

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE)
COMMISSION,)
)
Plaintiff,)
)
v.)
)
BINANCE HOLDINGS LIMITED,)
BAM TRADING SERVICES, INC.,)
BAM MANAGEMENT US HOLDINGS,)
INC., AND CHANGPENG ZHAO,)
)
Defendants.)

Civil Action No. 1:23-cv-01599

DECLARATION OF SACHIN VERMA

I, Sachin Verma, declare the following pursuant to Title 28, United States Code, Section 1746:

1. I submit this declaration in support of the Securities and Exchange Commission’s “SEC” Motion for Temporary Restraining Order and Preliminary Injunctions
2. I have personal knowledge of the matters set forth in this declaration, except as otherwise noted, and, if called as a witness, I could and would competently testify under oath to the facts stated herein.
3. I am an active Certified Public Accountant with over 20 years of experience. I am currently employed by the United States Securities and Exchange Commission (“SEC”) in Washington, DC, as an Assistant Chief Accountant in the Division of Enforcement. As part of my daily activities, I have performed numerous calculations using financial records in connection with SEC investigations.

I. ASSIGNMENT AND DATA

4. I have been asked to summarize certain financial information produced by BAM Trading Services Inc. related to their total capital raised, total revenue, and gross profit derived during the time period February 4, 2019 through April 30, 2023.¹

5. I was provided an excel workbook containing various financial information and financial statements from 2019 through April 2023 I understand was produced by BAM Trading Services Inc. I was also provided 2 PDF files containing financial statements for the years 2020 through 2022. In addition, I reviewed the Form D – Notice of Exempt Offering of Securities filed by BAM Management US Holdings Inc.² with the SEC on April 8, 2022. Copies of these documents are attached hereto as Exhibits C-1 to C-4.

II. TOTAL CAPITAL RAISED

6. Based on my review of the Form D filed by BAM Management US Holdings Inc., it appears that starting on or about March 25, 2022, BAM Management US Holdings Inc. sold equity interests raising a total of \$216,772,488 that I understand was for capitalizing the Binance.US crypto asset trading platform. Ex C-1.

7. Applying the Internal Revenue Service underpayment penalty rate as set forth in 26 U.S.C. § 6621(a)(2) to above amount from March 25, 2022, the date of the first sale the equity to the date of the Complaint filed in this action results in an estimated prejudgment interest amount of \$14,836,224.

III. TOTAL REVENUE

¹ February 4, 2019 is the inception date of BAM Trading Services.

² I understand that BAM Management US Holdings Inc. is the parent company of BAM Trading Services, Inc.

8. From the file labeled BTS00833796, I obtained revenue figures for BAM Trading for the year 2019 beginning on February 4, the full years 2020, 2021, and 2022, and for the partial year 2023 through April 30. Ex. C-2. The total revenue for this time period is \$410,901,585.

IV. GROSS PROFIT

9. I was also asked to calculate gross profit for BAM Trading for the same time period, February 2019 through April 2023. Gross profit is defined as the amount of total revenue minus cost of revenue. I obtained these numbers for the years 2020, 2021, and 2022 from the files labeled BTS00833764-BTS00833785 and BTS00833798-BTS00833823.³ Ex. C-3 and Ex. C-4.

10. For the years 2020 through 2022, I calculate gross profit of \$203,643,597. Because this data is missing for 2019 and 2023, I calculated the average gross profit margin for the years 2020 through 2022 and applied that gross profit margin to the years with missing data. I calculate the average gross profit margin for the years 2020 through 2022 at 54.68%.⁴ I then multiply this percentage and the total revenue numbers to get gross profit numbers for the years 2019 and 2023.

11. I calculate total gross profit for BAM Trading for the time period February 2019 through April 2023 at \$224,674,408.

12. Applying the Internal Revenue Service underpayment penalty rate as set forth in 26 U.S.C. § 6621(a)(2) to these amounts from the applicable year end to the date of the Complaint filed in this action results in an estimated prejudgment interest of \$13,455,870.

³ Gross profit numbers can be located on page 6 of each PDF.

⁴ \$203,643,597/\$372,438,844.

13. A summary chart of my calculations for total revenue, gross profit, and prejudgment interest is provided at Ex. C-5.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on June 5, 2023 in Washington, DC.

Sachin S. Verma.

Sachin Verma

The Securities and Exchange Commission has not necessarily reviewed the information in this filing and has not determined if it is accurate and complete.
 The reader should not assume that the information is accurate and complete.

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

OMB APPROVAL	
OMB Number:	3235-0076
Estimated average burden hours per response:	4.00

Notice of Exempt Offering of Securities

1. Issuer's Identity

CIK (Filer ID Number)	Previous Names	<input checked="" type="checkbox"/> None	Entity Type
0001875947			<input checked="" type="checkbox"/> Corporation
Name of Issuer			<input type="checkbox"/> Limited Partnership
BAM Management US Holdings Inc.			<input type="checkbox"/> Limited Liability Company
Jurisdiction of Incorporation/Organization			<input type="checkbox"/> General Partnership
DELAWARE			<input type="checkbox"/> Business Trust
Year of Incorporation/Organization			<input type="checkbox"/> Other (Specify)
<input type="checkbox"/> Over Five Years Ago			
<input checked="" type="checkbox"/> Within Last Five Years (Specify Year) 2019			
<input type="checkbox"/> Yet to Be Formed			

2. Principal Place of Business and Contact Information

Name of Issuer			
BAM Management US Holdings Inc.			
Street Address 1		Street Address 2	
ONE LETTERMAN DRIVE		BUILDING C SUITE C3-800	
City	State/Province/Country	ZIP/PostalCode	Phone Number of Issuer
SAN FRANCISCO	CALIFORNIA	94129	(628) 200-0787

3. Related Persons

Last Name	First Name	Middle Name
Shroder	Brian	
Street Address 1	Street Address 2	
One Letterman Drive	Building C, Suite C3-800	
City	State/Province/Country	ZIP/PostalCode
San Francisco	CALIFORNIA	94129
Relationship: <input checked="" type="checkbox"/> Executive Officer <input checked="" type="checkbox"/> Director <input type="checkbox"/> Promoter		

Clarification of Response (if Necessary):

Last Name	First Name	Middle Name
Zhao	Changpeng	
Street Address 1	Street Address 2	

Building C, Suite C3-800
 State/Province/Country CALIFORNIA ZIP/PostalCode 94129
 Relationship: Executive Officer Director Promoter

Clarification of Response (if Necessary):

Last Name First Name Middle Name

 Street Address 1 Street Address 2

 State/Province/Country CALIFORNIA ZIP/PostalCode 94129
 Relationship: Executive Officer Director Promoter

Clarification of Response (if Necessary):

4. Industry Group

- | | | |
|---|---|--|
| <input type="checkbox"/> Agriculture | <input type="checkbox"/> Health Care | <input type="checkbox"/> Retailing |
| <input type="checkbox"/> Banking & Financial Services | <input type="checkbox"/> Biotechnology | <input type="checkbox"/> Restaurants |
| <input type="checkbox"/> Commercial Banking | <input type="checkbox"/> Health Insurance | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Insurance | <input type="checkbox"/> Hospitals & Physicians | <input type="checkbox"/> Computers |
| <input type="checkbox"/> Investing | <input type="checkbox"/> Pharmaceuticals | <input type="checkbox"/> Telecommunications |
| <input type="checkbox"/> Investment Banking | <input type="checkbox"/> Other Health Care | <input checked="" type="checkbox"/> Other Technology |
| <input type="checkbox"/> Pooled Investment Fund | <input type="checkbox"/> Manufacturing | <input type="checkbox"/> Travel |
| Is the issuer registered as an investment company under the Investment Company Act of 1940? | <input type="checkbox"/> Real Estate | <input type="checkbox"/> Airlines & Airports |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Commercial | <input type="checkbox"/> Lodging & Conventions |
| <input type="checkbox"/> Other Banking & Financial Services | <input type="checkbox"/> Construction | <input type="checkbox"/> Tourism & Travel Services |
| <input type="checkbox"/> Business Services | <input type="checkbox"/> REITS & Finance | <input type="checkbox"/> Other Travel |
| <input type="checkbox"/> Energy | <input type="checkbox"/> Residential | <input type="checkbox"/> Other |
| <input type="checkbox"/> Coal Mining | <input type="checkbox"/> Other Real Estate | |
| <input type="checkbox"/> Electric Utilities | | |
| <input type="checkbox"/> Energy Conservation | | |
| <input type="checkbox"/> Environmental Services | | |
| <input type="checkbox"/> Oil & Gas | | |
| <input type="checkbox"/> Other Energy | | |

5. Issuer Size

Revenue Range OR Aggregate Net Asset Value Range
 No Revenues No Aggregate Net Asset Value

- | | |
|---|---|
| <input type="checkbox"/> \$1 - \$1,000,000 | <input type="checkbox"/> \$1 - \$5,000,000 |
| <input type="checkbox"/> \$1,000,001 - \$5,000,000 | <input type="checkbox"/> \$5,000,001 - \$25,000,000 |
| <input type="checkbox"/> \$5,000,001 - \$25,000,000 | <input type="checkbox"/> \$25,000,001 - \$50,000,000 |
| <input type="checkbox"/> \$25,000,001 - \$100,000,000 | <input type="checkbox"/> \$50,000,001 - \$100,000,000 |
| <input type="checkbox"/> Over \$100,000,000 | <input type="checkbox"/> Over \$100,000,000 |
| <input checked="" type="checkbox"/> Decline to Disclose | <input type="checkbox"/> Decline to Disclose |
| <input type="checkbox"/> Not Applicable | <input type="checkbox"/> Not Applicable |

6. Federal Exemption(s) and Exclusion(s) Claimed (select all that apply)

- | | | |
|--|--|---|
| <input type="checkbox"/> Rule 504(b)(1) (not (i), (ii) or (iii)) | <input type="checkbox"/> Investment Company Act Section 3(c) | |
| <input type="checkbox"/> Rule 504 (b)(1)(i) | <input type="checkbox"/> Section 3(c)(1) | <input type="checkbox"/> Section 3(c)(9) |
| <input type="checkbox"/> Rule 504 (b)(1)(ii) | <input type="checkbox"/> Section 3(c)(2) | <input type="checkbox"/> Section 3(c)(10) |
| <input type="checkbox"/> Rule 504 (b)(1)(iii) | <input type="checkbox"/> Section 3(c)(3) | <input type="checkbox"/> Section 3(c)(11) |
| <input type="checkbox"/> Rule 506(b) | <input type="checkbox"/> Section 3(c)(4) | <input type="checkbox"/> Section 3(c)(12) |
| <input checked="" type="checkbox"/> Rule 506(c) | <input type="checkbox"/> Section 3(c)(5) | <input type="checkbox"/> Section 3(c)(13) |
| <input type="checkbox"/> Securities Act Section 4(a)(5) | <input type="checkbox"/> Section 3(c)(6) | <input type="checkbox"/> Section 3(c)(14) |
| | <input type="checkbox"/> Section 3(c)(7) | |

