Unaudited Quarterly Report to Shareholders for The Three Months Ended March 31, 2020

P10 Holdings, Inc.

Delaware	**74-2961657**
(State of Incorporation)	*(IRS Employer Identification No.)*

8214 Westchester Drive
Suite 950
Dallas, TX 75225
(Address of principal executive office)

(214) 999-0149
(Company's telephone number)

Common Stock
$0.001 Par Value
Trading Symbol: PIOE

Trading Market: OTC Pink Open Market

110,000,000 Common Shares Authorized
89,411,175 Shares Issued and 89,234,816 Shares Outstanding
As of April 30, 2020

Special Note Regarding Forward-Looking Statements

The following stockholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements about historical or current facts, including, without limitation, statements about our business strategy, plans, and objectives of management and our future prospects, are forward-looking statements.

You can identify forward-looking statements by words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate,” “seek,” “continue,” and other similar words. You should read statements that contain these words carefully because they discuss our future expectations, make projections of our future results of operations or financial condition, or state other “forward-looking” information.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about our business that could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements.

We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. New information, future events or risks could cause the forward-looking events we discuss in this report not to occur. You should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this report. Unless otherwise indicated or the context requires otherwise, the words “we,” “us,” “our,” the “Company” and “P10 Holdings” refer to P10 Holdings, Inc. (formerly Active Power, Inc.) and its wholly owned subsidiaries. References in this report to "$" or "dollars" are to United States of America currency.

Dear P10 Holdings Shareholder,

In the face of the global pandemic created by COVID-19, P10 Holdings continued to execute on its business plan, even with adjustments in the work environment created by the shelter in place directives. As we previously announced, on April 1st we closed on the acquisition of Five Points Capital and have begun the integration process. The Five Points team is proving to be an even better partner than we could have imagined. As part of the integration and implementation process, we will move to a reporting cadence more in line with a listed company and therefore will report our quarterly results within the 45-day period rather than the 30-day period we have historically used. We are excited about the future and remain vigilant in protecting the health of all our employees and the capital entrusted to us.

The following table summarizes capital raised (in millions) during the first quarter and the aggregate raised to date for each fund:

	For the Three Months Ended March 31, 2020	Life-to-date through March 31, 2020
RCP Fund XIV, LP	$ 115.8	$ 346.6
RCP Small and Emerging Manager Fund II, LP	29.2	95.5
Columbia Partners Private Capital II, LP	20.0	145.0
Total	$ 165.0	$ 587.1

In total, RCP Advisors raised $165 million during the quarter across the 3 funds. Upon the final closes of each of these finds, we will begin to launch new funds. We see tremendous opportunity in the secondary market with the turmoil created by the pandemic; consequently, we are raising additional capital (RCP SOF III Overage Fund) for our Secondary Opportunity Fund III. Additionally, we intend to approach the market for a new Five Points SBIC Credit Fund once regulatory approvals are obtained.

The table below outlines our cash earnings for Q1 2020 and 2019 respectively (in thousands, except per share amounts):

	For the Three Months Ended March 31,	
	2020	**2019**
Net Income	1,407	1,853
Add back:		
+Depreciation & Amortization	2,427	2,604
+Non-Cash Expenses	524	921
+Non-Recurring Expense (Income)	24	(1,951)
+Non-Recurring Deferred Tax Expense (Benefit)	(491)	-
Total Cash Earnings	3,891	3,427
Shares outstanding	89,235	89,235
Diluted Shares outstanding	90,981	90,271
Cash earnings per share	0.04	0.04
Diluted cash earnings per share	0.04	0.04

We thank all our shareholders for their continued confidence in P10 Holdings.

