, to employees and directors.

We recorded \$15.1 million and \$23.9 million of share-based compensation expense related to RSUs for the years ended December 31, 2023 and December 31, 2022, respectively. We recorded \$0.3 million and \$7.7 million of share-based compensation expense related to PSUs for the years ended December 31, 2023 and December 31, 2022, respectively. Share-based compensation expense for both RSUs and PSUs is included in “Compensation and benefits” in the consolidated statements of operations.

Unrecognized compensation expense as of December 31, 2023 and December 31, 2022, respectively, was \$14.3 million and \$29.9 million for the RSUs and PSUs. The unrecognized compensation expense as of December 31, 2023 and December 31, 2022 will be recognized over a weighted-average period of 1.38 years and 2.05 years, respectively.

RSU and PSU Activity

The following table summarizes RSU and PSU activity under the 2021 Incentive Plan for the years ended December 31, 2023 and December 31, 2022 (in thousands, except per unit data):

RSUs and PSUs	Number of Shares	Weighted Average Remaining Contractual Term (years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	2,142	1.51	\$ 9.18	
Granted	15,369		\$ 3.94	\$ 60,583
Forfeited	(1,885)		\$ 4.99	
Vested	(1,844)		\$ 8.20	
Outstanding as of December 31, 2022	13,782	2.05	\$ 4.05	
Granted	8,457		\$ 1.49	\$ 12,596
Forfeited	(3,803)		\$ 2.83	
Vested	(5,397)		\$ 3.82	
Outstanding as of December 31, 2023	13,039	1.38	\$ 2.79	

During the years ended December 31, 2023 and December 31, 2022, we recorded \$2.3 million and \$2.0 million, respectively, of share-based compensation expense related to the accelerated vesting for certain employees that were terminated, primarily related to the Company's restructuring efforts. Acceleration of share-based compensation expense related to the Company's restructuring efforts is included in "Restructuring expenses" in the consolidated statements of operations. We also recorded reversal of share-based compensation expense of \$2.0 million and \$1.9 million during the years ended December 31, 2023 and December 31, 2022, respectively, for forfeitures, primarily related to executive resignations and the Company's restructuring efforts. Reversal of share-based compensation expense related to the Company's restructuring efforts is included in "Restructuring expenses" in the consolidated statements of operations.

Total fair value of vested RSU and PSU awards was \$8.7 million and \$6.5 million for the years ended December 31, 2023 and December 31, 2022, respectively.

During the fourth quarter of 2022, the Company announced a restructuring plan to further focus the business. This restructuring plan included a reduction in workforce, impacting 22 employees that had outstanding RSUs. We modified the terms of the awards with these employees waiving the continued service requirement for the first tranche of outstanding RSUs if those awards would vest during the 60 days following their separation date. Any awards vesting after the 60 days would be forfeit, consistent with the terms of the 2021 Incentive Plan. We accounted for the modification of these awards as a new grant, including determining the grant date fair value on the date of the modification. The modified grant date fair value, combined with the forfeitures of the awards, resulted in a reversal of \$1.0 million of previously recognized share-based compensation expense.

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

PSUs provide an opportunity for the recipient to receive a number of shares of our common stock based on various performance metrics. Upon vesting, each performance stock unit equals one share of common stock of the Company. We accrue compensation expense for the PSUs based on our assessment of the probable outcome of the performance conditions. The metrics for PSUs granted during 2022 relate to our performance during fiscal years 2022,

2023 and 2024, as measured against objective performance goals as determined by the Board. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of each year's performance goals. PSUs granted in 2022 vest in three equal annual installments, subject to a catch-up provision over the three annual performance targets. The metrics for PSUs granted during 2023 relate to our performance during fiscal year 2023, as measured against objective performance goals approved by the Board. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of the 2023 performance goals. PSUs granted in 2023 vest in three equal annual installments from 2024 to 2026.

Opco Plan

Preferred incentive units and common incentive units (collectively, "incentive units") represent an ownership interest in Opco and are entitled to receive distributions from Opco, subject to certain vesting conditions. Opco classifies incentive units as equity awards on its consolidated balance sheets. Participation units, issued directly by Opco to Opco Plan participants, do not represent an ownership interest in Opco but rather provide Opco Plan participants the contractual right to participate in the value of Opco, if any, through either a cash payment or issuance of Class A common stock upon the occurrence of certain events following vesting of the participation units. Because participation units have historically been settled in cash at the Company's discretion, the Company classified participation units as liability awards on its consolidated balance sheets as of December 31, 2022. At the Company's discretion, the Company settled the final tranche of vested participation units in October 2023 by issuing 111,794 shares of Class A common stock in lieu of making cash payments.

The units are unvested on the grant date and are subject to the vesting terms in the award agreement. They do not receive 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. A portion of the units may be subject to vesting upon a liquidity event, initial public offering, or partial exit event, 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 Opco's services in a production environment, which occurred on September 23, 2019, these remaining units will vest based on the calculated fair market value of Opco as of such date. The VIH Business Combination was an initial public offering vesting event contemplated in the Opco Plan.

On December 19, 2018, Opco and Bakkt Management, LLC (the "Management Vehicle"), a wholly-owned subsidiary of Opco, entered into the Back-to-Back Agreement. The Management Vehicle has no substantive operations, and its sole purpose is to own incentive units in Opco. Under the Back-to-Back Agreement, Opco granted incentive units to the Management Vehicle, which is a member of Opco, and the Management Vehicle issued economically identical membership interests in the Management Vehicle ("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 Opco. Beginning on the 4th anniversary of the date that an incentive unit vests and assuming that Opco had not consummated an IPO or Liquidity Event, the Management Vehicle had the right, but not the obligation, to require Opco to purchase all of the incentive units then held by the Management Vehicle, for a period of four years. Since the incentive units reached a vesting event due to the VIH Business Combination, the Management Vehicle no longer has the right to require Opco to purchase all of the incentive units held by the Management Vehicle. Accordingly, since the Closing Date, the Company classifies the incentive units as "Noncontrolling interest" in the consolidated balance sheets.

