

FalconX Bravo, Inc.
Financial Statement
Year Ended December 31, 2025

(With Report of Independent Auditors)

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Independent Auditors' Report

To the Board of Directors of FalconX Bravo, Inc.:

Report on the Audit of the Financial Statement

We have audited the statement of financial condition of FalconX Bravo, Inc. (the "Company") as of December 31, 2025, and the related notes to the financial statement (collectively, the "financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2025 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibility 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 Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 GAAS 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 statement.

In performing the audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- 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.

Wolf & Company, P.C.

Boston, Massachusetts

February 27, 2026

FalconX Bravo, Inc.
Statement of Financial Condition
As of December 31, 2025

Assets		
Cash and cash equivalents	\$	99,016,051
Affiliate receivables		5,122,074
Affiliate fiat loan receivable		5,031,314
Affiliate digital assets loan receivable		13,061,881
Derivative margin		64,336,447
Derivative assets		3,441,190
Other current assets		1,319,373
Total assets		191,328,330
Liabilities and Stockholder's Equity		
Accounts payable and accrued liabilities		3,365,654
Affiliate payables		177,007
Short-term fiat borrowings		4,516,167
Short-term digital assets borrowings		12,933,350
Obligation to return derivative margin		83,468,612
Derivative liabilities		3,677,741
Total liabilities		108,138,531
Stockholder's Equity		
Common stock		1,000
Additional paid-in capital		86,998,701
Accumulated deficit		(3,809,902)
Total stockholder's equity		83,189,799
Total liabilities and stockholder's equity	\$	191,328,330

The accompanying notes are an integral part of the financial statement.

FalconX Bravo, Inc.
Notes to the Financial Statement

1. Nature of Business

FalconX Bravo, Inc. (“FalconX Bravo”, “the Company”), a Delaware corporation located in San Mateo, California, was incorporated on August 31, 2021. The Company is a wholly owned direct subsidiary of FalconX Alpha, Inc. (“FalconX Alpha”, “the Parent”), a non-operating holding company. FalconX Holdings Limited (“FalconX Holdings”), a Cayman Islands exempted company, is the Company’s ultimate parent and operates as a holding company for a group of subsidiaries (collectively, the “FalconX Holdings Group”) through which cryptocurrency prime brokerage services are offered to institutional counterparties (“Clients”).

The Company is registered with the Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer and is a registered member of the National Futures Association (“NFA”). The Company has onboarded institutional clients to trade over-the-counter (“OTC”) digital asset derivatives and engage in credit activities.

2. Significant Accounting Policies

A summary of significant accounting policies followed by the Company in the preparation of the financial statement is as follows:

Basis of Presentation

The accompanying financial statement has been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and includes the accounts of the Company. The Company’s functional currency is the U.S. dollar.

Use of Estimates

The preparation of the financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Estimates include the realization of deferred tax assets and valuation of derivatives. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. As of December 31, 2025, cash and cash equivalents consist of cash on deposit with one financial institution. The Company also has cash equivalents in the form of a money market fund with a second financial institution in the amount of \$16,700,693 as of December 31, 2025.

Derivatives

The Company trades derivative instruments, primarily forward and option contracts. The Company recognizes all derivative financial instruments in the Statement of Financial Condition as either assets or liabilities at fair value. Transactions in derivative instruments are recorded on a trade-date basis.

In accordance with Accounting Standards Codification (“ASC”) 815, Derivatives and Hedging (“ASC 815”), the Company nets certain derivative contracts, and eligible collateral, with the same counterparty in the Statement of Financial Condition. The Company’s derivatives are not designated as hedges and hence the Company does not apply hedge accounting as defined in ASC 815. These derivative instruments are measured at fair value on a recurring basis. The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, which are used to fair

FalconX Bravo, Inc.
Notes to the Financial Statement

value the derivatives. The majority of market inputs are actively quoted and can be validated through external sources including brokers, market transactions and third-party pricing services. The fair values of derivative assets and liabilities traded on exchanges are determined using exchange prices.