Robert Alpert Clark Webb

P10 Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share amounts)

		As of March 31, 2020 (Unaudited)		As of December 31, 2019
ASSETS				
Cash and cash equivalents	$	20,881	$	18,710
Restricted cash		756		756
Accounts receivable		2,781		2,421
Prepaid expenses and other		974		1,040
Property and equipment, net		39		46
Right-of-use assets		4,969		5,733
Deferred tax assets		22,068		21,577
Intangibles, net		51,383		53,803
Goodwill		98,680		98,680
Total assets	$	202,531	$	202,766
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	$	-	$	105
Accrued expenses		5,655		6,078
Post-closing payment		125		250
Deferred revenues		7,097		7,204
Long-term lease obligation		5,765		6,576
Credit and guaranty facility, net		104,283		104,963
Notes payable to sellers, net		41,226		40,883
Total liabilities		164,151		166,059
STOCKHOLDERS' EQUITY				
Common stock - $0.001 par value; 110,000,000 and 110,000,000 shares authorized, respectively; 89,411,175 and 89,411,175 issued, respectively; 89,234,816 and 89,234,816 outstanding, respectively		89		89
Treasury stock		(273)		(273)
Additional paid-in-capital		324,355		324,089
Accumulated deficit		(285,791)		(287,198)
Total stockholders' equity		38,380		36,707
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	202,531	$	202,766

The Notes to Consolidated Financial Statements
are an integral part of these statements.

P10 Holdings, Inc.

Consolidated Statements of Operations

(Unaudited, in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2020	2019
REVENUES		
Management fees	$ 11,162	$ 10,465
Other revenue	1,100	850
Total revenues	12,262	11,315
OPERATING EXPENSES		
Compensation and benefits	4,000	2,693
Professional fees	846	81
General, administrative and other	1,327	1,143
Amortization of intangibles	2,420	2,596
Total operating expenses	8,593	6,513
INCOME FROM OPERATIONS	3,669	4,802
OTHER INCOME (EXPENSE)		
Interest expense implied on notes payable to sellers	(343)	(739)
Interest expense, net	(2,297)	(2,210)
Total other expense	(2,640)	(2,949)
Net income before income taxes	1,029	1,853
Income tax benefit	378	-
NET INCOME	$ 1,407	$ 1,853
Earnings (loss) per share		
Basic earnings per share	$ 0.02	$ 0.02
Diluted earnings per share	$ 0.02	$ 0.02
Weighted average shares outstanding, basic	89,235	89,235
Weighted average shares outstanding, diluted	90,981	90,271

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are an integral part of these statements.

P10 Holdings, Inc.

Consolidated Statements of Changes in Shareholders’ Equity

(Unaudited, in thousands)

	Common Stock		Treasury stock		Additional	Accumulated	Total Stockholders'
	Units	Amount	Units	Amount	Paid-in-capital	Deficit	Equity
Balance at December 31, 2018	89,235	$ 89	176	$ (273)	$ 323,309	$ (299,215)	$ 23,910
Stock-based compensation	-	-	-	-	169	-	169
Net income	-	-	-	-	-	1,853	1,853
Balance at March 31, 2019	89,235	$ 89	176	$ (273)	$ 323,478	$ (297,362)	$ 25,932

	Common Stock		Treasury stock		Additional	Accumulated	Total Stockholders'
	Units	Amount	Units	Amount	Paid-in-capital	Deficit	Equity
Balance at December 31, 2019	89,235	$ 89	176	$ (273)	$ 324,089	$ (287,198)	$ 36,707
Stock-based compensation	-	-	-	-	266	-	266
Net income	-	-	-	-	-	1,407	1,407
Balance at March 31, 2020	89,235	$ 89	176	$ (273)	$ 324,355	$ (285,791)	$ 38,380

The Notes to Consolidated Financial Statements
are an integral part of these statements.

P10 Holdings, Inc.

Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	For the Three Months Ended March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,407	$ 1,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	266	169
Depreciation expense	7	8
Amortization of intangibles	2,420	2,596
Amortization of debt issuance costs and debt discount	524	921
Provision for deferred tax	(491)	-
Change in operating assets and liabilities		
Accounts receivable	(360)	(318)
Prepaid expenses and other	66	(770)
Right-of-use assets	764	257
Accounts payable	(105)	(26)
Accrued expenses	(423)	(660)
Deferred revenues	(107)	537
Long-term lease obligation	(811)	23
Net cash provided by operating activities	3,157	4,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Post-closing payments for Columbia Partners assets	(125)	(250)
Purchase of property and equipment	-	(10)
Net cash used in investing activities	(125)	(260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on credit and guaranty facility	(861)	(713)
Net cash (used in) financing activities	(861)	(713)
Net change in cash	2,172	3,616
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	19,466	8,951
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 21,637	$ 12,567
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 2,203	$ 2,027

The Notes to Consolidated Financial Statements
are an integral part of these statements.

P10 Holdings, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

P10 Holdings, Inc. and its majority-owned subsidiaries ("P10 Holdings" or the "Company," which also may be referred to as "we," "our" or "us") operates as an alternative asset management investment firm. Through the Company's subsidiaries, RCP Advisors 2, LLC ("RCP 2") and RCP Advisors 3, LLC ("RCP 3"), we provide investment advisory services to affiliated private equity funds and fund-of-funds (collectively the "Funds").

As of November 19, 2016, P10 Holdings, formerly Active Power Inc., became a non-operating company focused on monetizing its retained intellectual property and acquiring profitable businesses. For the period December 2016 through September 2017, our business primarily consisted of cash, certain retained intellectual property assets and our net operating losses and other tax benefits. On December 1, 2017, the Company changed its name from P10 Industries, Inc. to P10 Holdings, Inc. We were founded as a Texas corporation in 1992 and reincorporated in Delaware in 2000. Our headquarters is in Dallas, Texas.

Prior to November 19, 2016, we designed, manufactured, sold, and serviced flywheel-based uninterruptible power supply ("UPS") products that use kinetic energy to provide short-term power as a cleaner alternative to conventional electro-chemical battery-based energy storage. We also designed, manufactured, sold, and serviced modular infrastructure solutions ("MIS") that integrate critical power components into a pre-packaged, purpose-built enclosure that may include our UPS products as a component. Our products and solutions were based on our patented flywheel and power electronics technology and were designed to ensure continuity for data centers and other mission critical operations in the event of power disturbances.

On September 29, 2016, we entered into an Asset Purchase Agreement with Langley Holdings plc, a United Kingdom public limited company, and Piller USA, Inc., a Delaware corporation and a wholly owned subsidiary of Langley, which changed its name to Piller Power Systems, Inc. prior to closing. We refer to Langley and its subsidiaries, collectively, as "Langley". The agreement provided, among other things, that Langley would purchase from us substantially all our assets and operations for a nominal purchase price plus the assumption of all our indebtedness, including bank debt, liabilities and customer, employee and purchase commitments going forward. The sale of substantially all our assets and liabilities was approved by holders of a majority of our outstanding shares of common stock at a special meeting of our stockholders held on November 16, 2016.

On November 19, 2016, we completed the sale of substantially all our assets, liabilities and operations to Langley. Pursuant to the terms of the purchase agreement, after the closing of the disposition of our assets and liabilities, we retained approximately $1.6 million in cash, which equaled the amount by which the value of the acquired assets exceeded the assumed liabilities on our balance sheet by more than $5.0 million at closing. We also retained our net operating losses and other tax benefits and certain intellectual property rights related to our patents that are not related to the purchased assets.

On March 22, 2017 we filed for re-organization under Chapter 11 of the Federal Bankruptcy Code, using a prepackaged plan of reorganization. In connection with the filing, the Company entered into a Restructuring Support Agreement with 210/P10 Investment LLC, as well as a Restructuring Support Agreement with Langley. The Company emerged from bankruptcy on May 3, 2017. The key features of the plan included: 210/P10 Investment LLC acquiring 21,650,000 shares of the Company's common stock in exchange for a cash investment of $4.65 million; and satisfied all liabilities associated with Langley's asset purchase agreement including their assumption of our former manufacturing facility lease in exchange for $0.8 million in cash and our lease deposit of $0.2 million.