In May 2020, Opco amended the Opco Plan. Under the modified Opco 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 a vesting event, as defined in the Opco Plan, subject to time restrictions. The modification to the Opco 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 VIH Business Combination, certain incentive unit awards granted under the Opco Plan in late 2020 were modified. The modification was approved in April 2021. The modification required Opco to redeem 40% of the first one-third of certain employee awards which were scheduled to vest upon consummation of the VIH Business Combination.

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

Unit-Based Compensation Expense

Unit-based compensation expense for the years ended December 31, 2023 and December 31, 2022, was as follows (in thousands):

Type of unit	Year Ended December 31, 2023	Year Ended December 31, 2022
Common incentive unit	\$ 1,345	\$ 3,663
Participation unit	(49)	(3,291)
Total	<u>\$ 1,296</u>	<u>\$ 372</u>

As of December 31, 2023, all Common Incentive Units and Participation Units had vested or been forfeited and there was no unrecognized unit-based compensation expense.

Unrecognized compensation expense as of December 31, 2022 was \$1.4 million for common incentive units. The unrecognized compensation expense will be recognized over a weighted-average period of 0.79 years. There was no unrecognized compensation expense for participation units as of December 31, 2023.

Incentive Unit Activity

The following table summarizes incentive unit activity under the Opco Plan for the years ended December 31, 2023 and December 31, 2022 (in thousands, except per unit data):

Incentive Units	Number of Incentive Units	Weighted Average Remaining Contractual Term (years)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	16,339	1.79	\$ 6.30	\$ 133,240
Granted	—			
Forfeited	(313)			
Exchanged	(7,732)			
Outstanding as of December 31, 2022	8,294	0.79	\$ 6.30	\$ 67,635
Granted	—			
Forfeited	(5)			
Exchanged	(568)			
Outstanding as of December 31, 2023	7,721	0	\$ 6.67	\$ 51,467

There were no unvested Incentive Units as of December 31, 2023.

There were no participation units granted during the years ended December 31, 2023 or December 31, 2022. As of December 31, 2023, there were no participation units outstanding. As of December 31, 2022, the total number of participation units outstanding were 0.2 million. The fair value of the participation units as of December 31, 2022 was \$0.3 million. During the years ended December 31, 2023 and December 31, 2022 we made cash payments of less than \$0.1 million and \$0.5 million, respectively, to settle vested participation units. At the Company's discretion, the Company settled the final tranche of vested participation units in October 2023 by issuing 111,794 shares of Class A common stock in lieu of making cash payments.

Determination of Fair Value

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

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

The inputs used in the models to estimate the fair value of the common incentive units and participation units granted in 2021 are summarized as follows:

Dividend yield	—%
Risk-free interest rate	0.06% - 0.36%
Expected volatility	51.00% - 53.00%
Expected term (years)	0.50 - 2.00
Discount for lack of marketability	0.082

12. Net Loss per Share

Basic earnings per share is based on the weighted average number of shares of Class A common stock issued and outstanding. Diluted earnings per share is based on the weighted average number shares of Class A common stock issued and outstanding and the effect of all dilutive common stock equivalents and potentially dilutive share-based awards outstanding. There is no difference in the number of shares used to calculate basic and diluted shares outstanding due to our net loss position. The potentially dilutive securities that would be anti-dilutive due to our net loss are not included in the calculation of diluted net loss per share attributable to controlling interest.

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss per share:		
Numerator – basic and diluted:		
Net loss	\$ (225,812)	\$ (1,989,934)
Less: Net loss attributable to noncontrolling interest	(150,958)	(1,411,829)
Net loss attributable to Bakkt Holdings, Inc. – basic	\$ (74,854)	\$ (578,105)
Net loss and tax effect attributable to noncontrolling interests	\$ —	\$ —
Net loss attributable to Bakkt Holdings, Inc. – diluted	<u>\$ (74,854)</u>	<u>\$ (578,105)</u>
Denominator – basic and diluted:		
Weighted average shares outstanding – basic	89,083,329	71,167,992
Weighted average shares outstanding – diluted	89,083,329	71,167,992
Net loss per share – basic	\$ (0.84)	\$ (8.12)
Net loss per share – diluted	\$ (0.84)	\$ (8.12)

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

No shares that are contingently issuable as part of the Bakkt Crypto acquisition have been included in the calculation of diluted EPS as no amounts are payable as of December 31, 2023. The following table summarizes the total potential common shares excluded from diluted loss per common share as their effect would be anti-dilutive (in thousands):

	As of December 31, 2023	As of December 31, 2022
RSUs and PSUs	12,645	13,782
Public warrants	7,141	7,141
Opco warrants	793	793
Opco unvested incentive units	—	2,242
Opco common units	180,002	181,241
Total	<u>200,581</u>	<u>205,199</u>

13. Capital Requirements

Bakkt Trust is subject to certain regulatory capital requirements imposed by NYDFS. These capital requirements require Bakkt Trust to maintain in cash the greater of a defined positive net worth or the sum of the required percentages established for transmitted assets and cold wallet and hot wallet custody assets. The amounts set aside to satisfy these requirements are included within “Restricted cash” in the consolidated balance sheets.