The Company applies the disclosure requirements for derivative instruments prescribed in ASC 815, which requires companies to disclose how derivative instruments are accounted for, their location and amounts in a company's financial statement. The disclosures required by ASC 815 are included in "Note 7: Derivatives" footnote.

Borrowings

The Company borrows cash and digital assets under several master borrowing agreements with the intention of lending the assets directly to affiliated FalconX entities. As such, when borrowings are initiated, the underlying assets are transferred directly from the external counterparty to the affiliate, and the Company creates an intercompany borrowing agreement with the respective affiliate FalconX entity.

All of the Company's loan and borrowing agreements are callable (open-term) or short-term in nature. Cash borrowings are recorded at amortized cost and reported in Short-term fiat borrowings on the Statement of Financial Condition.

Digital asset borrowings are accounted for as hybrid instruments under ASC 815. These borrowings are determined to have a liability host contract, representing the obligation to return the digital asset borrowed. Embedded within the host contract is a derivative based on changes in the fair value of the underlying digital asset. The host contract is not accounted for as a debt instrument because it is not a financial liability and is carried at the initial fair value of the assets acquired and reported in Short-term digital assets borrowings on the Statement of Financial Condition. The embedded derivatives are accounted for at fair value and included in Short-term digital assets borrowings on the Statement of Financial Condition.

The Company uses active spot prices to determine the fair value of the embedded derivative related to the borrowings. Fair value is measured using quoted digital asset prices at the time of measurement within the Company's principal market. The Company does not hold digital assets on its Statement of Financial Condition as of December 31, 2025.

Affiliate Loan Receivables

As discussed in the Borrowings note, the Company lends the borrowed assets to FalconX affiliates, with the affiliate loan receivables recognized simultaneously to the borrowings. Loans to affiliates are unsecured, open-term and classified as held for investment as the Company has the intent and ability to hold for the foreseeable future, or until maturity or until payoff or such time as the FalconX affiliate terminates the loan, at which point the Company terminates the corresponding borrowing with clients. When determining the need for an allowance for credit losses ("ACL"), the Company has determined each receivable has unique risk characteristics and evaluates each on an individual basis. The Company reserves for losses once they are known and estimable. The Company writes off the reserve once it is deemed uncollectible. Accrued interest receivable is reversed when the note is determined to be in non-accrual status. The Company has not recorded an ACL as of December 31, 2025.

Cash loans to affiliates are recorded at amortized cost and reported in Affiliate fiat loan receivable on the Statement of Financial Condition. Digital asset loans are accounted for as hybrid instruments, with an asset host contract, representing the receivable for digital asset lent. Embedded within the host contract is a derivative based on changes in the fair value of the underlying digital asset. The host contract is reported in Affiliate digital assets loan receivable on the Statement of Financial Condition. Embedded derivatives are accounted for at fair value and included in Affiliate digital assets loan receivable on the Statement of Financial Condition.

FalconX Bravo, Inc.
Notes to the Financial Statement

The Company uses active spot prices to determine the fair value of the embedded derivative related to the affiliate loan receivables. Fair value is measured using quoted digital asset prices at the time of measurement within the Company's principal market.

Affiliate Receivables and Payables

Affiliate receivables represent amounts due from different affiliated entities within the FalconX Holdings Group while affiliate payables represent amounts due to affiliated entities within the FalconX Holdings Group. The transactions associated with these receivables and payables are discussed in the "Note 3: Related Party Transactions" footnote.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 "Fair Value Measurements" established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company.

Unobservable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined based on an internally developed valuation model in which the determination of fair value requires significant management judgment or estimation.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, affiliate loan receivables and derivative assets and liabilities.

As of December 31, 2025, the Company maintained the majority of its cash and cash equivalent amounts at an account with a large financial institution. Cash deposits exceeded the Federal Deposit Insurance Corporation (FDIC) insurable limit for corporations of \$250,000 by \$82,065,358 as of December 31, 2025. The Company has not experienced any losses on its cash deposits through December 31, 2025. The money market fund account is not FDIC insured.