On October 5, 2017 and January 3, 2018, we closed on the acquisition of RCP 2 and RCP 3 (collectively referred to as "RCP Advisors"), respectively.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its subsidiaries. The subsidiaries include P10 RCP Holdco, LLC which is the entity holding the acquisition financing debt and owns the subsidiaries RCP 2 and RCP 3. All intercompany transactions and balances have been eliminated upon consolidation. The Funds, including the general partners or managing members of such funds are not consolidated. The Company has no economic interest, ownership in or beneficiary interest in the performance of the Funds (except for a 5% carried interest in RCP FF Small Buyout Co-Investment Fund, LP). RCP 2 and RCP 3 serve as the advisors of the Funds and receive management fees for the services performed.

In the opinion of management, all adjustments, consisting only of normally recurring adjustments, have been made so that the consolidated financial statements are presented fairly and that estimates made in preparing the consolidated financial statements are reasonable and prudent. Results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report for the fiscal year ended December 31, 2019.

Note 2. Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. As of March 31, 2020, and December 31, 2019, cash equivalents include money market funds of $20.3 million and $17.5 million, respectively, which approximates fair value. The Company maintains its cash balances at a financial institution, which may periodically exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Company believes it is not exposed to any significant credit risk on cash.

Restricted Cash

As of March 31, 2020, and December 31, 2019, the Company had $0.8 million of compensating balances recorded in restricted cash. These balances represent a pledge of collateral in connection with a letter of credit issued by a third party in lieu of a cash security deposit, as required by the Company's lease for its Chicago office.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the terms of the respective leases or service lives of the improvements, whichever is shorter, using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The estimated useful lives of the various assets are as follows:

Computers and purchased software	3 years

Debt Issuance Costs

Costs incurred for debt issuance are being amortized on a straight-line basis over the terms of the underlying obligation and are included in interest on borrowings, which approximates the effective interest method.

Revenue Recognition of Management Fees and Management Fees Received in Advance

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. Revenue is recognized when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. ASC 606 includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

While the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund for the Company’s significant management and advisory contracts.

The Company earns management fees on the Funds for ten years from the inception date for each Fund. Fees are generally reduced in years six to ten. The Company receives management fees from the Funds at the beginning of each quarterly anniversary of the fund anniversary date. Management fees received in advance reflects the amount of management fees that have been received prior to the period the fees are earned from the underlying Funds. These fees are recorded as deferred revenue on the Consolidated Balance Sheets.

As it relates to the Company’s performance obligation to provide investment management services, the Company typically satisfies this performance obligation over time as the services are rendered, since the Funds simultaneously receive and consume the benefits provided as the Company performs the service. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the Funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Company is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value (“NAV”) or assets under management (“AUM”). Given that the management fee basis is susceptible to market factors outside of the Company’s influence, management fees are constrained and, therefore, estimates of future period management fees are generally not included in the transaction price. Revenue recognized for the investment management services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

Other revenue on the Consolidated Statements of Operations mostly consists of subscriptions, consulting agreements and referral fees, and advisory services fees. The subscription and consulting agreements typically have renewable one-year lives, and revenue is recognized ratably over the current term of the subscription or the agreement. If subscriptions or fees have been paid in advance, these fees are recorded as deferred revenue on the Consolidated Balance Sheets. Referral fee revenue is recognized upon closing of certain opportunities. Advisory services fees mostly includes management fees earned on non-discretionary advisory relationships. The Company generally receives management fees from these clients in advance on a quarterly basis. These management fees are recognized and recorded in a similar fashion to the Fund management fees as described above.

Leases

On January 1, 2019, the Company adopted Accounting Standards Updated (ASU) 2016-2, Leases (Topic 842) using the optional transition method allowed under ASU 2018-11, Leases: Targeted Improvements. Consequently, financial information and disclosures for the reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting policies under Topic 840. Topic 842 provides a number of optional practical expedients as part of the transition from Topic 840. The Company elected the ‘package of practical expedients’, which permits it to not reassess, under Topic 842, its prior conclusions about lease identification, lease classification and initial direct costs. On adoption, the Company recognized $5.3 million in its assets and liabilities related to the right-of-use asset and lease liability for its current operating leases and did not have a material impact on its results of the Consolidated Statements of Operations.