Bakkt Clearing, LLC (“Bakkt Clearing”) was registered as a futures commission merchant (“FCM”) with the Commodity Futures Trading Commission (“CFTC”) and was a member of the National Futures Association (“NFA”). Bakkt Clearing was subject to CFTC Regulation 1.17, and the NFA capital requirements. On May 20, 2022, we withdrew Bakkt Clearing’s registration in the CFTC and membership in the NFA, which was effective on June 20, 2022.

Accordingly, as of December 31, 2022, Bakkt Clearing no longer was required to maintain capital under the rules described above.

Bakkt Marketplace holds a BitLicense from NYDFS, which subjects it to NYDFS' oversight with respect to business activities conducted in New York State and with New York residents, and is required to maintain positive net worth equal to its wind-down costs, or expected costs associated with the orderly wind-down of the business. Bakkt Marketplace also has money transmitter licenses in a number of other states which require it to maintain a minimum tangible net worth. Several states have adopted the Model Money Transmission Modernization Act ("MMTMA"), which defined tangible net worth as the aggregate assets of a licensee excluding all intangible assets, less liabilities, and established a calculation for minimum tangible net worth as a percentage of total assets. For states that have not adopted the MMTMA, Bakkt Marketplace is required to maintain tangible net worth of a minimum amount, plus the amount of customer funds held in transit.

Bakkt Crypto holds a BitLicense from NYDFS, which subjects it to NYDFS' oversight with respect to business activities conducted in New York State and with New York residents, and is required to maintain minimum positive net worth held as cash in excess of the sum of the required percentages established for transmitted assets, cold wallet and hot wallet custody assets, and predefined wind-down costs. Bakkt Crypto also has money transmitter licenses in a number of other states which require it to maintain a minimum tangible net worth. Several states have adopted the MMTMA, which defined tangible net worth as the aggregate assets of a licensee excluding all intangible assets, less liabilities, and established a calculation for minimum tangible net worth as a percentage of total assets. For states that have not adopted the MMTMA, Bakkt Crypto is required to maintain tangible net worth of a minimum amount, plus the amount of customer funds held in transit. In March 2024, the Company received approval from NYDFS to merge Bakkt Crypto and Bakkt Marketplace into one legal entity.

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

As of December 31, 2023 and December 31, 2022, the above mentioned subsidiaries were in compliance with their respective regulatory capital requirements. The minimum capital requirements to which our subsidiaries are subject may restrict their ability to transfer cash. We may also be required to transfer cash to our subsidiaries such that they may continue to meet these minimum capital requirements.

14. Commitments and Contingencies

401(k) Plan

We sponsor a 401(k) defined contribution plan covering all eligible U.S. employees. Both Company and employee contributions to the 401(k) plan are discretionary. For the years ended December 31, 2023 and December 31, 2022, we recorded \$2.9 million and \$3.2 million, respectively, of expenses related to the 401(k) plan, which is included in "Compensation and benefits" in the consolidated statements of operations

Tax Receivable Agreement

The Company is party to a TRA with certain Opco Equity Holders. As of December 31, 2023, the Company has not recorded a liability under the TRA related to the income tax benefits originating from the exchanges of Opco common units as it is not probable that the Company will realize such tax benefits. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Should the Company determine that the payment of the TRA liability becomes probable at a future date based on new information, any changes will be recorded on the Company's consolidated statement of operations and comprehensive loss at that time.

Litigation

As described above, in October 2021, we completed the VIH Business Combination with VIH, pursuant to which VIH changed its name to Bakkt Holdings, Inc. and the current directors and officers of the Company replaced the directors and officers in place prior to the VIH Business Combination. On April 21, 2022, a putative class action was filed against Bakkt Holdings, Inc. and certain of its directors and officers prior to the VIH Business Combination in the U.S. District Court for the Eastern District of New York on behalf of certain purchasers of securities of VIH and/or purchasers of Bakkt Class A common stock issued in connection with the VIH Business Combination. On August 3, 2022, the Court appointed lead plaintiffs and lead counsel and on October 18, 2022, lead plaintiffs filed an amended complaint (the "Amended Complaint"). The Amended Complaint alleged that VIH made false or misleading statements and omissions of material fact in the registration statement and prospectus/proxy statement filing in connection with the VIH Business Combination and in other SEC filings made by VIH, in violation of federal securities laws in connection with disclosures relating to certain of VIH's financial statements, accounting, and internal controls and that, as a result, VIH securities traded at artificially inflated prices. Plaintiffs sought certification of a class of purchasers of (1) VIH/Bakkt's publicly traded securities between March 31, 2021 and November 19, 2021, and/or (2) Bakkt's publicly traded securities pursuant and/or traceable to the registration statement. The Amended Complaint sought damages, as well as fees and costs. The Amended Complaint named as defendants only one current director, and no current officers, of Bakkt. On March 14, 2023, the parties reached a settlement in principle. On April 12, 2023, the parties completed a stipulation of settlement resolving the litigation for \$3.0 million, subject to Court approval. On September 21, 2023, the Court granted the motion for preliminary approval. On February 27, 2024, the Court held a final approval hearing at which the Court sought certain limited additional information from Plaintiffs, which Plaintiffs provided on March 5, 2024. The Court has not yet issued a final approval order. We expect the settlement will be covered by our insurance less our contractual retention.

On June 23, 2023, an "opt-out" action related to the foregoing class action was filed against Bakkt Holdings, Inc. and the individuals named in the class action. In late February 2024, plaintiff provided notice that he intended to pursue his remedies as a class member, and therefore did not expect further to pursue this action. On March 1, 2024, the parties filed a joint stipulation of dismissal without a settlement or compromise between the parties, and on March 5, 2024 the Court issued an order dismissing the action.