7. Type of Filing

- New Notice Date of First Sale [2022-03-25](#) First Sale Yet to Occur
- Amendment

8. Duration of Offering

Does the Issuer intend this offering to last more than one year? Yes No

9. Type(s) of Securities Offered (select all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Equity | <input type="checkbox"/> Pooled Investment Fund Interests |
| <input type="checkbox"/> Debt | <input type="checkbox"/> Tenant-in-Common Securities |
| <input type="checkbox"/> Option, Warrant or Other Right to Acquire Another Security | <input type="checkbox"/> Mineral Property Securities |
| <input type="checkbox"/> Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security | <input type="checkbox"/> Other (describe) |

10. Business Combination Transaction

Is this offering being made in connection with a business combination transaction, such as a merger, acquisition or exchange offer? Yes No

Clarification of Response (if Necessary):

11. Minimum Investment

Minimum investment accepted from any outside investor \$0 USD

12. Sales Compensation

Recipient Recipient CRD Number None
 (Associated) Broker or Dealer None (Associated) Broker or Dealer CRD Number None
 Street Address 1 Street Address 2 ZIP/Postal Code
 City State/Province/Country
 State(s) of Solicitation (select all that apply) All States Foreign/non-US
 Check "All States" or check individual States

13. Offering and Sales Amounts

Total Offering Amount USD or Indefinite
 Total Amount Sold \$216,772,488 USD
 Total Remaining to be Sold USD or Indefinite

Clarification of Response (if Necessary):

14. Investors

Select if securities in the offering have been or may be sold to persons who do not qualify as accredited investors, and enter the number of such non-accredited investors who already have invested in the offering.
 Regardless of whether securities in the offering have been or may be sold to persons who do not qualify as accredited investors, enter the total number of investors who already have invested in the offering:

15. Sales Commissions & Finder's Fees Expenses

Provide separately the amounts of sales commissions and finders fees expenses, if any. If the amount of an expenditure is not known, provide an estimate and check the box next to the amount.

Sales Commissions \$0 USD Estimate
 Finders' Fees \$0 USD Estimate

Clarification of Response (if Necessary):

16. Use of Proceeds

Provide the amount of the gross proceeds of the offering that has been or is proposed to be used for payments to any of the persons required to be named as executive officers, directors or promoters in response to Item 3 above. If the amount is unknown, provide an estimate and check the box next to the amount.

\$0 USD Estimate

Clarification of Response (if Necessary):

Signature and Submission

Please verify the information you have entered and review the Terms of Submission below before signing and clicking SUBMIT below to file this notice.

Terms of Submission

In submitting this notice, each issuer named above is:

- Notifying the SEC and/or each State in which this notice is filed of the offering of securities described and undertaking to furnish them, upon written request, in the accordance with applicable law, the information furnished to offerees.*
- Irrevocably appointing each of the Secretary of the SEC and, the Securities Administrator or other legally designated officer of the State in which the issuer maintains its principal place of business and any State in which this notice is filed, as its agents for service of process, and agreeing that these persons may accept service on its behalf, of any notice, process or pleading, and further agreeing that such service may be made by registered or certified mail, in any Federal or state action, administrative proceeding, or arbitration brought against the issuer in any place subject to the jurisdiction of the United States, if the action, proceeding or arbitration (a) arises out of any activity in connection with the offering of securities that is the subject of this notice, and (b) is founded, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these statutes, or (ii) the laws of the State in which the issuer maintains its principal place of business or any State in which this notice is filed.
- Certifying that, if the issuer is claiming a Regulation D exemption for the offering, the issuer is not disqualified from relying on Rule 504 or Rule 506 for one of the reasons stated in Rule 504(b)(3) or Rule 506(d).

Each Issuer identified above has read this notice, knows the contents to be true, and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

For signature, type in the signer's name or other letters or characters adopted or authorized as the signer's signature.

Issuer	Signature	Name of Signer	Title	Date
BAM Management US Holdings Inc.	/s/ Brian Shroder	Brian Shroder	Chief Executive Officer	2022-04-08

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

* This undertaking does not affect any limits Section 102(a) of the National Securities Markets Improvement Act of 1996 ("NSMIA") [Pub. L. No. 104-290, 110 Stat. 3416 (Oct. 11, 1996)] imposes on the ability of States to require information. As a result, if the securities that are the subject of this Form D are "covered securities" for purposes of NSMIA, whether in all instances or due to the nature of the offering that is the subject of this Form D, States cannot routinely require offering materials under this undertaking or otherwise and can require offering materials only to the extent NSMIA permits them to do so under NSMIA's preservation of their anti-fraud authority.

BAM Trading Services Inc.

Income Statement Details as of April 30th, 2023

<i>Figures in USD 000s</i>	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Unaudited YTD 2023	Grand Total
Revenue	\$ 254	\$ 11,003	\$ 265,850	\$ 95,586	\$ 38,209	\$ 410,902
Crypto Trading Network Fees	14	630	35,150	6,287	840	42,920
Royalty Expense - BHL	Note 1	-	427	10,827	3,805	16,587
IT Support - BHL	-	127	127	127	42	424
Fiat Rail Costs	-	-	31,165	7,748	1,549	40,462
Transaction Monitoring	-	-	12,892	6,186	1,257	20,335
Web Hosting and Other Exchange Costs	216	1,160	8,876	23,799	11,916	45,967
Chargebacks	1,070	2,083	19,816	(3,393)	1,422	20,998
Compensation and benefits	Note 2	294	2,777	24,747	43,650	20,341
Advertising and marketing	260	978	23,968	8,150	1,946	35,302
Professional services	Note 1	187	2,655	12,208	24,911	48,506
Legal and compliance fees	Note 4	296	1,224	18,164	39,520	16,905
Travel	27	48	611	1,331	188	2,205
Software tools and licenses	155	868	1,291	4,419	2,044	8,776
Transaction Loss - HNT	-	-	-	4,178	-	4,178
Other business expenses	Note 5	257	556	1,358	1,450	1,221
Insurance	51	345	460	685	458	1,999
Rent and utilities	37	506	1,189	1,110	283	3,126
Depreciation	2	18	96	399	177	691
Taxes and licenses	51	(41)	147	298	65	520
Crypto assets impairment	-	-	-	16,850	750	17,600
Total operating expenses	2,916	14,362	203,093	191,509	71,478	483,358
Operating Income (Loss)	(2,662)	(3,359)	62,757	(95,924)	(33,269)	(72,456)
Gain (Loss) on crypto assets	(20)	2,979	137,068	(123,083)	2,040	18,984
Other income, net	-	-	-	17	71	88
Total other income (expense), net	(20)	2,979	137,068	(123,067)	2,111	19,072
Income (loss) before provision for taxes	(2,681)	(380)	199,826	(218,991)	(31,158)	(53,384)
Provision (benefit) for income taxes	-	19	50,244	(37,640)	(8,213)	4,411
Net income (loss)	\$ (2,681)	\$ (399)	\$ 149,581	\$ (181,350)	\$ (22,945)	\$ (57,795)

BAM Trading Services Inc.

Financial Statements

December 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
BAM Trading Services Inc.
San Francisco, California

Opinion

We have audited the accompanying financial statements of BAM Trading Services Inc. (a Delaware corporation) (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BAM Trading Services Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BAM Trading Services Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BAM Trading Services Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



An independent firm
associated with Moore
Global Network Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BAM Trading Services Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BAM Trading Services Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Armanino^{LLP}
San Jose, California

March 30, 2022

BAM Trading Services Inc.
Balance Sheets
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 28,613,940	\$ 15,076,318
Digital assets	151,840,798	7,118,585
Prepaid expenses	8,598,070	1,311,812
Customer funds receivable	13,432,230	2,480,377
Customer custodial funds	250,600,508	64,269,333
Income tax receivable	8,839,040	-
Right-of-use asset, current portion	613,124	448,749
Total current assets	462,537,710	90,705,174
Right-of-use asset, net of current portion	-	613,124
Property and equipment, net	559,537	61,658
Security deposits	420,888	4,275
Restricted cash	238,001	238,001
Total assets	\$ 463,756,136	\$ 91,622,232
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 8,072,332	\$ 856,186
Accrued expenses	3,646,085	712,773
Deferred revenue	398,836	312,393
Due to Parent	3,342,632	16,454,045
Due to Binance Holdings Limited	11,509,147	554,500
Customer funds payable	264,032,738	66,749,710
Lease liability, current portion	651,438	435,008
Total current liabilities	291,653,208	86,074,615
Customer deposits	1,426,450	1,301,450
Deferred income tax liability	17,500,572	-
Lease liability, net of current portion	-	651,439
Total liabilities	310,580,230	88,027,504
Commitments and contingencies (Note 9)		
Stockholder's equity		
Common stock, \$0.00001 par value, 10,000,000 shares authorized; 7,500,000 shares issued and outstanding	75	75
Additional paid-in capital	6,675,013	6,675,013
Stockholder receivable	(75)	(75)
Accumulated equity (deficit)	146,500,893	(3,080,285)
Total stockholder's equity	153,175,906	3,594,728
Total liabilities and stockholder's equity	\$ 463,756,136	\$ 91,622,232

The accompanying notes are integral part of these financial statements.

BAM Trading Services Inc.
 Statements of Operations
 For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue	\$ 265,850,337	\$ 11,002,836
Cost of revenue	<u>118,671,366</u>	<u>5,650,419</u>
Gross profit	147,178,971	5,352,417
Operating expenses	<u>84,421,617</u>	<u>8,711,292</u>
Operating income (loss)	62,757,354	(3,358,875)
Other income		
Gain on digital assets	<u>137,068,243</u>	<u>2,979,333</u>
Total other income	<u>137,068,243</u>	<u>2,979,333</u>
Income (loss) before provision for income taxes	199,825,597	(379,542)
Provision for income taxes	50,244,419	19,346
Net income (loss)	<u>\$ 149,581,178</u>	<u>\$ (398,888)</u>

The accompanying notes are integral part of these financial statements.

BAM Trading Services Inc.
 Statements of Stockholder's Equity
 For the Years Ended December 31, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Stockholder's Receivable	Accumulated Equity (Deficit)	Total
Balance, January 1, 2020	1,000	\$ -	\$ 6,675,013	-	\$ (2,681,397)	\$ 3,993,616
Issuance of common stock in exchange for stockholder's receivable	7,499,000	75	-	(75)	-	-
Net loss	-	-	-	-	(398,888)	(398,888)
Balance, December 31, 2020	7,500,000	75	6,675,013	(75)	(3,080,285)	3,594,728
Net income	-	-	-	-	149,581,178	149,581,178
Balance, December 31, 2021	7,500,000	\$ 75	\$ 6,675,013	\$ (75)	\$ 146,500,893	\$ 153,175,906

The accompanying notes are integral part of these financial statements.