As the loans provided to affiliates are unsecured, the Company evaluates counterparty credit risk for all affiliates with outstanding loan receivables. FalconX Holdings, the ultimate parent, provides a guarantee to

FalconX Bravo, Inc.
Notes to the Financial Statement

cover all instances of non-payment from affiliates, thereby limiting the Company's credit exposure. The Company has not experienced any losses on its affiliate loan receivables through December 31, 2025.

The Company considers counterparty credit risk of all parties to outstanding derivative instruments that would be considered by a market participant in the transfer or settlement of such contracts (exit price). Refer to "Note 7: Derivatives" footnote for discussion over these risks and how the Company mitigates them.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the deferred tax asset or liability are expected to be realized. The Company recognizes valuation allowances on deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the Company's ability to recover deferred tax assets, the Company's management considers all available evidence, both positive and negative, including historical operating results, ongoing tax planning, and forecasts of future taxable income on jurisdiction-by-jurisdiction basis. No valuation allowance is provided against the Company's deferred income tax assets since it is more likely than not it will be realized.

The Company uses the separate-return approach to account for its federal and state income tax provision. The Company is included in the consolidated federal income tax return of FalconX Alpha beginning with the year ended December 31, 2023. Amounts paid in excess of the separate-return obligation are reflected as contributions to additional paid-in capital.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely to be realized upon ultimate settlement. The Company considers many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. As of December 31, 2025, the Company does not expect any significant increase or decrease in its unrecognized tax benefits within the next twelve months. The Company has accrued \$6,877 in penalties and interest related to uncertain tax positions as of December 31, 2025. It is our policy to include accrued interest related to unrecognized income tax positions and income tax-related penalties in the provision for (benefit from) income taxes.

Risks and Uncertainties

The Company is subject to counterparty credit risk related to its trading activities and demand for its swap offerings. Refer to "Note 7: Derivatives" footnote for discussion over these risks and how the Company mitigates them.

Recent Accounting Pronouncements

The Company did not adopt any new accounting standards during the year ended December 31, 2025.

3. Related Party Transactions

Related party transactions include any transaction between entities under common control or with a related party. The Company entered into the following related party transactions during the year ended December 31, 2025:

FalconX Bravo, Inc.
Notes to the Financial Statement

Affiliate Receivables and Payables

Certain administrative activities, such as the accounts payable function, are performed by an affiliate entity within the FalconX Holdings Group. Payments to vendors for some of the services received by the Company were disbursed by Warp Drive, Inc. (“Warp Drive”), an entity under common control of the ultimate parent, FalconX Holdings, with the Company recording an intercompany payable.

As of December 31, 2025, intercompany receivables from Warp Drive amounted to \$5,122,074. These receivables primarily relate to affiliate intercompany revenue reduced by payables related to certain administrative activities, whereby payments to vendors for the services received by the Company were disbursed by Warp Drive.

Derivatives

The Company trades OTC derivatives with external parties and enters into back-to-back trades with a FalconX affiliate that mirror terms of external trades such that the Company’s economic risk related to derivative trading activity is negated. Refer to “Note 7: Derivatives” footnote for further discussion.

Affiliate Loans

The Company borrows U.S. dollars and digital assets under several master borrowing agreements with clients and lends the cash or digital assets to FalconX affiliates. These affiliate loans occur on the same day that the Company borrows cash or digital assets from its clients and includes a 0.5% incremental interest rate charged to the affiliate. See “Note 10: Short-Term Borrowings and Affiliate Loan Receivables” footnote for more details.

4. Capital Stock

The Company was authorized to issue 100,000 shares of common stock with a par value of \$0.01 per share via Unanimous Written Consent of the Board of Directors on August 31, 2021, of which all shares were issued, subscribed and fully paid for as of December 31, 2025.

Voting Rights

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the Company’s stockholders. FalconX Alpha, which is the Company’s only stockholder, holds 100% voting rights.

Dividend Rights

The holders of our common stock will be entitled to receive ratable dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for payment of dividends.