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

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

On January 25, 2024, the Company's subsidiary, Aspire Loyalty Travel Solutions, LLC ("Aspire") received a letter from one of its vendors alleging breach of its agreement with that vendor relating to a migration of Aspire's systems to a different vendor. The alleged breach relates to a contractual provision requiring Aspire to originate at least a given percentage of its redemptions on the vendor's systems. We accrued \$0.7 million for this matter as of December 31, 2023.

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

Commercial Purchasing Card Facility

We, through our loyalty business, had a purchasing card facility with a bank that we utilized for redemption purchases made from suppliers as part of our loyalty redemption platform. Expenditures made using the purchasing card facility were payable monthly, were not subject to formula-based restrictions and did not bear interest if amounts outstanding were paid when due and in full. Among other covenants, the purchasing card facility required us to maintain a month-end cash balance of \$40.0 million. In January 2021, the purchasing card facility was extended to April 15, 2022 in order to facilitate a long-term agreement on more favorable terms to us. Bakkt Holdings, Inc. served as the guarantor on behalf of our subsidiary under the commercial purchasing card facility. In April 2022, we further extended the maturity date of the purchasing card facility to August 12, 2022, to transition over to the purchasing card facility with Bank of America described below. The maturity date of the purchasing card facility was further extended as of August 12, 2022 to January 13, 2023. During September 2022, we paid off the majority of the remaining balance of the purchasing card facility. The purchasing card facility was closed during October 2022.

On April 7, 2022, we entered into a corporate card services agreement with Bank of America to provide a new purchasing card facility. Total borrowing capacity under the facility is \$35 million and there is no defined maturity date. Expenditures made using the purchasing card facility are payable monthly, are not subject to formula-based restrictions and do not bear interest if amounts outstanding are paid when due and in full. The purchasing card facility requires us to maintain a concentration account with the lender subject to a minimum liquidity maintenance requirement of \$7.0 million as collateral along with the accounts receivable of our subsidiary, within the loyalty business. Bakkt Holdings, Inc. serves as the guarantor on behalf of our subsidiary under the commercial purchasing card facility. We began using the purchasing card facility in August 2022.

In March of 2024, Bank of America required us to pledge as collateral the amounts which were previously required to be maintained in the concentration account.

Purchase Obligations

In December 2021, we entered into a four-year cloud computing arrangement which includes minimum contractual payments due to the third-party provider. In December 2023, we agreed to amend the contract and extend the payment period for an additional year. During the year ended December 31, 2023, we entered into a five-year strategic marketing agreement which required a committed spend. As of December 31, 2023, our outstanding purchase obligations consist of the following future minimum commitments (in thousands):

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Purchase obligations	\$ 6,800	\$ 14,100	\$ —	\$ —	\$ 20,900

15. Income Taxes

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

The domestic and foreign components of income (loss) before income taxes for the following periods were as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Domestic	\$ (225,691)	\$ (2,001,449)
Foreign	323	195
Total loss before provision for income taxes	<u>\$ (225,368)</u>	<u>\$ (2,001,254)</u>

Details of the income tax expense (benefit) are as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current:		
Foreign	\$ 86	\$ 68
Federal	—	—
State	358	184
Total current income tax expense (benefit)	<u>444</u>	<u>252</u>
Deferred:		
Foreign	—	—
Federal	—	(9,390)
State	—	(2,182)
Total deferred income tax expense (benefit)	<u>—</u>	<u>(11,572)</u>
Total income tax expense (benefit)	<u>\$ 444</u>	<u>\$ (11,320)</u>

	Year Ended December 31, 2023	Year Ended December 31, 2022
Tax provision at federal statutory rate	\$ (48,212)	\$ (420,304)
Increase (decrease) in income tax resulting from:		
State income taxes, net of federal tax effect	142	(34,316)
Noncontrolling interest	32,287	296,122
Fair value of warrant liability	329	(3,494)
Changes in valuation allowance	11,461	145,701
Stock compensation	2,180	3,862
Subsidiary liquidation	1,978	—
Other	279	1,109
Provision for (benefit from) income taxes	<u>\$ 444</u>	<u>\$ (11,320)</u>
Effective tax rate	<u>(0.19)%</u>	<u>0.57 %</u>

The effective tax rate differs from the federal statutory rate primarily due to the loss allocated to noncontrolling interest that is not taxed to the Company and changes to the Company's valuation allowance. While Opco incurred a net loss before income taxes of \$225.4 million for the year ended December 31, 2023, only \$74.9 million was allocated to Bakkt Holdings, Inc. The remaining \$151.0 million is benefited for tax purposes by members outside of the reporting group. The tax expense of \$0.4 million relates to state and foreign tax expense since the Company has recorded a full valuation allowance that offsets the tax benefit of its losses.

The following summarizes the significant components of our deferred tax assets and liabilities (in thousands):

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Investment in partnership	\$ 114,641	\$ 111,046
Net operating loss carryforwards	23,860	14,656
Deferred and share-based compensation	2,360	2,965
Other	—	52
Total deferred tax assets	140,861	128,719
Less: valuation allowance	(139,331)	(126,039)
Net deferred tax assets	1,530	2,680
Deferred tax liabilities:		
Intercompany asset with Opco	1,530	2,680
Total deferred tax liabilities	1,530	2,680
Net deferred tax liabilities	\$ —	\$ —

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our realizability of our deferred tax assets, in each jurisdiction, is dependent upon the generation of future taxable income sufficient to utilize the deferred tax assets on income tax returns, including the reversal of existing temporary differences, historical and projected operating results and tax planning strategies. We assessed that substantially all of our deferred tax assets were not more likely than not to be realized. As such, the Company had a valuation allowance of \$139.3 million and \$126.0 million as of December 31, 2023 and December 31, 2022, respectively. The increase in the valuation allowance during the year was primarily related to the generation of net operating losses that are not expected to be realized.