BAM Trading Services Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income (loss)	\$ 149,581,178	\$ (398,888)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	95,785	17,890
Provision for transaction losses	1,460,834	178,001
Gain on digital assets	(137,068,243)	(2,979,333)
Digital assets received as revenue	(170,354,675)	(9,407,432)
Digital assets payments for expenses	30,605,239	1,141,045
Non-cash lease expense	13,740	24,574
Deferred income tax liability	17,500,572	-
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(7,286,258)	(999,065)
Income tax receivable	(8,839,040)	-
Customer funds receivable	(10,951,853)	(2,301,060)
Accounts payable	7,216,146	716,480
Accrued expenses	1,472,478	239,672
Deferred revenue	86,443	312,393
Due to Parent	(13,111,413)	16,157,586
Due to Binance Holdings Ltd	10,954,647	554,500
Customer funds payable	197,283,028	60,531,828
Customer deposits	125,000	1,301,450
Net cash provided by operating activities	68,783,609	65,089,641
Cash flows from investing activities		
Purchase of property and equipment	(593,664)	(62,907)
Security deposits	(416,613)	9,420
Proceeds from sale of digital assets	132,095,465	4,263,354
Net cash provided by investing activities	131,085,188	4,209,867
Net increase in cash and cash equivalents and restricted cash	199,868,797	69,299,508
Cash and cash equivalents and restricted cash, beginning of period	79,583,652	10,284,144
Cash and cash equivalents and restricted cash, end of period	\$ 279,452,449	\$ 79,583,652
Cash and cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 28,613,940	\$ 15,076,318
Restricted cash	238,001	238,001
Customer custodial funds	250,600,508	64,269,333
	\$ 279,452,449	\$ 79,583,652
Supplemental disclosures of cash flow information		
Cash paid for income taxes	\$ 34,465,308	\$ 3,870
Operating cash outflows for amounts included in the measurement of operating lease liabilities	\$ 448,678	\$ 435,610
Supplemental schedule of noncash investing and financing transactions		
Right-of-use assets obtained in exchange for lease liabilities	\$ -	\$ 1,505,425
Issuance of stock in exchange for stockholder receivable	\$ -	\$ 75

The accompanying notes are integral part of these financial statements.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF OPERATIONS

BAM Trading Services Inc. (the "Company" or "BAM Trading"), a Delaware corporation, commenced operations on February 4, 2019 ("inception") and is headquartered in San Francisco, California. The Company is a wholly-owned subsidiary of BAM Management US Holdings Inc. (the "Parent").

In September 2019, the Company launched Binance.US, a digital asset trading platform for the United States market, through a licensing arrangement with Binance Holdings Limited, which operates a global digital asset trading platform under the name Binance.com (see Note 9). Binance.US is powered by matching engine and wallet technologies licensed from Binance Holdings Limited and provides secure and reliable digital asset trading and a hosted wallet service to its users. As of December 31, 2021, Binance.US supported 77 digital assets and 135 trading pairs, with plans for adding more digital assets in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Company's financial statements have been prepared using accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying financial statements include transactions between the Company and its Parent (see Note 9).

Risks and uncertainties

The Company's future results of operations involve a number of risks and uncertainties that could have a material adverse affect on its business, prospects, financial condition, cash flows, liquidity and results of operations. The risk factors set forth below are cautionary statements identifying important factors that could cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on the Company's behalf.

The Company's business is dependent on the availability and use of digital assets, and their respective protocol networks. Although many governments have begun to license or have otherwise announced their intention to regulate digital asset businesses, digital assets are not currently considered legal tender in most jurisdictions worldwide, including the United States.

Federal, state or local governments may restrict the use and exchange of digital assets in the future. There is also uncertainty regarding the current and future accounting, tax, and legal treatment, as well as regulatory requirements relating to digital assets or transactions utilizing digital assets. There is currently no authoritative guidance on the accounting for digital assets. Governmental regulations, or any adverse accounting, tax, legal or regulatory treatment of digital assets or transactions could materially and adversely affect the manner in which the Company conducts its business and could result in heightened regulation, oversight, increased costs and potential litigation.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and uncertainties (continued)

Digital assets and their respective protocol networks are exposed to risks due to fraud, technological glitches, hackers or malware and various law enforcement and regulatory interventions. The loss of digital assets, the Company's ability to manage fraud, or the application of new laws and regulations, could materially and adversely, affect its reputation, business, financial condition, prospects, liquidity, and/or results of operations.

The Company's revenues are primarily derived from transaction fees on sales and purchases of digital assets. The market price of digital assets has been and may continue to be volatile, which could materially and adversely affect the Company's results of operations.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business and shelter in place orders. There is considerable uncertainty around the duration of the closings and shelter in place orders. For the years ended December 31, 2021 and 2020 and through the date the financial statements were available to be issued, the Company has experienced minimal operational effects due to being a decentralized software platform in a decentralized market. However, due to the widespread uncertainty over the macroeconomic factors and sovereign monetary policies which could impact consumer demand for our services, the financial impact cannot be reasonably estimated at this time.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. These estimates include, but are not limited to, useful lives of property and equipment, valuation of digital assets, determination of the Company's incremental borrowing rate, provision for transaction losses, reserves against receivables, and accounting for income taxes. To the extent that there are material differences between these estimates and results, the Company's financial statements will be affected.

Reclassifications

As a result of changes in presentation, certain prior year amounts have been reclassified to conform to the current presentation. These reclassifications had no effect on the reported results of operations.

Cost of revenue

Cost of revenue includes direct costs related to revenue recognition, such as crypto trading network fee, fiat rail fees, royalty, ACH and debit card return charges, web hosting and compliance costs.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising cost

The Company expenses advertising and marketing expenses as incurred. Marketing and advertising include general marketing, digital marketing, referral, swags and public relations agency fees.

Cash and cash equivalents

The Company considers all highly liquid financial instruments purchased and cash on hand that is not restricted as to withdrawal with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents excludes customer legal tender, which is reported separately as customer custodial funds in the accompanying balance sheets.

Restricted cash

The Company has restricted cash deposits at a financial institution related to an irrevocable standby letter of credit in connection with an office lease arrangement.

Digital assets held

The Company enters into transactions with users that are denominated in digital assets and earns transaction fee revenue denominated in digital assets which it holds in inventory. The Company assigns costs to digital asset transactions in its inventory on a first-in, first-out basis. The Company does not hold digital assets for speculative purposes.

As of December 31, 2021 and 2020, all Company owned digital assets were held in custody accounts with Binance Holdings Limited (see Note 9). The Company accounts for its digital assets held under custody with Binance Holdings Limited as receivables, which is presented as digital assets in the accompanying balance sheets. The Company initially records digital asset receipts at cost and subsequently marks its digital asset holdings (that have an active market) to market at each reporting date. Current fair value is determined based on quoted market exchange prices as of the reporting date. Unrealized gains and losses arising from changes in the fair value of digital assets, as well as gains and losses realized from differences in prices in which digital assets are purchased compared to digital assets sold, are recognized net, in gain on digital assets in the accompanying statements of operations.

For the years ended December 31, 2021 and 2020, the Company recognized a net unrealized gain of \$76,882,152 and \$1,441,435 related to digital assets held, respectively. For the years ended December 31, 2021 and 2020, the Company recognized a net realized gain of \$60,186,091 and \$1,537,898 related to the liquidation of digital assets, respectively.

Customer custodial funds, Customer funds receivable and Customer funds payable

Customer custodial funds represent cash and cash equivalents held in Company controlled bank accounts that are held for the exclusive benefit of customers.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer custodial funds, Customer funds receivable and Customer funds payable

Customer funds receivable consist of funds advanced to customer accounts upon initiation of an ACH or debit card deposit and arise due to the time it takes to settle the deposit. Customer funds receivable are typically received within one or two business days of the transaction date. The Company establishes limits on withdrawals in order to mitigate potential losses by preventing customers from withdrawing the digital asset to an external blockchain address until the payment settles.

Customer funds payable represent unsettled withdrawals, which arise due to the time it takes to settle a customer sell transaction. When a customer sells digital assets using their bank account or internal payment method, there is a clearing period before the cash is settled. These funds are treated as a payable until the clearing period closes. During this clearing period, the associated legal tender held by the Company is segregated from Company-owned funds and separately classified as customer funds payable in the accompanying balance sheets.

Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-02, *Leases*, ("ASU 2016-02") in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under prior generally accepted accounting principles. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet.

The Company adopted ASU 2016-02 on January 1, 2020, using the modified retrospective method, resulting in the recognition of right-of-use assets of approximately \$1.0 million and lease liabilities for operating leases of approximately \$1.0 million on the Company's balance sheet, with no impact to its statement of operations. The Company did not elect to apply the hindsight practical expedient when determining lease term and assessing impairment of right-of use assets.

The Company determines if an arrangement is a lease at inception. For leases where the Company is the lessee, right-of-use ("ROU") assets represent the Company's right to use the underlying asset for the term of the lease and the lease liabilities represent an obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. Most leases do not provide an implicit rate, so the Company uses its incremental borrowing rate based on the information available at the commencement date of the underlying lease arrangement to determine the present value of lease payments. The ROU asset is determined based on the lease liability initially established and reduced for any prepaid lease payments and any lease incentives received. The lease term to calculate the ROU asset and related lease liability includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company's lease agreements generally do not contain any material variable lease payments, residual value guarantees or restrictive covenants.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company has made the policy election to account for short-term leases by recognizing the lease payments in the statements of operations on a straight-line basis over the lease term and not recognizing these leases on the Company's balance sheets.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while expense for financing leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. The Company accounts for lease components and non-lease components as a single lease component.

Property and equipment

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

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 5 years or lease term
Software	3 years

Expenditures for repairs and maintenance are expensed as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized or charged to other income in the accompanying statements of operations.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including right-of-use assets, on an annual basis, or more frequently whenever the circumstances indicate a long-lived asset may be impaired. When indicators of impairment exist, the Company estimates future undiscounted cash flows attributable to such assets. In the event cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair value. There were no asset impairments for the years ended December 31, 2021 and 2020.

Fair value measurements

The Company applies fair value accounting for all digital and financial assets and liabilities. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or their inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The fair value of digital asset denominated assets and liabilities are based on published exchange rates, which are determined to be "Level 1" inputs, as the digital assets are traded in active exchange markets. The Company monitors the exchange rates against various third-party exchanges.

Revenue recognition

The Company recognizes revenue when it transfers control of promised goods or services to its customers in an amount that reflects the consideration to which it expects to be entitled to in exchange for those goods or services. The Company uses the following steps to determine revenue recognition:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of the revenue when, or as, the Company satisfies a performance obligation

The Company derives revenue from various digital asset transaction services. The Company derives a majority of its revenue from exchange transactions, where users can buy, sell or convert digital assets on the platform for an exchange service fee. The Company also derives revenue from deposit fees when customers use credit cards to deposit funds into their platform account and withdrawals fees when a customer requests a transfer of their funds out of their platform account. Fees are charged at the transaction level and represents a single performance obligation. The Company has determined it is an agent in the transaction between customers and presents revenue for the fees earned on a net basis. This determination required judgment and was based on the fact that the Company does not control the digital asset being provided before it is transferred to the buyer, does not have inventory risk related to the digital asset and does not set the price for the digital asset as the price is a market rate established by the platform.