The Company recognizes a lease liability and right-of-use asset on the Consolidated Balance Sheets for contracts that it determines are leases or contain a lease. The Company's leases primarily consist of operating leases for various office space. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. The Company's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Company and are presented net of deferred rent and lease incentives. Absent an implicit interest rate in the lease, the Company uses its incremental borrowing rate, adjusted for the effects of collateralization, based on the information available at commencement in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company does not recognize a lease liability or right-of-use asset on the Consolidate Balance Sheets for short-term leases. Instead, the Company recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Company evaluates the lease term and the purchase option in the same manner as all other leases.

Goodwill and Intangible Assets

Goodwill is initially measured as the excess of the cost of the acquired business over the sum of the amounts assigned to assets acquired less the liabilities assumed. Indefinite-lived intangible assets and goodwill are not amortized. Finite-lived technology is amortized using the straight-line method over its estimated useful life of 4 years. Finite-lived management fund contracts, which relate to acquired separate accounts and funds and investor/customer relationships with a specified termination date are amortized in line with contractual revenue to be received.

Goodwill and intangible assets are tested for impairment annually as of September 30 and more frequently if certain triggering events are met. In assessing the recoverability of the identifiable intangible assets, projections regarding estimated future cash flows and other factors are made to determine the fair value of those assets.

Income Taxes

The Company files a consolidated income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, Income Taxes. ASC 740-10 provides several clarifications related to uncertain tax positions. Most notably, a "more likely-than-not" standard for initial recognition of tax positions, a presumption of audit detection and a measurement of recognized tax benefits based on the largest amount that has a greater than 50 percent likelihood of realization. ASC 740-10 applies a two-step process to determine the amount of tax benefit to be recognized in the consolidated financial statements. First, the Company must determine whether any amount of the tax benefit may be recognized. Second, the Company determines how much of the tax benefit should be recognized (this would only apply to tax positions that qualify for recognition). No additional liabilities have been recognized as a result of the implementation. Accordingly, the Company has not recognized any penalty, interest or tax impact related to uncertain tax positions.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion of a deferred tax asset will not be realized. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Treasury Stock

The Company records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock using the average cost method.

Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to common stockholders by the weighted-average number of common shares, except for periods with a loss from operations. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential shares of common stock had been issued. Potential shares of common stock that may be issued by the Company include shares of common stock that may be issued upon exercise of outstanding stock options. Under the treasury stock method, the unexercised options are assumed to be exercised at the beginning of the period or at issuance, if later. The assumed proceeds are then used to purchase shares of common stock at the average market price during the period.

Stock-Based Compensation Expense

Stock-based compensation is accounted for using the Black Scholes option valuation model. Stock-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award, generally five years. Expected life estimates are developed based on historical data. Stock price volatility is estimated based on historical volatilities. The risk-free rates are based on the U.S. Treasury yield in effect at the time of grant. Forfeitures are accounted for as they occur.

Segment Reporting

The Company operates as a single operating segment. According to the Financial Accounting Standards Board (FASB) ASC Topic 280 Disclosures about Segments of an Enterprise and Related Information, operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Business Acquisitions