As of December 31, 2023, the Company had gross federal net operating loss carryforwards (“NOLs”) of \$90.0 million, all of which can be carried forward indefinitely. The Company also had state NOLs of \$79.9 million which will begin to expire in 2031. The Company had capital loss carryforwards of \$3.0 million which will expire in 2028. As of December 31, 2022, the Company had gross federal NOLs of \$51.8 million, of which \$0.4 million will begin to expire in 2037 and \$51.4 million can be carried forward indefinitely. The Company also had state NOLs of \$56.9 million which will begin to expire in 2037.

The Company files income tax returns in the U.S., as well as various state and foreign jurisdictions. While the Company is not currently under examination in any of the applicable taxing jurisdictions, the Company is open to examination for federal, state, and foreign jurisdictions with varying statutes, ranging generally from three to five years.

Our non-U.S. subsidiaries are subject to Global Intangible Low-Taxed Income (“GILTI”) provisions under the Tax Cuts and Jobs Act. The Company has elected to recognize the tax expense related to GILTI as a period cost in the period incurred. The Organization for Economic Cooperation and Development (“OECD”) has developed guidance known as the Global Anti-Base Erosion Pillar Two minimum tax rules, or Pillar Two, which generally provide for a minimum effective tax rate of 15% and are intended to apply to tax years beginning in 2024. The Company does not expect these rules to have a material impact on our income tax provision in 2024.

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

16. Fair Value Measurements

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

	As of December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
U.S. Treasury debt securities	\$ 17,398	\$ 17,398	\$ —	\$ —
Safeguarding asset for crypto	701,556	—	701,556	—
Total assets	\$ 718,954	\$ 17,398	\$ 701,556	\$ —
Liabilities:				
Safeguarding obligation for crypto	\$ 701,556	\$ —	\$ 701,556	\$ —
Warrant liability—public warrants	2,356	2,356	—	—
Total liabilities	\$ 703,912	\$ 2,356	\$ 701,556	\$ —

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

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

Our investments in debt securities consist of U.S. Treasury debt securities held in the custody of a major financial institution. As of December 31, 2023, our investment in available-for-sale debt securities was determined to be a Level 1 investment based on quoted prices in active markets and was recorded in the consolidated balance sheets at fair value.

The fair value of the safeguarding obligation for crypto and the corresponding safeguarding asset for crypto was determined using Level 2 inputs which included using the value of the safeguarded asset determined as the mid-point of a bid-ask spread in the market we determined to be the principal market for the related crypto as of December 31, 2023.

The contingent consideration associated with the acquisition of Bakkt Crypto is valued using Level 3 inputs, which includes a Monte Carlo model. The inputs for the Monte Carlo model included forecasted financial performance of Bakkt Crypto and estimated earnings volatility. The contingent consideration liability is revalued each reporting period and any change in the liability is reflected in the Company's statements of operations in "Acquisition-related expenses". As of the acquisition date, the fair value of the contingent consideration was estimated to be \$2.9 million and used an estimated gross profit volatility of 66%. As of December 31, 2023, we determined the value of the contingent consideration was zero, based on our forward-looking projections and minimum profit requirements associated with the contingent consideration.

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

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

17. Leases

The Company leases real estate for office space under operating leases. On December 21, 2023, we signed an agreement to sublease a portion of our corporate headquarters office space in Alpharetta, Georgia. The sublease commenced in March 2024. On March 15, 2023, we signed an amendment to our Scottsdale, Arizona lease that extended the lease term. The amended lease has a term of 89 months and total fixed lease payments over the term of the amended lease are \$5.7 million. During the year ended December 31, 2022, we entered into a real estate lease for office space in New York, New York, that commenced on January 31, 2022. The lease has a term of 94 months and the total fixed lease payments over the term of the lease are \$7.3 million. On April 25, 2022, we signed a lease agreement for call center office space in Alpharetta, Georgia. On May 12, 2022, we executed our option to lease additional space for the Alpharetta call center. The call center lease commenced on June 3, 2022. The lease has a term of 47 months and total fixed lease payments over the term of the lease are \$5.9 million. We consider a lease to have commenced on the date when we are granted access to the leased asset. Several of these leases include escalation clauses for adjusting rentals. As of December 31, 2023 and December 31, 2022, we did not have any active finance leases.

Our real estate leases have remaining lease terms as of December 31, 2023 ranging from 28 months to 105 months, with three of our leases containing an option to extend the term for a period of 5 years exercisable by us, which we are not reasonably certain of exercising at commencement. None of our leases contain an option to terminate the lease without cause at the option of either party during the lease term.

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

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

We have elected the practical expedient under which lease components would not be separated from the non-lease components for all our classes of underlying assets. Accordingly, each lease component and the non-lease components related to the lease component are accounted for as a single lease component. The components of total lease expense are as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating lease cost	4,499	3,780
Short-term lease cost	73	13
Variable lease cost	10	15
Total lease cost	<u>\$ 4,582</u>	<u>\$ 3,808</u>

The short-term lease cost disclosed in the table above reasonably reflects our ongoing short-term lease commitments.

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Cash flow from operating activities ⁽¹⁾	\$ 4,466	\$ (3,068)
Supplemental non-cash information on lease liabilities arising from obtaining right-of-use assets	\$ 3,788	\$ 11,006

(1) Our real estate lease for office space in Alpharetta, Georgia required the landlord to reimburse certain expenditures incurred by us towards construction of improvements. The reimbursement was received during the year ended December 31, 2022 and exceeded the payments required to be made pursuant to the lease during the year.