The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed, which is either upon the transfer of the digital assets to the customer, receipt of digital assets purchased from the customer, or transfer of funds on or off the platform.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Digital asset transactions occur in multiple time zones, some of which differ from the time zone of the Company's headquarter location. The Company uses coordinated universal time ("UTC") as time basis for revenue recognition cut-off.

From time to time, the Company enters into arrangements with token partners for inclusion of the partner's token onto the Company's platform. These arrangements generally include a technical integration fee ("TIF") and a marketing fee which are deemed to be distinct performance obligations. Fees are due up front and are not refundable. The transaction price is allocated between these performance obligations using the standalone selling price. TIF revenue is recognized on the date the token becomes available for trading on the Company's platform. Marketing fees are recognized as the related fees are consumed in marketing campaigns. The Company also requires a refundable deposit from the token partners which is not considered a component of the transaction price and is recorded as customer deposit in the accompanying balance sheets.

Deferred revenue

Deferred revenue reflects the amount received from token partners in advance of revenue recognition and is recognized when all revenue recognition criteria are met. The Company's deferred revenue as of December 31, 2021 and 2020 consists of marketing fees that have not yet been delivered.

Transaction losses

The Company is exposed to losses primarily due to fraudulent payment methods used to purchase digital assets. The Company establishes a provision for estimated losses incurred as of the reporting date, including those of which the Company has not yet been notified. The estimate is based on historical loss payment patterns. The Company recorded a provision for transaction losses of \$1,708,835 and \$248,001 as of December 31, 2021 and 2020, respectively, which is included in accrued expenses in the accompanying balance sheets.

Income taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon future pretax earnings, the reversal of temporary differences between book and tax income, and the expected tax rates in future periods. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company is required to evaluate the tax positions taken in the course of preparing its tax returns to determine whether tax positions are more likely than not of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax expense in the current year. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount that is initially recognized. It is the Company's practice to recognize interest and penalties related to income tax matters in income tax expense.

For federal tax purposes, digital asset transactions are treated on the same tax principles as property transactions. The Company recognizes a gain or loss when digital assets are exchanged for other property, in the amount of the difference between the fair market value of the property received and the tax basis in the digital asset. Receipts of digital assets in exchange for goods or services are included in taxable income at the fair market value on the date of receipt.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, restricted cash and customer custodial funds. Cash and cash equivalents, restricted cash and customer custodial funds are deposited at high quality financial institutions. Periodically, such balances may be in excess of federally insured limits. To date, the Company has not incurred any losses on its deposits of cash and cash equivalents, restricted cash or customer custodial funds.

3. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Company's assets measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Digital assets held	<u>\$ 151,840,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,840,798</u>

The following table sets forth by level, within the fair value hierarchy, the Company's assets measured at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Digital assets held	<u>\$ 7,118,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,118,585</u>

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31:

	2021	2020
Computer equipment	\$ 232,669	\$ 4,446
Furniture and fixtures	26,190	6,519
Leasehold improvements	15,203	974
Software	149,363	2,145
	<u>423,425</u>	<u>14,084</u>
Less: accumulated depreciation	216,110	19,245
	<u>\$ 639,535</u>	<u>\$ 33,329</u>

Depreciation expense was \$95,785 and \$17,890 for the years ended December 31, 2021 and 2020, respectively.

5. ACCRUED EXPENSES

Accrued expenses consisted of the following as of December 31:

	2021	2020
Accrued legal expenses	\$ 1,554,571	\$ 415,877
Accrued risk and compliance expenses	293,093	-
Provision for transaction losses	1,708,835	248,001
State income taxes payable	-	20,396
Credit card payables	29,095	28,498
Other	60,491	1
	<u>\$ 3,646,085</u>	<u>\$ 712,773</u>

6. COMMITMENTS AND CONTINGENCIES

Customer digital asset wallets

Under a Wallet Custody Agreement (see Note 9), Binance Holdings Limited ("BHL") has custody and control of customers' private keys, or components to cryptographic signatures necessary to transfer associated customer digital assets. For security reasons, BHL uses consolidated addresses to pool customer digital assets but maintains separate ledger entries to designate each customer's digital asset balance.

The Company has committed to securely store all digital assets it holds on behalf of customers. As such, the Company may be liable to its customers for losses arising from theft or loss of customer private keys.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

6. COMMITMENTS AND CONTINGENCIES (continued)

The Company has no reason to believe it will incur any expense associated with such potential liability because (i) the Company has no known or historical experience of claims to use as a basis of measurement, (ii) BHL accounts for and continually verifies the amount of digital assets within its control, and such verification is subject to audit by the Company under the terms of the Wallet Custody Agreement, (iii) BHL has established security around custodial private keys to minimize the risk of theft or loss, and (iv) the aforementioned Wallet Custody Agreement with BHL contains an indemnification provision that provides for indemnification of the Company for any losses as a result of BHL breach of duty. Therefore, the Company has not recorded a liability as of December 31, 2021 and 2020 for such potential losses. As of December 31, 2021 and 2020, the aggregate U.S. Dollar value of digital assets held in customer wallets was \$6,432.4 million and \$704.9 million, respectively.

Leases

In November 2019, the Company entered into an operating lease agreement for office space in San Francisco, California. The lease commenced in January 2020 and expires in May 2023. The monthly base rent under the lease agreement is approximately \$36,300 for the first year and increases by 3% annually thereafter over the lease term. The discount rate for the Company's operating lease was 1.54%. The Company also leases office space under month-to-month lease arrangements.

The table below presents the Company's right-of-use assets and lease liabilities as of December 31:

	2021	2020
Right-of-use assets:		
Right-of-use assets, current portion	\$ 613,124	\$ 448,749
Right-of-use assets, net of current portion	-	613,124
	\$ 613,124	\$ 1,061,873
Lease liabilities:		
Lease liabilities, current portion	\$ 651,438	\$ 435,008
Lease liabilities, net of current portion	-	651,439
	\$ 651,438	\$ 1,086,447

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,	
2022	\$ 660,473
2023	-
Less: imputed interest	(9,035)
Present value of lease liability	\$ 651,438

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

6. COMMITMENTS AND CONTINGENCIES (continued)

Leases (continued)

The components of lease costs were as follows for the years ended December 31:

	2021	2020
Operating lease costs	\$ 452,125	\$ 452,125
Short-term lease costs	681,328	42,970
	<u>\$ 1,133,453</u>	<u>\$ 495,095</u>

Legal proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of such matters will not have a material adverse effect on the Company's business, financial position, results of operations or cash flows. The Company is not aware of any existing or threatened proceedings or claims that could have a material impact on its financial position or results of operations.

7. STOCKHOLDER'S EQUITY

The Company is authorized to issue up to 10,000,000 shares of common stock, with a par value of \$0.00001 per share. As of December 31, 2021 and 2020, 7,500,000 shares of authorized common stock were issued and outstanding to the Parent.

8. INCOME TAXES

The Company and its Parent, together with other affiliated group members of the Parent, authorized and consented to be included in a consolidated income tax return for federal (United States) income tax return reporting purposes; and, report combined corporate tax liability on a single return. In addition, the Parent and its wholly-owned subsidiaries, including BAM Trading, are subject to unitary combined income/franchise tax reporting requirements in certain state jurisdictions. BAM Trading may be required to file separate state corporation tax returns in jurisdictions that require such separate filings, including those jurisdictions where the Company may be subject to market-based sourcing rules or regulatory or state registration requirements.

Generally, the amount of current and deferred tax expense for an income tax return group that files a consolidated income tax return is allocated among the members of that group when those members issue separate financial statements but does not establish a mandatory method of allocation. BAM Trading is not subject to a tax sharing agreement with its Parent or any affiliated company. The Company elected to compute its federal state and local income tax provisions as if it was a separate taxpayer. Under this method, the sum of the amounts allocated to individual members of the income tax return group may not equal the consolidated amount.

BAM Trading Services Inc.
Notes to Financial Statements
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8. INCOME TAXES (continued)

The provision for income taxes consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Current:		
Federal	\$ 25,745,097	\$ 19,346
State	6,998,750	-
Total	<u>32,743,847</u>	<u>19,346</u>
Deferred:		
Federal	14,313,993	-
State	3,186,579	-
Total	<u>17,500,572</u>	<u>-</u>
Total provision for income taxes	<u>\$ 50,244,419</u>	<u>\$ 19,346</u>

Significant components of the Company's deferred income tax assets and liabilities are as follows as of December 31, 2021:

	<u>2021</u>	<u>2020</u>
Net operating losses	\$ -	\$ 330,658
Unrealized gain on digital assets	-	346,937
Lease liability	148,531	255,581
Other	1,546,494	78,350
Total current	<u>1,695,025</u>	<u>1,011,526</u>
Valuation allowance	<u>-</u>	<u>(735,430)</u>
Property and equipment	(68,412)	(14,600)
Unrealized loss on digital assets	(18,969,372)	-
Right-of-use asset	<u>(157,813)</u>	<u>(261,496)</u>
Total deferred tax liabilities	<u>(19,195,597)</u>	<u>(276,096)</u>
Total net deferred tax asset	<u>\$ (17,500,572)</u>	<u>\$ -</u>

The effective income tax rate differs from the statutory federal income tax rate as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Tax at federal statutory rate	21.0 %	21.0 %
State taxes, net of federal benefit	4.1	3.2
Other permanent items	0.4	(1.0)
Change in valuation allowance	<u>(0.4)</u>	<u>(28.3)</u>
	<u>25.1 %</u>	<u>(5.1) %</u>

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

8. INCOME TAXES (continued)

Management assesses all available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. Primarily based upon historical results of operations, estimates of future taxable income and positive evidence in the form of cumulative losses no longer being present and additional weight given to subjective evidence such as our projections for growth, we believe our deferred tax assets are realizable on a more likely than not basis resulting in a \$954,000 recognized tax benefit and reduction to the valuation allowance reduction.

At December 31, 2021 the differences between income taxes expected at the U.S. Federal statutory income tax rate of 21% and the reported income tax expense are primarily related to state taxes, net of federal benefit, federal income tax withholding accrual, various permanent items, and a release of federal and state valuation allowances. At December 31, 2020, the differences between income taxes expected at the U.S. Federal statutory income tax rate of 21% and the reported income tax expense are primarily related to state taxes, net of federal benefit, various permanent items, and change in federal and state valuation allowances.

On June 29, 2020, the California Governor signed Assembly Bill 85 ("A.B. 85"), which includes several tax measures, provides for a three-year suspension of the use of NOLs for medium and large businesses and a three-year limit on the use of business incentive tax credits to offset no more than \$5 million of tax per year. The three-year term was subsequently revised to a two-year term and has been accounted for in the Company's deferred tax assets.