Right to Receive Liquidation Distributions

If the Company liquidates, dissolves or winds up, after all liabilities have been paid in full, the holders of the Company’s common stock will be entitled to share ratably in all remaining assets.

In 2025, FalconX Alpha made capital contributions totaling \$25 million to the Company. These contributions were recorded as an increase to additional paid-in capital. No new shares were issued in connection with these contributions.

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5. Capital Requirements

As a registered Swap Dealer, the Company is subject to minimum capital requirements in accordance with CFTC § 23.101 and NFA Section 18 and must be able to demonstrate such compliance to the CFTC and NFA.

The Company has chosen to use the “Bank Holding Company (BHC) Approach”, and thus, elected to be subject to the minimum capital requirements set forth in CFTC § 23.101(a)(1)(i).

The Company does not use models for market or credit risk charges so its capital at all times must equal or exceed the maximum of the following:

1. Common equity tier (CET) 1 capital of \$20 million, as if the Company itself were a BHC;
2. An aggregate of common equity tier 1 capital, additional tier 1 capital, and tier 2 capital, all as defined under the BHC regulations in 12 CFR 217.20, equal to or greater than 8% of the swap dealer's BHC equivalent risk-weighted assets; provided, however, that the swap dealer must maintain a minimum of common equity tier 1 capital equal to 6.5% of its BHC equivalent risk-weighted assets; provided further, that any capital that is subordinated debt under 12 CFR 217.20 and that is included in the swap dealer's capital;
3. Total Capital equal to or greater than 8% of the Firm’s Uncleared Swap Margin; and
4. The amount of capital required by the NFA.

The Company did not have any subordinated debt at the start of the year and has not issued any subordinated debt instruments during the year 2025.

As a Swap Dealer registered with the CFTC, the Company is subject to examinations related to the conduct of its normal business activities. The Company discusses matters with its regulators raised during examinations or otherwise subject to their inquiry and oversight. The Company may need to take actions to address matters raised by its regulators and could be subject to fines, penalties, or other actions by its regulators. As of December 31, 2025, no matters were identified that could have a material impact on the Company’s financial position.

6. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Company’s assets and liabilities measured and recorded at fair value on a recurring basis:

As of December 31, 2025						
Assets	Level 1	Level 2	Level 3	Netting	Total	
Cash and cash equivalents	\$ 16,700,693	\$ -	\$ -	\$ -	\$	\$ 16,700,693
Affiliate digital assets loan receivable	13,061,881	-	-	-	-	13,061,881
Derivative margin - digital assets	18,691,507	-	-	-	-	18,691,507
Derivative assets	-	25,366,504	1,148,447	(23,073,769)	-	3,441,182
Total assets	\$ 48,454,081	\$ 25,366,504	\$ 1,148,447	\$ (23,073,769)	\$	\$ 51,895,263
Liabilities						
Short-term digital assets borrowings	\$ 12,933,350	\$ -	\$ -	\$ -	\$	\$ 12,933,350
Obligation to return derivative margin - digital assets	18,691,507	-	-	-	-	18,691,507
Derivative liabilities	-	25,366,504	1,148,447	(22,837,217)	-	3,677,734
Total liabilities	\$ 31,624,857	\$ 25,366,504	\$ 1,148,447	\$ (22,837,217)	\$	\$ 35,302,591

FalconX Bravo, Inc.
Notes to the Financial Statement

As of December 31, 2025, the Company held cash equivalents consisting of money market funds, which are valued at the closing price reported by the fund sponsor from an actively traded exchange and are categorized as Level 1 in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Level 2)

Derivatives instruments

The Company's Level 2 derivatives comprise of option and forward contracts in a Bitcoin ("BTC") or Ethereum ("ETH") base currency. The Company's derivative instruments are valued using widely accepted pricing models such as Black-76 for options and the Cost to Carry model for forwards. These valuation models utilize a range of observable market inputs, such as contractual terms, market prices, yield curves, discount rates and measures of volatility. Specifically, the Cost to Carry model for forwards relies on readily observable spot prices and yield curves, while the Black-76 option model utilizes observable inputs such as readily observable option prices, volatilities and yield curves.