As of December 31, 2023, the weighted average remaining lease term for our operating leases was 84 months, and the weighted average discount rate for our operating leases was 5.3%. As of December 31, 2022, the weighted average remaining lease term for our operating leases was 94 months, and the weighted average discount rate for our operating leases was 5.0%.

The following table shows balance sheet information about our leases:

	Balance sheet classification	December 31, 2023	December 31, 2022
Right-of-use assets	Other assets, noncurrent	\$ 11,456	\$ 19,632
Lease liabilities, current	Other current liabilities	\$ 3,636	\$ 3,014
Lease liabilities, noncurrent	Other liabilities, noncurrent	\$ 23,525	\$ 23,402

See Notes 5 and 6 for information on impairments recorded for certain right-of-use assets.

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

For the year ended December 31,	
2024	\$ 4,993
2025	5,427
2026	4,197
2027	3,714
2028	3,835
Thereafter	10,704
Total undiscounted lease payments	<u>\$ 32,870</u>
Less: imputed interest	<u>\$ (5,709)</u>
Total lease liability	<u>\$ 27,161</u>
Current	\$ 3,636
Noncurrent	\$ 23,525

18. Safeguarding Obligation For Crypto

We provide custody services for Bakkt Crypto's customers and for Bakkt Trust's standalone custody customers. Bakkt Trust also provides custody services for Bakkt Marketplace crypto customers as described in Note 1. We do not own crypto held in a custodial capacity on behalf of our customers. We maintain the internal recordkeeping of those assets and are obligated to safeguard the assets and protect them from loss or theft. We hold the controlling majority of cryptographic key information on behalf of our Bakkt Trust custodial customers. A significant portion of the crypto we hold in a custodial

capacity are custodied by institutional grade subcustodians. Subcustodians used by Bakkt Crypto hold our customer cryptographic key information and are not permitted to move assets without our specific authorization.

As of December 31, 2023, we have a safeguarding obligation for crypto of \$701.6 million. The safeguarding liability, and corresponding safeguarding asset for crypto on the balance sheet, are measured at the fair value of the crypto held for our customers. We are not aware of any actual or possible safeguarding loss events as of December 31, 2023. Therefore, the safeguarding obligation for crypto and the related safeguarding asset for crypto are recorded at the same amount.

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

	December 31, 2023	December 31, 2022
Bitcoin	\$ 262,231	\$ 15,717
Ether	196,016	75
Shiba Inu	143,237	—
Dogecoin	78,524	—
Other	21,548	—
Safeguarding obligation for crypto	<u>\$ 701,556</u>	<u>\$ 15,792</u>
Safeguarding asset for crypto	<u>\$ 701,556</u>	<u>\$ 15,792</u>

19. Investments in Debt Securities

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

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

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

	December 31, 2023			December 31, 2022		
	Cost Basis	Unrealized Gains/ (Losses), net	Fair Value	Cost Basis	Unrealized Gains/ (Losses), net	Fair Value
Available-for-sale securities						
Government debt						
U.S. treasury bonds	17,230	168	17,398	141,003	59	141,062
Total available-for-sale securities	<u>17,230</u>	<u>168</u>	<u>17,398</u>	<u>141,003</u>	<u>59</u>	<u>141,062</u>

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

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

The unrealized losses on our investments in government debt securities relate to changes in interest rates since the time of purchase. We may sell certain investments depending on liquidity needs of the business; however, it is not likely that we will be required to sell the investments before recovery of their respective amortized cost basis. In addition, there were no credit losses on these investments as of December 31, 2023. In February 2024, we sold our available-for-sale securities based on liquidity needs of the business. Losses associated with the sales were immaterial.

The cost basis and fair value of available-for-sale debt securities at December 31, 2023, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to prepay and creditors may have the right to call obligations.

	December 31, 2023		December 31, 2022	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Due in one year or less	\$ 17,230	\$ 17,398	\$ 141,003	\$ 141,062
Due after one year through five years	—	—	—	—
Total available-for-sale securities	\$ 17,230	\$ 17,398	\$ 141,003	\$ 141,062

20. Subsequent Events

We have evaluated subsequent events and transactions and determined that no events or transactions met the definition of a subsequent event for purpose of recognition or disclosure in these financial statements, other than as described below and within the notes to the financial statements.

On March 13, 2024, we were notified by NYSE Regulation Inc. (the “NYSE”) that we are not in compliance with Section 802.01C of the NYSE Listed Company Manual (the “Listing Rule”) because the average closing stock price of a share of our Class A common stock was less than \$1.00 per share over a consecutive 30 trading-day period. Pursuant to the Listing Rule, we have six months following the NYSE notification to regain compliance with the Listing Rule, during which time our Class A Common Stock will continue to be listed on the NYSE.

Under the NYSE’s rules, if a Company determines it will cure its noncompliance with the Listing Rule by taking an action that will require stockholder approval, it must so inform the NYSE, and the noncompliance with the Listing Rule will be deemed cured if the price promptly exceeds \$1.00 per share and the price remains above that level for at least the following 30 trading days. We intend to consider all available alternatives to cure noncompliance with the Listing Rule, including but not limited to a reverse stock split, subject to stockholder approval.

On March 18, 2024, Gavin Michael resigned as President, Chief Executive Officer and as a director of the Company, as well as from all positions held with the Company’s subsidiaries, effective March 25, 2024. In recognition of Mr. Michael’s past service to the Company, the Company agreed to pay Mr. Michael aggregate severance benefits of approximately \$1.3 million. The Company will also accelerate the vesting of all of the outstanding but unvested service-based RSUs that have been issued to Mr. Michael through March 18, 2024 such that they are fully vested, and has certified the vesting of 614,920 performance-based RSUs based on the attainment of certain targets and goals. In addition, Mr.