The Company and its affiliates are computing their respective tax obligation on a stand-alone basis. The Company, together with its Parent and an affiliate company, files U.S. Corporation federal, and state income and franchise tax returns in jurisdictions with varying statutes of limitations. Currently these statutes of limitations are open from 2019 forward for the U.S. and various states. As of December 31, 2021, the Company has a state net operating losses of approximately \$1,420,000 on a stand-alone basis. The state net operating loss carryforwards, if not utilized, expires in 2039. All filing statutes are open and the Company is currently not under audit.

As of December 31, 2021, the Company had no unrecognized tax benefits. The Company does not expect any material changes to its unrecognized tax benefits within the next twelve months. As a result, the Company did not recognize interest and penalties related to uncertain tax positions as a component of income tax expense.

The Company's transactions with a related foreign affiliate are subject to transfer pricing considerations. Generally, a transfer price is the price charged between related parties in an intercompany transaction. Transfer prices affect the allocation of taxable income across national tax jurisdictions. The Company is currently in the process of conducting its United States transfer pricing study (the "Study") with respect to its foreign affiliates' intercompany transactions. The Company expects to complete its Study for the initial year of operations on or before the extended due date of the U.S. corporation income tax return. The results of the Study, based on its initial estimates, are not expected to have significant or material impact on the initial year of operations.

BAM Trading Services Inc.
Notes to Financial Statements
December 31, 2021 and 2020

9. RELATED PARTY TRANSACTIONS

The Company receives advances from and makes payments on behalf of the Parent in the ordinary course of business. These payments made on behalf of the Company's Parent result in intercompany receivables and payables. As of December 31, 2021 and 2020, the unsettled intercompany payables Due to Parent was \$1,289,892 and \$16,454,045, respectively.

The Company has entered into certain agreements with BHL, an entity which is affiliated with the Company's sole shareholder. The agreements relate to the licensing and support of services as follows:

- Software License Agreement - Whereas BHL owns a digital currency trading platform which it operates in multiple countries, BHL has granted the Company a worldwide, nonexclusive, perpetual, irrevocable, non-transferable, fully paid-up, royalty-free license to the licensed software in order to allow the Company to operate a digital currency trading platform in the U.S. market.
- Master Services Agreement - This agreement dictates the terms of use and access in relation to the licensed software. Additionally, it denotes the hosting and support services which will be offered by BHL to the Company and the Company's end users as well as the development and implementation of Company specific enhancements.
- Trademark License Agreement - BHL has granted the Company a nonexclusive, non transferable, non-sublicensable, perpetual, irrevocable, royalty-free, fully paid-up, worldwide license to use certain trademarks owned by BHL.
- Wallet Custody Agreement - The Company selected BHL to serve as a custodian to the Company with respect to the digital assets in any custody account. This agreement specifies the terms of the relationship the Company will have with the custodian.

In accordance with the terms of these agreements, for the years ended December 31, 2021 and 2020, the Company incurred expenses totaling \$10,954,647 and \$554,500, respectively, which is included in cost of revenue in the accompanying statements of operations and had a payable due to BHL of \$11,509,147 and \$554,500 as of December 31, 2021 and 2020, respectively.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 30, 2022, the date the financial statements were available to be issued.



BAM Trading Services Inc.

Financial Statements and Independent Auditor's Report

December 31, 2022

BAM Trading Services Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BAM Trading Services Inc. d/b/a Binance.US

Opinion

We have audited the accompanying financial statements of BAM Trading Services Inc. d/b/a Binance.US (the "Company"), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

FGMK, LLC

Bannockburn, Illinois
May 10, 2023

BAM Trading Services Inc.
Balance Sheet
December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 75,643,897
Restricted cash	22,754,309
USDC and BUSD	3,273,201
Crypto assets	77,084,969
Customer funds receivable	3,007,427
Customer custodial funds	146,995,183
Prepaid expenses and other current assets	<u>23,812,247</u>
Total current assets	352,571,233
Property and equipment, net	1,042,879
Deferred income tax assets	19,518,326
Other non-current assets	<u>2,857,376</u>
Total assets	<u><u>\$ 375,989,814</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accounts payable	\$ 5,409,366
Accrued expenses	8,945,560
Customer funds payable	150,002,610
Due to BAM Management and subsidiaries	68,142,763
Token listing deposits, current	24,106,783
Other current liabilities	<u>1,461,354</u>
Total current liabilities	258,068,436
Token listing deposits, non-current	<u>14,095,743</u>
Total liabilities	<u><u>272,164,179</u></u>
Commitments and contingencies (Note 9)	
Stockholder's equity	
Common stock, \$0.00001 par value, 10,000,000 shares authorized; 7,500,000 shares issued and outstanding	75
Additional paid-in capital	138,674,938
Accumulated deficit	<u>(34,849,378)</u>
Total stockholder's equity	<u>103,825,635</u>
Total liabilities and stockholder's equity	<u><u>\$ 375,989,814</u></u>

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

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BAM Trading Services Inc.
Statement of Operations
For the Year Ended December 31, 2022

	FY 2022
Revenue	\$ 95,585,671
Cost of revenue	44,473,462
Gross profit	51,112,209
Operating expenses	130,186,186
Crypto assets impairment (Note 2)	16,849,604
Operating loss	(95,923,581)
Other income (expense)	
Loss on crypto assets, net (Note 2)	(123,083,479)
Other income	16,550
Total other expense	(123,066,929)
Loss before benefit from income taxes	(218,990,510)
Benefit from income taxes	(37,640,239)
Net loss	\$(181,350,271)

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

BAM Trading Services Inc.
Statement of Stockholder's Equity
For the Year Ended December 31, 2022

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Stockholder Receivable</u>	<u>Retained Earnings/ Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, January 1, 2022	7,500,000	\$ 75	\$ 6,675,013	\$ (75)	\$ 146,500,893	\$ 153,175,906
Contributions from BAM Management	-	-	131,999,925	75	-	132,000,000
Net loss	-	-	-	-	(181,350,271)	(181,350,271)
Balance, December 31, 2022	<u>7,500,000</u>	<u>\$ 75</u>	<u>\$ 138,674,938</u>	<u>\$ -</u>	<u>\$ (34,849,378)</u>	<u>\$ 103,825,635</u>

BAM Trading Services Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	
Net loss	\$ (181,350,271)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	398,667
Legal contingency and other non-recurring costs	21,508,857
Recovery of transaction losses	(1,145,128)
Loss on crypto assets, net	123,083,479
Crypto assets impairment	16,849,604
Crypto assets received as revenue	(67,052,414)
Crypto assets payments for expenses	13,389,453
Deferred income taxes	(37,018,898)
Changes in operating assets and liabilities:	
USDC and BUSD	(2,748,783)
Crypto assets	15,140,502
Customer funds receivable	10,424,803
Prepaid expenses and other current assets	(22,611,425)
Other assets	204,524
Accounts payable	(2,662,967)
Accrued expenses	1,960,375
Due to BAM Management and subsidiaries	53,991,117
Due to Binance Holdings Limited	3,932,302
Customer funds payable	(109,240,915)
Other liabilities	411,079
Net cash used in operating activities	<u>(162,536,039)</u>
Cash flows from investing activities	
Purchase of property and equipment	(882,009)
Cash paid for deferred acquisition costs	(2,641,012)
Net cash used in investing activities	<u>(3,523,021)</u>
Cash flows from financing activities	
Contributions from BAM Management	132,000,000
Net cash provided by financing activities	<u>132,000,000</u>
Net decrease in cash and cash equivalents and restricted cash	(34,059,060)
Cash and cash equivalents and restricted cash, beginning of year	<u>279,452,449</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 245,393,389</u>

(Continued)

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

BAM Trading Services Inc.
Statement of Cash Flows (continued)
For the Year Ended December 31, 2022

Cash and cash equivalents and restricted cash consisted of the following:

Cash and cash equivalents	\$ 75,643,897
Restricted cash	22,754,309
Customer custodial funds	146,995,183
	<u>\$ 245,393,389</u>

Supplemental disclosures of cash flow information

Cash paid for income taxes	\$ 659,050
Operating cash outflows for amounts included in the measurement of operating lease liabilities	\$ 57,768

Supplemental schedule of noncash investing and financing transactions

Non-cash proceeds from crypto loan (Note 3)	\$ 25,952,841
Non-cash repayment of crypto loan (Note 3)	\$ (24,144,305)

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

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

1. NATURE OF OPERATIONS

BAM Trading Services Inc. d/b/a Binance.US (the "Company" or "BAM Trading"), a Delaware corporation, commenced operations on February 4, 2019 and is headquartered in Miami, Florida. The Company is a wholly-owned subsidiary of BAM Management U.S. Holdings Inc. ("BAM Management").

In September 2019, the Company launched Binance.US, a crypto asset trading platform for the United States market, through a licensing arrangement with Binance Holdings Limited ("BHL"), which operates a global crypto asset trading platform under the name Binance.com (Note 3). Binance.US is powered by matching engine and wallet technologies licensed from BHL and provides secure and reliable crypto asset trading and a hosted wallet service to its users. As of December 31, 2022, Binance.US supported 150 crypto assets and 324 trading pairs, with plans for adding more crypto assets in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Company's financial statements have been prepared using accounting principles generally accepted in the United States of America ("U.S. GAAP").

Risks and uncertainties

The Company's future results of operations involve a number of risks and uncertainties that could have a material adverse effect on its business, prospects, financial condition, cash flows, liquidity and results of operations. The risk factors set forth below are cautionary statements identifying important factors that could cause the Company's actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on the Company's behalf.

Compliance risk

BAM Trading is registered with the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") as a Money Services Business ("MSB"). The federal Bank Secrecy Act, also known as the Currency and Foreign Transactions Reporting Act, and its implementing regulations (collectively, the "BSA") is a compendium of federal statutes which serve as the United States' principal anti-money laundering ("AML") and anti-terrorist financing statutes. FinCEN is responsible for promulgating regulations that implement the BSA. The Company currently operates its platform to facilitate the exchange of crypto assets. By facilitating the exchange of crypto assets through its platform, the Company believes it is acting as an "exchanger" of virtual currency under FIN-2013-G001, *Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies* issued by FinCEN on March 18, 2013 ("FinCen's 2013 Guidance"). This is because the Company is facilitating the exchange of crypto currency for other crypto currency (or fiat currency held by the Company or Prime Trust, LLC ("Prime Trust")) and charges users a fee to facilitate such trades through the Company's platform, by which it believes it is "engaged as a business in exchanging virtual currency" for other virtual currency or fiat currency. The over-the-counter desk and convert features of the Company's platform would likewise fall into this category. FinCEN's 2013 Guidance provides that "exchangers" are to be classified as money transmitters, a type of MSB, under the BSA. This designation also covers the Company's provision of the remittance services, which are either the transmittal of fiat currency or crypto assets from point A to point B.