The key inputs for Level 2 derivative valuations are substantially observable and can be validated against market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. The inputs for valuation purposes include quoted spot, forward and option prices for identical assets from an active market and other non-significant observable inputs. This reliance on predominantly observable inputs, particularly given the relatively short duration of the Company's typical derivative contracts, supports the categorization of these derivatives as Level 2 within the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis using Significant Unobservable Inputs (Level 3)

Derivatives instruments

The Company's Level 3 derivatives comprise of option and forward contracts with base currency other than BTC or ETH, which are referred to as "Altcoins". Similar to BTC and ETH option and forwards contracts, Altcoin derivative instruments are valued using widely accepted pricing models such as Black-76 for options and the Cost to Carry model for forwards. These valuation models utilize a range of observable market inputs, such as contractual terms, market prices, and discount rates, as well as unobservable inputs such as yield curves and measures of volatility.

These Altcoin derivatives are classified as Level 3 in the fair value hierarchy because their valuation requires the use of significant unobservable inputs. While the valuation models also utilize observable Level 1 inputs (such as spot rates for the underlying Altcoins), the overall fair value measurement is deemed Level 3 due to the significance of the unobservable inputs to the valuation. The key unobservable inputs used by the Company to value its Level 3 derivatives are described below.

Significant Unobservable Inputs

For Level 3 forward contracts on Altcoins, the primary significant unobservable input is the yield curve specific to each Altcoin. Due to the less liquid and less developed nature of Altcoin markets compared to BTC or ETH, readily observable and reliably quoted yield curves for these Altcoins are generally not available from established market data providers.

For Level 3 option contracts on Altcoins, the significant unobservable input includes both the yield curve for the specific Altcoin and volatility input applicable to options on these Altcoins. Similar to yield curves, market-observable implied volatilities for actively traded options on Altcoins are often limited or non-existent. Therefore, volatility inputs for Level 3 Altcoin options typically require the use of significant professional judgment and estimation.

FalconX Bravo, Inc.
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The table below presents the amount of Level 3 derivative assets (liabilities) and ranges and averages of significant unobservable inputs used to value such derivatives.

	December 31, 2025	
	Amount or Range	Average
Forwards	\$ -	
Yield	2.9% to 4.9%	4.5%
Options	\$ -	
Volatility	33.3% to 102.7%	48.7%
Yield	0.7% to 5.0%	4.6%

The ranges presented in the table represent the minimum and maximum values of the significant unobservable inputs applied across the Company's Level 3 derivative portfolio for each type of derivative. The averages represent the weighted average of these inputs, weighted by the notional amount of the respective derivative instruments outstanding as of December 31, 2025.

Ranges for volatility cover several different tokens, maturities, and strike prices. While volatility can go as high as 102.7% for certain positions, the weighted average volatility of 48.7% signifies that the majority of options have a volatility closer to the lower end of the range. Ranges for yield for both forwards and options are tight as options are short-term in nature. In general, for both options and forwards, increases in either yield or volatility result in higher fair value measurement.

Level 3 Rollforward

The below presents a summary of the changes in fair value for net Level 3 derivatives.

	December 31, 2025	
	Forwards	Options
Total level 3 derivatives, net		
Beginning balance	\$ -	\$ -
Purchases	-	200,984,666
Sales	-	(200,984,666)
Ending Balance	\$ -	\$ -

Level 3 derivative assets and liabilities primarily relate to forward and option contracts utilized in a back-to-back trading strategy where the institutional client transactions are offset with corresponding trades with an affiliated entity. The Level 3 rollforward table for these instruments is presented on a net basis, reflecting the Company's net risk management approach for these matched positions. Due to the economically offsetting nature of these back-to-back contracts, the net changes in fair value during the year ended December 31, 2025, were negligible, resulting in a rollforward table for Level 3 instruments that reflects minimal activity and a zero net change in fair value. There were no transfers in or out of Level 3 for the year ended December 31, 2025.