Michael will retain 1,322,456 performance based RSUs issued to him on March 18, 2024, pending determination and certification of the targets necessary to obtain vesting, and forfeited the remaining 1,586,178 performance-based RSUs issued to him previously that were unvested.

Effective as of March 26, 2024, effective upon Mr. Michael's resignation, the Board of Directors appointed Andrew Main to the position of President and Chief Executive Officer and entered into an employment agreement pursuant to which Mr. Main will receive an annual base salary of \$500,000 and will be eligible to receive an annual cash bonus under Company's annual cash incentive compensation plan with a target bonus amount of 100% of his base salary, in each case, subject to annual review and increase by the Board or the Compensation Committee. For 2024 only, Mr. Main shall receive 50% of the amount of the target cash bonus on October 1, 2024, with the remainder of the 2024 target cash bonus potentially being subject to determination by the Board or the Compensation Committee. In addition, at the time of his appointment, Mr. Main will be eligible to receive 12,195,121 service-based RSUs, 9,146,341 of which shall be in the form of time-based vesting RSUs and 3,048,780 of which shall be performance-based vesting RSUs.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15(d)-15(f) under the Exchange Act. We assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on this assessment, we concluded that as of December 31, 2023, the Company's internal control over financial reporting was effective.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal controls over financial reporting because the Jumpstart our Business Startups Act of 2012 provides an exemption from such requirement to emerging growth companies.

Changes in Internal Control Over Financial Reporting

Except as described below, there were no changes to our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In April 2023, we acquired Apex Crypto and are in the process of integrating the acquired business into our overall internal control over financial reporting process. Such acquisition exceeded 50% significance under the significance tests set forth in Item 3-05 of Regulation S-X. As permitted under applicable regulations, we have excluded Apex Crypto from our assessment of internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers And Corporate Governance

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Our board of directors has adopted a code of conduct that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of conduct is posted on the investor relations page of our website, which is located at <https://investors.bakkt.com>. We intend to post any amendment to, or waiver from, a provision of our code of conduct on our website.

Item 11. Executive Compensation

The information called for by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships And Related Transactions, And Director Independence

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees And Services

The information required by this item will be set forth in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibit And Financial Statement Schedules

(a) We have filed the following documents as part of this Annual Report on Form 10-K:

1. Financial Statements

See Index under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, because they are not applicable, or because the required information is otherwise included.

3. Exhibits

The exhibits listed below are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference, in each case as indicated below.