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

Forty-nine states, the District of Columbia, the Federated States of Micronesia, Guam, the Marshall Islands, the Northern Mariana Islands, Palau, Puerto Rico, and the U.S. Virgin Islands have money transmission statutes that require an entity to obtain a license in order to engage in certain regulated activities. While these statutes vary by state, in general the activities which typically require an entity to seek licensure as a money transmitter are: (i) the sale or issuance of money orders or traveler's checks; (ii) the sale or issuance of open-loop stored value; and (iii) the transmission of money or monetary value, either electronically or otherwise, from point A to point B, including bill payment (this subsection (iii) mirrors the definition of "money transmission" under the BSA set forth above). Generally, any entity engaging in any of the three activity categories must be licensed under the relevant state laws as a money transmitter, be appointed and serve as the authorized agent of a licensed money transmitter, or be an entity which is exempt from the scope of the money transmitter statutes, such as a federally-insured financial institution. The reason for this construct is to ensure that each entity engaging in money transmission either is regulated as a licensee or is exempt because it is already subject to regulation (e.g., banks). Some jurisdictions such as California have money transmission statutes but have taken the position that BAM Trading's products do not require a license, thereby authorizing the Company to operate in those jurisdictions without a license. The Company is licensed in 43 jurisdictions and authorized to operate in an additional 6 jurisdictions.

Regulation risk

Federal, state or local governments may restrict the use and exchange of digital assets in the future. There is also uncertainty regarding the current and future accounting, tax, and legal treatment, as well as regulatory requirements relating to digital assets or transactions utilizing digital assets. There is currently no authoritative guidance on the accounting for digital assets. Current promulgated tax rules related to digital assets are unclear and require significant judgments to be made in interpretation of the law, including but not limited to the areas of income tax, information, reporting, transaction level taxes and the withholding of tax at source. Additional legislation or guidance may be issued by U.S. governing bodies that may differ significantly from the Company's practice or interpretation of the law. Governmental regulations, or any adverse accounting, tax, legal or regulatory treatment of digital assets or transactions could materially and adversely affect the manner in which the Company conducts its business and could result in heightened regulation, oversight, increased costs and potential litigation.

Market risk

Digital assets and their respective protocol networks are exposed to risks due to fraud, technological glitches, hackers or malware. The loss of digital assets, the Company's ability to manage fraud, or the application of new laws and regulations, could materially and adversely affect its reputation, business, financial condition, prospects, liquidity, and/or results of operations.

While the Company is continuing to diversify its revenue sources, its current revenues are primarily derived from transaction fees on sales and purchases of digital assets by its customers.

Market risk arises primarily from changes in the market value of digital assets, which is influenced by a number of factors, including the volatility and liquidity in the marketplace, which could materially and adversely affect the Company's results of operations.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, restricted cash and customer custodial funds. Cash and cash equivalents, restricted

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

cash and customer custodial funds are deposited at financial institutions. Periodically, such balances may be in excess of federally insured limits. The Company has not incurred any significant losses on its deposits of cash and cash equivalents, restricted cash or customer custodial funds as of the date these financial statements were available to be issued. The Company maintains relationships with numerous banking partners to ensure adequate redundancies across its operations and to minimize concentration risks. As of December 31, 2022, the Company had \$143,298,844 and \$37,911,076 of cash and cash equivalents, restricted cash and customer custodial funds held at Silvergate Capital Corp. and Signature Bank, respectively. Both banks have experienced liquidity issues and were seized by the Federal Deposit Insurance Corporation (“FDIC”) subsequent to December 31, 2022. The Company’s funds are protected by the FDIC up to the FDIC limit and the Company is transitioning to other financial institutions. The Company did not experience material interruptions in its operations due to the bank takeovers and does not expect future material interruptions.

Indemnifications

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future financial obligations under these indemnifications to be remote.

Liquidity

The Company has incurred significant losses and negative cash flows from operations for the year ended December 31, 2022 due to the current market conditions. Management does not believe there is substantial doubt over the Company's ability to continue as a going concern. However, if the Company needs to increase its liquidity condition in the future, management may plan to seek to obtain additional capital contributions from BAM Management, issue additional debt securities or obtain a credit facility. Without additional funds, the Company may choose to delay or reduce its operating or investment expenditures.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. These estimates include, but are not limited to, valuation of crypto assets, provision for transaction losses, accounting for income taxes, assessing the likelihood of adverse outcomes from claims and disputes, and the Company’s assessment of its ability to maintain compliance with laws and regulations that currently apply or become applicable given the highly evolving and uncertain regulatory landscape. To the extent that there are material differences between these estimates and results, the Company's financial statements will be affected.

Fair value measurements

The Company applies fair value accounting for all financial assets and liabilities. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or their inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The fair value of crypto asset denominated assets and liabilities are based on published exchange rates, which are determined to be Level 1 inputs, as the crypto assets are traded in active exchange markets. The Company monitors the exchange rates against various third-party exchanges.

Cash and cash equivalents

The Company considers all highly liquid financial instruments purchased and cash on hand that is not restricted as to withdrawal with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents exclude customer fiat, which is reported separately as customer custodial funds in the accompanying balance sheet.

Restricted cash

The Company has restricted cash deposits at financial institutions as cash collateral for potential chargeback losses and related to an escrow deposit for the transaction with Voyager Digital, LLC (“Voyager”) which has been terminated as discussed below.

On December 18, 2022, the Company entered into an agreement to acquire certain assets and assume certain liabilities of Voyager which included a required escrow deposit of \$10,000,000. The Company terminated the transaction on April 25, 2023 in accordance with termination clauses within the agreement and is pursuing the return of the escrow deposit.

USDC and BUSD

USD Coin (“USDC”) and Binance USD (“BUSD”) are accounted for as financial instruments subject to fair value measurement; one USDC or one BUSD can each be redeemed for one U.S. dollar on demand from the respective issuer. While USDC and BUSD are not accounted for as cash and cash equivalents, the Company treats USDC and BUSD as liquidity resources.

Crypto assets

The Company facilitates transactions between users and earns fee revenue on transactions that are denominated in crypto assets. The Company assigns costs to crypto asset transactions in its inventory on a first-in, first-out basis. The Company does not hold crypto assets for speculative purposes.

Through December 1, 2022, all Company-owned crypto assets were held in custody accounts through the Wallet Custody Agreement with BHL (Note 3). Per the agreement, BHL held all of the Company’s customers’ assets in custody. Prior to December 1, 2022, the Company accounted for its crypto assets under custody with BHL as receivables subject to fair value measurement. The Company initially recorded

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

crypto asset receipts at cost and subsequently marked its crypto asset holdings to market at each reporting date. Fair value was determined based on quoted market exchange prices as of the reporting date. Unrealized gains and losses arising from changes in the fair value of crypto assets, as well as gains and losses realized from differences in prices in which crypto assets were purchased compared to crypto assets sold, were recognized net, in loss on crypto assets in the accompanying statement of operations.

Effective December 1, 2022, following the termination of the Wallet Custody Agreement with BHL, the Company's crypto assets that were previously carried as receivables were derecognized at fair value. Any gain or loss recorded on this derecognition was recorded as realized gain or loss on the accompanying statement of operations. These crypto assets were then recorded as intangible assets with indefinite useful lives in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*.

These intangible assets are initially measured at cost and are subject to impairment losses if the fair value of the crypto assets decreases below the carrying value at any time during the period in which the Company holds the crypto assets. The fair value is measured using the quoted price of the crypto assets at the time its fair value is being measured on a weighted average basis, based on exchange activities which approximate the assets' principal market. The Company recorded impairment charges of \$16,849,604 related to its crypto assets during the year ended December 31, 2022.

The Company classifies its crypto assets as current assets on the accompanying balance sheet as its crypto assets are highly liquid and can be consumed in the normal course of business or converted to cash within 12 months.

The Company has a crypto loan agreement with a staking partner that was funded by Company-owned crypto assets. The Company concluded that control of the underlying crypto assets was not transferred to the borrower and therefore, it did not derecognize the loaned crypto assets from its balance sheet.

Customer custodial funds, Customer funds receivable and Customer funds payable

Customer custodial funds represent cash and cash equivalents held in segregated Company controlled bank accounts that are held for the exclusive benefit of customers.

Customer funds receivable consist of funds advanced to customer accounts upon initiation of an ACH or debit card deposit and arise due to the time it takes to settle the deposit. Customer funds receivable are typically received within one or two business days of the transaction date.

Customer funds payable represent the obligation to return customer custodial funds, customer funds receivables and unsettled withdrawals.

The Company establishes withdrawal-based limits in order to mitigate potential losses by preventing customers from withdrawing funds until the deposit settles.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization.

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 5 years or lease term

Expenditures for repairs and maintenance are expensed as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts, and the resulting gain or loss is recognized or charged to other income in the accompanying statement of operations.

Leases

The Company determines if an arrangement is a lease at inception. For operating leases where the Company is the lessee, right-of-use ("ROU") assets represent the Company's right to use the underlying asset for the term of the lease and the lease liabilities represent an obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. Most leases do not provide an implicit rate, so the Company uses its incremental borrowing rate based on the information available at the commencement date of the underlying lease arrangement to determine the present value of lease payments. The ROU asset is determined based on the lease liability initially established and reduced for any prepaid lease payments and any lease incentives received. The lease term to calculate the ROU asset and related lease liability includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company's lease agreements generally do not contain any material variable lease payments, residual value guarantees or restrictive covenants.

The Company has made the policy election to account for short-term leases by recognizing the lease payments in the statements of operations on a straight-line basis over the lease term and not recognizing these leases on the Company's balance sheet.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. The Company accounts for lease components and non-lease components as a single lease component.

As of December 31, 2022, the Company did not have any significant operating or finance leases.

Deferred acquisition costs

The Company incurred costs related to professional fees for the Voyager asset acquisition transaction. Certain transaction costs such as legal, accounting, and consulting expenses of \$2,641,012 as of December 31, 2022 were deferred and capitalized in other non-current assets on the accompanying balance sheet as they would not have been incurred by the Company had it not pursued the transaction.

The Company terminated the asset acquisition transaction on April 25, 2023. Accordingly, capitalized deferred acquisition costs through the termination date will be expensed during the second quarter of 2023.

BAM Trading Services Inc.
Notes to the Financial Statements
December 31, 2022

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property and equipment, on an annual basis, or more frequently whenever the circumstances indicate a long-lived asset may be impaired. When indicators of impairment exist, the Company estimates future undiscounted cash flows attributable to such assets. In the event cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair value. There were no long-lived asset impairments for the year ended December 31, 2022.

Revenue recognition

The Company recognizes revenue when it transfers control of promised goods or services to its customers in an amount that reflects the consideration to which it expects to be entitled to in exchange for those goods or services. The Company uses the following steps to determine revenue recognition:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of the revenue when, or as, the Company satisfies a performance obligation

Exchange transactions

The Company derives a majority of its revenue from exchange transactions, where users can buy, sell or convert crypto assets on the platform for an exchange service fee. The Company also derives revenue from deposit fees when customers use debit cards to deposit funds into their platform account and withdrawal fees when a customer requests a transfer of their funds out of their platform account. Fees are charged and collected at the transaction level and represent a single performance obligation. The Company has determined it is an agent in the transaction between customers and presents revenue for the fees earned on a net basis. This determination requires judgment and is based on the fact that the Company does not control the crypto asset being provided before it is transferred to the buyer, does not have inventory risk related to the crypto asset and does not set the price for the crypto asset as the price is a market rate established by users of the platform.