Assets and liabilities not measured and recorded at fair value

FalconX Bravo, Inc.
Notes to the Financial Statement

The Company's financial instruments, including certain cash, affiliate fiat loan receivables, derivative fiat margin, other current assets, accounts payable and accrued liabilities, affiliate payables, short-term borrowings and obligation to return derivative fiat margin are not measured at fair value. The carrying values of these instruments approximate their fair values due to their liquid or short-term nature.

7. Derivatives

The Company trades OTC derivatives, with a focus on a diverse array of digital assets, including but not limited to Bitcoin and Ethereum. Trading activities are primarily client-driven, catering to a sophisticated clientele seeking to navigate the complexities of the digital asset market through customized financial instruments.

The Company's operations are primarily centered around fulfilling the trading requirements of the Company's clients, hence it does not constitute economic hedges in the traditional financial sense. Consequently, our transactions are not classified within a hedge accounting framework. This distinction underscores the Company's commitment to providing bespoke trading solutions rather than engaging in the direct management of the Company's own financial risk exposures through economic hedging. The Company enters into back-to-back trades with a FalconX affiliate that mirror each client-facing trade, thus hedging the Company's economic risk. These trades are generally very short-term in nature, with no derivatives being longer than 12 months in duration.

A Master Netting Agreement (MNA) allows offsetting obligations in derivatives trading to reduce transactions to a single net payment. For those legally enforceable contracts, we net receivables and payables with the same counterparty on the Company's Statement of Financial Condition. Where eligible, the Company also nets cash collateral received and transferred up to the fair value exposure for the related counterparty. The Company also receives and transfers collateral in the form of digital assets, which mitigates credit risk but are not eligible for netting. All digital assets received as collateral are either held by third party custodians or transferred to and held by FalconX affiliate entities. The Company records these digital assets received as collateral at fair value on the reporting date as derivative margin and records a corresponding obligation to return derivative margin liability. As of December 31, 2025, two counterparties individually held 10% or more of the Company's gross derivative assets, holding approximately 43% and 26%. However, the Company has obtained sufficient collateral from the respective counterparties to cover these positions, resulting in a negligible risk of loss due to credit.

Some counterparties will provide digital assets as collateral to a third-party custodian rather than directly to the Company. The Company, as the secured party in the arrangement, does not have the right to or control over the collateral except in the event of default by the counterparty, these digital assets are considered off-balance sheet arrangements, and no asset is recorded on the Company's Statement of Financial Condition. On December 31, 2025, there was a total of \$7.2 million in U.S. dollars and 91.73 Bitcoins posted by counterparties as collateral and held by third-party custodians.

The following table presents the fair value of the Company's derivative instruments and their respective location on the Statement of Financial Condition.

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Derivative Instruments	Derivative Assets⁽¹⁾	Derivative Liabilities⁽¹⁾
Forwards	\$ 814,327	\$ 814,327
Options	25,700,631	25,700,631
Gross fair value of derivative contracts	26,514,958	26,514,958
Counterparty netting	(17,672,199)	(17,672,199)
Cash collateral	(5,401,569)	(5,165,018)
Impact of counterparty and collateral netting	(23,073,768)	(22,837,217)
Total fair value included in Derivative assets	\$ 3,441,190	
Total fair value included in Derivative liabilities		\$ 3,677,741

⁽¹⁾ As of December 31, 2025, the notional volume for the Company's open option contracts was \$3,020,888,049 and for open forward contracts was \$171,237,920.

The following table presents a breakdown of the Company's margin assets and corresponding liabilities as of December 31, 2025.