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Agreement and Plan of Merger, dated January 11, 2021, by and among the Company, Merger Sub, and the Company.	8-K	001-39544	2.1	January 11, 2021	
2.2	Amendment to Agreement and Plan of Merger, dated March 30, 2021 by and among the Company, Merger Sub, and the Company.	8-K	001-39544	2.1	March 31, 2021	
2.3	Amendment to Agreement and Plan of Merger, dated September 29, 2021 by and among the Company, Merger Sub, and the Company.	8-K	001-39544	2.1	September 30, 2021	
2.4	Membership Interest Purchase Agreement, dated as of November 2, 2022, by and among the Company, Bakkt Marketplace, Seller and Target.	8-K	001-39544	2.1	November 3, 2022	
2.5	Amendment No. 1 To Membership Interest Purchase Agreement, dated as of March 30, 2023, by and among the Company, Bakkt Marketplace, Apex Fintech Solutions Inc. and Apex Crypto, LLC.	8-K	001-39544	2.2	April 3, 2023	
3.1	Certificate of Incorporation of the Company, as currently in effect.	8-K	001-39544	3.1	October 21, 2021	
3.2	By-Laws of the Company, as currently in effect.	8-K	001-39544	3.2	October 21, 2021	
4.1	Specimen Class A Common Stock Certificate of the Company.	8-K	001-39544	4.1	October 21, 2021	
4.2	Specimen Warrant Certificate of the Company.	8-K	001-39544	4.2	October 21, 2021	
4.3	Warrant Agreement, dated September 22, 2020, by and between the Company and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-39544	4.1	September 28, 2020	
4.4	First Amendment to Warrant Agreement, dated March 9, 2022, by and among Bakkt Holdings, Inc, American Stock Transfer & Trust Company, LLC and Continental Stock Transfer & Trust Company.	10-K	001-39544	4.4	March 31, 2022	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
4.5	Third Amended and Restated Limited Liability Company Agreement, dated October 15, 2021, by and among Opco and the Opco Equity Holders.	8-K	001-39544	4.3	October 21, 2021	
4.6	Stockholders' Agreement, dated as of November 2, 2022, by and between the Company and Seller.	8-K	001-39544	4.1	November 3, 2022	
4.7	Amendment Agreement by and between Bakkt Holdings, Inc., Apex Fintech Solutions Inc. and PEAK6 Investments LLC	10-Q	001-39544	4.2	August 10, 2023	
4.8	Description of Securities.	10-K	001-39544	4.6	March 31, 2022	
10.1	Letter Agreement, dated September 22, 2020 (the "Insider Letter"), by and among the Company, its executive officers, its directors and the Sponsor.	8-K	001-39544	10.1	September 28, 2020	
10.2	Amendment to Insider Letter, dated January 11, 2021, by and among the Company, its executive officers, its directors, the Sponsor and Opco.	8-K	001-39544	10.3	January 11, 2021	
10.3	Digital Currency Trading, Clearing, and Warehouse Services Agreement, dated August 29, 2019, by and among IFUS, ICUS and Bakkt Trust, including amendments thereto.	8-K	001-39544	10.10	October 21, 2021	
10.4	Cooperation Agreement, dated October 15, 2021, between the Company and ICE.	8-K	001-39544	10.6	October 21, 2021	
10.5	Registration Rights Agreement, dated October 15, 2021, by and among the Company, the Opco Equity Holders and the Sponsor.	8-K	001-39544	10.1	October 21, 2021	
10.6	Stockholders Agreement of the Company, dated October 15, 2021, by and among the Company, the Opco Equity Holders and the Sponsor.	8-K	001-39544	10.2	October 21, 2021	
10.7	Voting Agreement, dated October 15, 2021, by and between the Company and ICE.	8-K	001-39544	10.3	October 21, 2021	
10.8	Amended and Restated Exchange Agreement dated May 3, 2022 by and between Bakkt Holdings, Inc. and the other parties named therein.	8-K	001-39544	10.1	May 4, 2022	
10.9	Tax Receivable Agreement, dated October 15, 2021, by and among the Company and the other parties thereto.	8-K	001-39544	10.5	October 21, 2021	
10.10+	2021 Omnibus Incentive Plan.	8-K	001-39544	10.9	October 21, 2021	
10.11+	Amendment No.1 to Bakkt Holdings, Inc. 2021 Omnibus Incentive Plan					X
10.12+	Form of Director Restricted Stock Unit Agreement under the Bakkt Holdings, Inc. 2021 Omnibus Incentive Plan.	10-K	001-39544	10.11	March 31, 2022	
10.13+	Form of Executive Officer Restricted Stock Unit Agreement under the Bakkt Holdings, Inc. 2021 Omnibus Incentive Plan.	10-K	001-39544	10.12	March 31, 2022	
10.14+	Form of Performance Unit Agreement under the Bakkt Holdings, Inc. 2021 Omnibus Incentive Plan.	10-Q	001-39544	10.1	May 11, 2023	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.15*	Form of Director and Executive Officer Indemnification Agreement.	8-K	001-39544	10.7	October 21, 2021	
10.16+	Transition Services Agreement, dated as of November 10, 2021, by and between Opco and ICE.	8-K	001-39544	10.1	November 12, 2021	
10.17+	Employment Agreement, dated January 9, 2021, by and among Gavin Michael, Opco, and the Company.	8-K	001-39544	10.12	October 21, 2021	
10.18+	Release Agreement, dated March 18, 2024, by and between Bakkt Holdings, Inc. and Gavin Michael	8-K	001-39544	10.2*	March 19, 2024	
10.19+	Employment Agreement, dated March 18, 2024, by and between Bakkt Holdings, Inc. and Andrew Main	8-K	001-39544	10.1	March 19, 2024	
10.20+	Employment Agreement, dated August 10, 2021, by and among Marc D'Annunzio, Opco, and the Company.	10-K	001-39544	10.18	March 31, 2022	
10.21	Amendment No. 4 to Digital Currency Trading, Clearing, and Warehouse Services Agreement, dated as of July 21, 2022, by and among ICE Futures U.S., Inc., ICE Clear US, Inc. and Bakkt Trust Company LLC.	8-K	001-39544	10.1	July 25, 2022	
10.22	Form of Restricted Stock Unit Award Agreement	8-K	001-39544	10.1	September 12, 2022	
10.23	Form of Performance-Based Restricted Stock Unit Award Agreement	8-K	001-39544	10.2	September 12, 2022	
10.24	Bakkt Holdings, Inc. Outside Director Compensation Program	10-Q	001-39544	10.2	August 11, 2022	
10.25	Employment Agreement, dated October 12, 2022, by and between Karen Alexander and the Company	8-K	001-39544	10.1	October 13, 2022	
10.26	Registration Rights Agreement, dated as of April 1, 2023, by and between Bakkt Holdings, Inc. and Apex Fintech Solutions Inc.	8-K	001-39544	4.1	April 3, 2023	
21.1	List of subsidiaries of the registrant.					X
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm of the Company.					X
24.1	Powers of Attorney (included on the signature page of this Annual Report on Form 10-K).					X
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
97	Clawback Policy					X
101.INS	XBRL Instance Document.					
101.SCH	XBRL Taxonomy Extension Schema Document.					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					

* Schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

+ Indicates a management contract or compensatory plan or arrangement.

† The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are furnished, not filed, with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

None.

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 thereunto duly authorized.

Date: March 25, 2024

BAKKT HOLDINGS, INC.

By: /s/ Gavin Michael

Gavin Michael
Chief Executive Officer and President
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andrew Main, Marc D'Annunzio and Karen Alexander, and each one of them, as their true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for them and in their name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Gavin Michael</u> Gavin Michael	Chief Executive Officer, President and Director <i>(Principal Executive Officer)</i>	3/25/2024
<u>/s/ Karen Alexander</u> Karen Alexander	Chief Financial Officer <i>(Principal Financial Officer)</i>	3/25/2024
<u>/s/ Chip Goodroe</u> Chip Goodroe	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	3/25/2024
<u>/s/ David C. Clifton</u> David C. Clifton	Director	3/25/2024
<u>/s/ Sean Collins</u> Sean Collins	Director	3/25/2024
<u>/s/ Michelle J. Goldberg</u> Michelle J. Goldberg	Director	3/25/2024
<u>/s/ Richard Lumb</u> Richard Lumb	Director	3/25/2024
<u>/s/ Andrew A. Main</u> Andrew A. Main	Director	3/25/2024
<u>/s/ Gordon Watson</u> Gordon Watson	Director	3/25/2024
<u>/s/ De'Ana Dow</u> De'Ana Dow	Director	3/25/2024
<u>/s/ Jill Simeone</u> Jill Simeone	Director	3/25/2024