The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed, which is either upon the transfer of the crypto assets to the customer, receipt of crypto assets purchased from the customer, or transfer of funds on or off the platform.

Crypto asset transactions occur in multiple time zones, some of which differ from the time zone of the Company's headquarter location. The Company uses Coordinated Universal Time ("UTC") as time basis for revenue recognition cut-off.

Staking rewards

The Company also engages in staking of tokens on proof-of-stake networks. These networks use a variation of the proof-of-stake protocol that allows entities to delegate their stake to another party that acts as a validator. The delegating entity is commonly referred to as the delegator, and the other party is commonly referred to as the validator. The Company retains control of the stake via the delegation process through the use of third-party validators. These third-party validators are technology service providers that perform routine functions. The crypto assets at stake are earmarked on the blockchain and cannot be used

BAM Trading Services Inc.
Notes to the Financial Statements
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for any other purpose in the period during which they are staked. The crypto assets are not transferred on the blockchain to another public address when staked (or delegated). These blockchain protocols, or the participants that form the protocol networks, reward users for performing various activities on the blockchain, such as participating in proof-of-stake networks and other consensus algorithms. The Company considers itself the principal in transactions with the blockchain networks, and therefore presents such blockchain rewards earned on a gross basis. In exchange for participating in the consensus mechanism of these networks, the Company earns rewards in the form of the native token of the network. Each block creation or validation is a performance obligation. Revenue is recognized at the point in time when the block creation or validation is complete and the reward is received on the blockchain. Revenue is measured based on the number of tokens earned and the fair value of the token. The Company's staking rewards are recorded within the respective blockchains and the Company will claim such rewards.

Integration fees and token listing deposits

From time to time and following approval from the listings committee, the Company enters into contracts with token projects to list the project's token on the Company's platform. These contracts generally include a technical integration fee ("TIF") and a marketing fee which are deemed to be distinct performance obligations. Fees are due up front and are not refundable. The transaction price is allocated between these performance obligations using the standalone selling price. TIF revenue is recognized on the date (point in time) the token becomes available for trading on the Company's platform. Marketing fees are recognized over time as revenue as the related fees are consumed in marketing campaigns. The Company also requires a refundable deposit from the token projects which is not considered a component of the transaction price and is recorded as token listing deposits in the accompanying balance sheet.

For the year ended December 31, 2022, the Company collected approximately 75% of its revenue in crypto assets. Substantially all of the Company's revenues are recognized at a point in time.

Provision for transaction losses

The Company is exposed to losses primarily due to fraudulent payment methods used to purchase crypto assets on its platform. The Company establishes a provision for estimated losses incurred as of the reporting date, including those which the Company has not yet been notified. The estimate is based on historical loss payment patterns. The Company recorded a net recovery of chargeback losses on its accrual of \$1,145,128 in cost of revenue in the accompanying statement of operations for the year ended December 31, 2022, and an accrued provision for transaction losses of \$563,707 in accrued expenses in the accompanying balance sheet as of December 31, 2022. Cumulative recoveries exceeded chargeback losses by \$3,485,115 for the year ended December 31, 2022.

Deferred revenue

Deferred revenue reflects the amount received from token partners in advance of revenue recognition and is recognized when all revenue recognition criteria are met. The Company's deferred revenue as of December 31, 2022 consists of integration and marketing services for token listings that have not yet been delivered. Deferred revenue is recorded in other current liabilities on the accompanying balance sheet.

Cost of revenue

Cost of revenue includes direct costs related to revenue recognition, such as crypto trading network fees, fiat rail fees, royalty, staking rewards expense, ACH and debit card transaction losses, web hosting and compliance costs.

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Advertising cost

The Company expenses advertising and marketing expenses as incurred. Marketing and advertising include general marketing, crypto marketing, referral, promotional products and public relations agency fees. For the year ended December 31, 2022, the Company recognized advertising expenses of \$8,149,569.

Income taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon future pretax earnings, the reversal of temporary differences between book and tax income, and the expected tax rates in future periods. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company is required to evaluate the tax positions taken in the course of preparing its tax returns to determine whether tax positions are more likely than not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax expense in the current year. The amount recognized is subject to an estimation and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount that is initially recognized. It is the Company's practice to recognize interest and penalties related to income tax matters in income tax expense.

For U.S. federal tax purposes, digital asset transactions are treated on the same tax principles as property transactions. The Company recognizes a gain or loss when crypto assets are exchanged for other property, in the amount of the difference between the fair market value of the property received and the tax basis of the exchanged crypto asset. Receipts of digital assets in exchange for goods or services are included in taxable income at the fair market value on the date of receipt.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued Accounting Standard Updates ("ASU") No. 2016-13, *Financial Instruments — Credit Losses (Topic 326)*. ASU 2016-13 changes how companies measure credit losses on most financial instruments measured at amortized cost, such as loans, receivables and held-to-maturity debt securities. Rather than generally recognizing credit losses when it is probable that the loss has been incurred, the revised guidance requires companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument's contractual life. ASU No. 2016-13 is effective for fiscal periods beginning after December 15, 2022 for nonpublic entities, and must be adopted as a cumulative effect adjustment to retained earnings. Early adoption is permitted. This standard is effective for the Company on January 1, 2023. The Company does not expect the adoption of this ASU to have a material impact on the financial statements.

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In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*, which removes specific exceptions to the general principles in Topic 740 and simplifies the accounting for income taxes. Following adoption of the ASU, entities are no longer required to consider: the exception to intraperiod tax allocation when there is a loss in continuing operations and income in other components, the exception in interim period income tax accounting that limits the benefit for year-to-date losses that exceed anticipated losses for the year, and exceptions to accounting for outside basis differences of equity method investments and foreign subsidiaries. This update also simplifies the accounting for: a franchise tax (or similar tax) that is partially based on income, tax rate changes in an interim period, the allocation of taxes to separate company financial statements for entities both not subject to tax and disregarded by the taxing authority, and when a step-up in the tax basis of goodwill should be considered part of a business combination versus a separate transaction. This guidance is effective for annual reporting periods beginning after December 15, 2022 for nonpublic entities; and, early adoption is permitted. This standard is effective for the Company on January 1, 2023. The Company is currently evaluating the impact of the guidance on the financial statements.

On March 31, 2022, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 121 (“SAB 121”). SAB 121 provides interpretive guidance for entities that have obligations to safeguard customer crypto assets. The guidance requires an entity to recognize a liability to reflect its obligation to safeguard the users’ assets, and recognize a corresponding safeguarding asset. Both the liability and asset should be measured initially and subsequently at the fair value of the crypto assets being safeguarded. The guidance also requires additional disclosures related to the nature and amount of crypto assets that the entity is responsible for holding for its customers, with separate disclosure for each significant crypto asset, and the vulnerabilities the entity has due to any concentration in such activities. The guidance in SAB 121 is effective for public entities for interim or annual periods ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year to which the interim or annual period relates. Nonpublic business entities are not required to adopt SAB 121, but may voluntarily elect to do so. The Company is currently evaluating the impact of the guidance on the financial statements.

3. RELATED-PARTY TRANSACTIONS

The Company receives advances from and makes payments on behalf of BAM Management and its subsidiaries, and receives allocations for labor and related charges for ongoing personnel support in the ordinary course of business. These payments made on behalf of and allocations charged by BAM Management and its subsidiaries result in intercompany receivables and payables. As of December 31, 2022, the unsettled intercompany payables due to BAM Management and its subsidiaries was \$68,142,763. These amounts are unsecured, noninterest bearing and due on demand.

The Company has entered into certain agreements with BHL, an entity which is affiliated with BAM Management through common ownership. The agreements relate to the licensing and support of services as follows:

- Software License Agreement - Whereas BHL owns a digital currency trading platform which it operates in multiple countries, BHL has granted the Company a nonexclusive, perpetual, irrevocable, non-transferable, fully paid-up, royalty-free license to the licensed software in order to allow the Company to operate a digital currency trading platform in the U.S. market.
- Master Services Agreement - This agreement dictates the terms of use and access in relation to the licensed software. Additionally, it denotes the hosting and support services which will be offered by BHL to the Company and the Company's users as well as the development and implementation

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of Company specific enhancements.

- Trademark License Agreement - BHL has granted the Company a nonexclusive, non-transferable, non-sublicensable, perpetual, irrevocable, royalty-free, fully paid-up license to use certain trademarks owned by BHL.
- Wallet Custody Agreement - The Company selected BHL to serve as a custodian to the Company with respect to the crypto assets in any custody account. This agreement specified the terms of the relationship the Company would have with BHL as the custodian. This agreement was terminated as of December 1, 2022. Effective December 1, 2022, the Company is the custodian of its crypto assets and continues to license the wallet custody software under the Software License Agreement following the termination of the Wallet Custody Agreement.

In accordance with the terms of these agreements, for the year ended December 31, 2022, the Company incurred expenses totaling \$3,805,102, which are included in cost of revenue in the accompanying statement of operations and had no balance due to BHL as of December 31, 2022.

In September 2022, the Company entered into a note payable agreement with BHL to borrow certain crypto assets with a value of \$25,952,841. The note was repaid with the same quantity of crypto assets in October 2022.

4. CRYPTO ASSETS

The following table presents additional information on the Company's crypto assets of December 31, 2022:

Crypto Name	Cost Basis	Accumulated Impairment	Carrying Value	Fair Value
MATIC	\$ 23,556,885	\$ (4,309,896)	\$ 19,246,989	\$ 19,246,989
BNB	15,633,168	(3,746,444)	11,886,724	13,038,415
ETH	8,400,690	(539,599)	7,861,091	7,930,031
BTC	8,343,500	(322,131)	8,021,369	8,047,374
Other crypto assets	38,000,330	(7,931,534)	30,068,796	33,401,932
	<u>\$ 93,934,573</u>	<u>\$ (16,849,604)</u>	<u>\$ 77,084,969</u>	<u>\$ 81,664,741</u>

The fair value of crypto assets is based on quoted market prices for one unit of each crypto asset at 11:59 pm UTC on the last day of the year multiplied by the quantity of each crypto asset.

5. CUSTOMER ASSETS AND LIABILITIES

The Company includes customer custodial funds and customer funds receivable with a corresponding offset in customer funds payable in the accompanying balance sheet. Customer custodial funds do not include approximately \$279 million of customer funds, as of December 31, 2022, that were directly custodied by Prime Trust under separate contractual arrangements between Prime Trust and the customer. These funds are considered off-balance sheet arrangements.

As of December 31, 2022, the Company stored and custodied an aggregate U.S. Dollar value of approximately \$1.778 billion in crypto assets held in customer wallets on behalf of its customers, as off-balance sheet arrangements.