Derivative Margin	December 31, 2025
Fiat	\$ 45,644,940
Digital Assets - Held at affiliate	18,691,507
Total Derivative Margin	\$ 64,336,447
Obligation to Return Derivative Margin	
External counterparties - Fiat	\$ 64,777,105
External counterparties - Digital Assets	18,691,507
Total Obligation to Return Derivative Margin	\$ 83,468,612

8. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities consisted of the following:

Accounts Payable and Accrued Liabilities	December 31, 2025
Accounts payable	\$ 183,984
Accrued expenses	3,181,670
Total	\$ 3,365,654

9. Short-Term Borrowings and Affiliate Loan Receivables

In July 2024, the Company entered into a revolving line of credit facility. Under the terms described in the agreement, the Company could borrow up to 250 Bitcoins, of which the full amount was unused on December 31, 2024. The agreement was terminated in February 2025.

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The Company also borrows U.S. dollars and digital assets from various counterparties as part of its trading and lending operations. All borrowings are callable (open-term) or short-term in nature and generally have annual rates ranging from 2.5% to 18.5% per annum. The borrowings outstanding as of December 31, 2025, do not have set terms of repayment and the Company can prepay without penalty. The lenders can also demand repayment of the loans at any time by providing between three to five business days' notice.

As of December 31, 2025, the Company had \$4,516,167 in fiat borrowings, 3,500 in ETH, 5,000 in SOL and 25,000 in LTC borrowed and an equal amount of U.S dollars and Tokens in affiliate receivables. As of December 31, 2025, the Company had \$515,148 and \$128,531 of accrued interest against affiliate fiat loan receivable and affiliate digital assets loan receivable, respectively. The following table summarizes the units, cost basis, and fair value of crypto assets borrowed and the associated crypto asset borrowings:

As of December 31, 2025			
Borrowed	Units	Cost Basis	Fair Value
ETH	3,500	\$ 14,036,500	\$ 10,398,500
SOL	5,000	1,005,000	619,850
LTC	25,000	2,090,000	1,915,000
Total	33,500	\$ 17,131,500	\$ 12,933,350
Affiliate Receivables			
ETH	3,500	\$ 14,036,500	\$ 10,398,500
SOL	5,000	1,005,000	619,850
LTC	25,000	2,090,000	1,915,000
Total	33,500	\$ 17,131,500	\$ 12,933,350

10. Income Taxes

The Company's effective tax rate differs from the statutory federal rate for tax year ended December 31, 2025, by applying the statutory federal income tax rate of 21% to pretax book income as follows (in thousands):

Year Ended December 31, 2025		
U. S. Federal tax expense at 21% statutory rate	\$ 1,604	21.0 %
State taxes	131	1.72
Change in valuation allowance	(302)	(3.95)
Nontaxable or nondeductible items	5	0.06
Other deferred adjustment	(599)	(7.85)
Change in unrecognized tax benefits	(371)	(4.86)
Income Tax Expense	\$ 468	6.12%

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The valuation allowance has decreased by approximately \$302,000 for the year ended December 31, 2025. The Company does not maintain a valuation allowance on the net deferred tax assets, since the management believes that the assets are realizable on a more-likely-than-not basis in the future.

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As of December 31, 2025, the Company's net deferred tax assets and liabilities are mainly capitalized section 195 expenditures, stock option expense, and section 481(a) deferred tax liability. The Company recorded life to date net deferred tax assets of \$781,274 for the tax year ending December 31, 2025, based on a statutory federal tax rate of 21% and applicable state tax rate of 0.55% (net of federal benefit).

There are no federal and state net operating losses carryforward as of December 31, 2025. The Company's U.S. tax filings from 2022 forward remain subject to tax examinations. For the year ended December 31, 2025, the Company recorded an uncertain tax position of \$78,517 (inclusive of accrued \$6,877 in penalties and interest) relating to the prior year company intercompany transfer pricing policy. In addition, the Company reduced its prior-year uncertain tax position by approximately \$370,000 to adjust for the prior year net operating loss (NOL) deduction and transfer pricing policy. The Company's policy is to classify interest and penalties associated with unrecognized tax benefits as income tax expense.

11. Subsequent Events

Management has evaluated subsequent events through February 27, 2026, which is the date the financial statement was available to be issued. No subsequent events were identified that require recognition or disclosure in the financial statement.