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The following table presents customers' cash and crypto positions as of December 31, 2022:

Customer custodial funds	\$ 146,995,183
Customer fiat assets (off-balance sheet)	278,790,229
Customer crypto assets (off-balance sheet)	1,778,308,784
	<u>2,204,094,196</u>
Customer funds receivable	3,007,427
Total customer assets	<u>\$ 2,207,101,623</u>
Customer funds liability	\$ 150,002,610
Customer fiat liability (off-balance sheet)	278,790,229
Customer crypto liability (off-balance sheet)	1,778,308,784
Total customer liabilities	<u>\$ 2,207,101,623</u>

6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Company's assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
USDC and BUSD	\$ 3,273,201	\$ -	\$ -	\$ 3,273,201

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following as of December 31:

	<u>2022</u>
Loss recovery receivable (Note 9)	\$ 13,187,699
Income tax receivable	597,001
Prepaid expenses	10,027,547
	<u>\$ 23,812,247</u>

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31:

	<u>2022</u>
Computer equipment	\$ 1,543,895
Accumulated depreciation	(501,016)
	<u>\$ 1,042,879</u>

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9. COMMITMENTS AND CONTINGENCIES

Customer crypto asset wallets

Under a Wallet Custody Agreement (Note 3), BHL had custody and control of customers' private keys, or components to cryptographic signatures necessary to transfer associated customer crypto assets. For security reasons, BHL used consolidated addresses to pool customer crypto assets but maintains separate ledger entries to designate each customer's crypto asset balance. The Wallet Custody Agreement was terminated as of December 1, 2022.

The Company stores and safeguards crypto assets for its platform customers in digital wallets and portions of cryptographic key information necessary to access crypto assets on the Company's platform. The Company stores and safeguards these assets and/or key information and is obligated to safeguard them from loss, theft, or other misuse. The Company may be liable to its customers for losses arising from theft or loss of private keys. The Company has no reason to believe it will incur any expense associated with such potential liability because (i) it has no known or historical experience of claims to use as a basis of measurement, (ii) it accounts for and continually verifies the amount of crypto assets on its platform, (iii) it has established security around private key management to minimize the risk of theft or loss, (iv) the Company's commercial agreements and user agreements broadly disclaim the Company from liability resulting from network failures or wallet service provider failures except in limited circumstances. The Company has adopted a number of measures to safeguard crypto assets it secures including, but not limited to, holding customer crypto assets on a 1:1 basis and strategically storing custodied assets offline using the Company's cold storage process. The Company also does not sell, lend, seize or rehypothecate customer crypto assets nor grant security interests in customer crypto assets, in each case unless required by law enforcement or agreed to by the customer. Any loss or theft would impact the measurement of the customer crypto assets. During 2022, the Company identified unauthorized transactions related to a crypto token and recorded a \$4,178,489 loss, after considering probable loss recovery from customer assets seized by the U.S. government, in operating expenses on the accompanying statement of operations for the year ended December 31, 2022 as further discussed below under legal proceedings. No other significant losses have been incurred in connection with customer crypto assets for the year ended December 31, 2022.

Leases

In November 2019, the Company entered into an operating lease agreement for office space in San Francisco, California. The lease commenced in January 2020 and expires in May 2023. The monthly base rent under the lease agreement is approximately \$36,300 for the first year and increases by 3% annually thereafter over the lease term. The discount rate for the Company's operating lease was 1.54%. In February 2022, the Company early terminated this operating lease for a termination fee of \$163,412 recorded in operating expenses on the accompanying statement of operations.

The Company also leases office space under month-to-month and short-term lease arrangements of 12 months or less.

The components of lease costs were as follows for the year ended December 31:

	<u>2022</u>
Operating lease costs	\$ 57,768
Short-term lease costs	937,636
	<u>\$ 995,404</u>

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Legal proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. As of December 31, 2022, the Company is a party to the following legal matters of potential material consequences:

The Company is the plaintiff in claims related to customer assets seized by the U.S. government as a result of identified unauthorized transactions under investigation related to a crypto token. As of December 31, 2022 and through the date of the issuance of the financial statements, the Company is waiting for the U.S. government enforcement officials to complete the process of recovering and returning assets misappropriated by certain individuals. Based on discussions with the U.S. government, the Company believes that the assets seized are solely attributable to BAM Trading and collection of the claim for loss recovery is probable. As such, the Company recorded a loss recovery receivable of \$13,187,699 in prepaid expenses and other current assets on the accompanying balance sheet as of December 31, 2022 as the likelihood of such recovery is probable and recognized a \$4,178,489 loss in operating expenses on the accompanying statement of operations for the year ended December 31, 2022 for related amounts that are not expected to be recovered. The Company expects to collect the loss recovery receivable amount in 2023.

The Company is in dispute over the contract terms of an indemnity deposit received related to a crypto token. As of December 31, 2022 and through the date of the issuance of the financial statements, the Company has not reached a settlement through mediation and is expecting to resolve the matter in arbitration. The Company recorded a loss contingency of \$17,330,368 as of December 31, 2022 in token listing deposits - current and operating expenses on the accompanying balance sheet and statement of operations, respectively. The Company has retained crypto assets in excess of the loss contingency in case such assets are required to resolve the dispute.

The Company is a named defendant in a data privacy/collection putative class action under the Illinois Biometric Information Privacy Act. The Company was named because it used Jumio Corporation's identity verification software during the onboarding process for Illinois users. If the plaintiffs prevail and damages are awarded, the Company contends that Jumio Corporation is solely liable for any damages. Jumio Corporation contends that it is entitled to indemnification from the Company. It is currently too early in the litigation to accurately quantify the potential damages.

10. STOCKHOLDER'S EQUITY

The Company is authorized to issue up to 10,000,000 shares of common stock, with a par value of \$0.00001 per share. As of December 31, 2022, 7,500,000 shares of authorized common stock were issued and outstanding to BAM Management.

BAM Trading operates as an MSB under money transmitter licenses and is subject to the oversight of, and inspection by the statutes and regulatory bodies of the jurisdictions it operates in. Certain jurisdictions have minimum capital adequacy requirements. As such, the Company received \$132,000,000 from BAM Management during the year ended December 31, 2022 in order to maintain minimum capital adequacy requirements.

11. INCOME TAXES

The Company and BAM Management, together with other affiliated group members of BAM Management, authorized and consented to be included in a consolidated income tax return for federal

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(United States) income tax return reporting purposes; and, report combined corporate tax liability on a single return. In addition, BAM Management and its wholly-owned subsidiaries, including BAM Trading, are subject to unitary combined income/franchise tax reporting requirements in certain state jurisdictions. BAM Trading may be required to file separate state corporation tax returns in jurisdictions that require such separate filings, including those jurisdictions where the Company may be subject to market-based sourcing rules or regulatory or state registration requirements.

Generally, the amount of current and deferred tax expense for an income tax return group that files a consolidated income tax return is allocated among the members of that group when those members issue separate financial statements. The Company elected to compute its federal state and local income tax provisions as if it was a separate taxpayer by using a “separate return” method. Under this method, the Company is assumed to file a separate return with the tax authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from BAM Management. The current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. The Company provides deferred taxes on temporary differences and on any carryforwards that it could claim on its hypothetical return and assess the need for a valuation allowance on the basis of its projected separate return results. The sum of the amounts allocated to individual members of the income tax return group may or may not equal the consolidated amount under this method.

The benefit from income taxes consisted of the following for the year ended December 31:

	<u>2022</u>
Current:	
Federal	\$ (817,869)
State	196,528
Total current	<u>\$ (621,341)</u>
Deferred	
Federal	\$ (28,628,238)
State	(8,390,660)
Total current	<u>\$ (37,018,898)</u>
Total benefit from income taxes	<u>\$ (37,640,239)</u>

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Significant components of the Company's deferred income tax assets and liabilities are as follows as of December 31:

	2022
Deferred tax assets:	
Net operating losses	\$ 11,398,983
Unrealized loss/impairment on crypto assets	7,493,174
Other	4,893,541
Capital loss	8,283,633
Capitalized research and development expenses	3,373,196
Total deferred tax assets	35,442,527
Valuation allowance	(15,776,807)
Deferred tax assets after valuation allowance	19,665,720
Deferred tax liabilities	
Property and equipment	(147,394)
Total deferred tax liabilities	(147,394)
Total net deferred tax asset	\$ (19,518,326)

The effective income tax rate differs from the statutory federal income tax rate as follows for the year ended December 31:

	2022
Tax at federal statutory rate	21.0 %
State taxes, net of federal benefit	4.0
Other permanent items	(0.6)
Change in valuation allowance	(7.2)
	17.2 %

Management assesses all available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence is the cumulative earnings or losses incurred over a three-year period. This objective evidence limits the ability to consider other subjective evidence such as the Company's projections for future growth. On the basis of this evaluation, as of December 31, 2022, the Company determined that it has federal and state net deferred tax assets of \$19,518,326. The net deferred tax assets as of December 31, 2022 are subject to a valuation allowance on the combined unrealized loss/impairment on crypto assets and capital losses of \$15,776,807 as it is more likely than not that those net deferred tax assets will not be realized. The change in the valuation allowance was \$15,776,807 for the year ended December 31, 2022. However, should there be a change in the Company's ability to recover its deferred tax assets, it would recognize a benefit to its tax provision in the period in which it determines that it is more likely than not that it will recover its deferred tax assets.

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As of December 31, 2022, the differences between income taxes expected at the U.S. federal statutory income tax rate of 21.0% and the reported income tax expense are primarily related to state taxes, net of federal benefit, stock compensation, various permanent items, and a valuation allowance from capital losses.

The Company and its affiliates are computing their respective tax obligation on a stand-alone basis. The Company, together with BAM Management and an affiliate company, files U.S. Corporation federal and state income and franchise tax returns in jurisdictions with varying statutes of limitations. Currently these statutes of limitations are open from 2018 forward for the U.S., and 2017 forward for California.

As of December 31, 2022, the Company had federal and state net operating losses of approximately \$44,622,000 and \$32,630,000 on a standalone basis. The federal net operating loss carryforwards will carry forward indefinitely and the state carryforwards, if not utilized, will start to expire in 2039. The Company files U.S. federal and state income tax returns in jurisdictions with varying statutes of limitations. The Company is not currently under audit.

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 10, 2023, the date the financial statements were available to be issued, and is not aware of any material subsequent events that have not been disclosed in the notes to the financial statements.

Exhibit C-5**Revenue, Gross Profit, and PJI Calculations February 2019 - April 2023**

Year	Total Revenue	Gross Profit	PJI
2019	\$254,184	\$138,983	\$21,397
2020	\$11,002,835	\$5,352,417	\$583,416
2021	\$265,850,338	\$147,178,971	\$11,236,377
2022	\$95,585,671	\$51,112,209	\$1,490,474
2023	\$38,208,558	\$20,891,828	\$124,206
Total Feb 2019-Apr 2023	\$410,901,585	\$224,674,408	\$13,455,870

Notes:

2019 data is from February 4 through December 31.

2023 data is from January 1 through April 30.

PJI Calculations assume violation date for each year is December 31

Gray cells denote assumptions.