The Company includes the results of operations of acquired businesses beginning on the respective acquisition dates. In accordance with ASC 805, the Company allocates the purchase price of an acquired business to its identifiable assets and liabilities based on the estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. The excess value of the net identifiable assets and liabilities acquired over the purchase price of an acquired business is recorded as a bargain purchase gain. The Company uses all available information to estimate fair values of identifiable intangible assets and property acquired. In making these determinations, the Company may engage an independent third-party valuation specialist to assist with the valuation of certain intangible assets, notes payable, and tax amortization benefits.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 provides amendments to ASC 326, Financial Instruments - Credit Losses, which replaces the incurred loss impairment model with a current expected credit loss (CECL) model. CECL requires a company to estimate lifetime expected credit losses based on relevant information about historical events, current conditions and reasonable and supportable forecasts. The guidance must be applied using the modified retrospective adoption method and is effective January 1, 2023 for non-SEC filers. The company is currently evaluating the impact of this guidance; however, it is not expected to have a material effect on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (ASU 2017-04), which simplifies the measurement of goodwill impairment by removing the second step of the goodwill impairment test and requires the determination of the fair value of individual assets and liabilities of a reporting unit. Under the new guidance, goodwill impairment is measured as the amount by which a reporting unit's carrying amount exceeds its fair value, limited to the total amount of goodwill allocated to the reporting unit. For public business entities that are not SEC filers, the guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. The company is currently evaluating the impact of this guidance; however, it is not expected to have a material effect on the consolidated financial statements and related disclosures.

Note 3. Revenue

The following presents revenues (in thousands) disaggregated by product offering, which aligns with the identified performance obligations and the basis for calculating each amount:

	For the Three Months Ended March 31,	
	2020	**2019**
Management fee contracts	$ 11,162	$ 10,465
Subscriptions	175	211
Consulting agreements and referral fees	55	63
Advisory services fees	644	492
Other revenue	226	84
Total revenues	$ 12,262	$ 11,315

Note 4. Property and Equipment

Property and equipment consist of the following (in thousands):

	As of March 31, 2020	**As of December 31, 2019**
Computers and purchased software	$ 151	$ 151
Less: accumulated depreciation	(112)	(105)
Total property and equipment, net	$ 39	$ 46

P10 Holdings, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

Note 5. Intangibles

Intangibles consists of the following (in thousands):

	As of March 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Tradenames	$ 17,350	$ -	$ 17,350
Total indefinite-lived intangible assets	17,350	-	17,350
Finite-lived intangible assets:			
Management fund contracts	53,626	(22,204)	31,422
Technology	5,950	(3,339)	2,611
Total finite-lived intangible assets	59,576	(25,543)	34,033
Total intangible assets	$ 76,926	$ (25,543)	$ 51,383

	As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Tradenames	$ 17,350	$ -	$ 17,350
Total indefinite-lived intangible assets	17,350	-	17,350
Finite-lived intangible assets:			
Management fund contracts	53,628	(20,158)	33,470
Technology	5,950	(2,967)	2,983
Total finite-lived intangible assets	59,578	(23,125)	36,453
Total intangible assets	$ 76,928	$ (23,125)	$ 53,803

Management fund contracts are amortized over 10 years and are being amortized in line with revenues generated by the contracts. Technology is amortized on a straight-line basis over 4 years.

Note 6. Debt

Debt consists of the following (in thousands):

	As of March 31, 2020		As of December 31, 2019	
Gross notes payable to sellers	$	57,813	$	57,813
Less debt discount		(16,587)		(16,930)
Notes payable to sellers, net	$	41,226	$	40,883
Gross credit and guaranty facility	$	106,110	$	106,971
Debt issuance costs		(1,827)		(2,008)
Credit and guaranty facility, net	$	104,283	$	104,963
Total Debt	$	145,509	$	145,846

Notes Payable to Sellers

On October 5, 2017, the Company issued Secured Promissory Notes Payable (“2017 Seller Notes”) in the amount of $81.3 million to the owners of RCP 2 in connection with the acquisition of that entity. The 2017 Seller Notes mature on January 15, 2025. The 2017 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the Credit and Guaranty Agreement described below. The 2017 Seller Notes were recorded at their discounted fair value in the amount of $78.7 million. Non-cash interest expense was recorded on a periodic basis increasing the 2017 Seller Notes to their gross value. As of March 31, 2020, and December 31, 2019, the gross value of the 2017 Seller Notes was $6.4 million.

On January 3, 2018, the Company issued Secured Promissory Notes Payable (“2018 Seller Notes”) in the amount of $22.1 million to the owners of RCP 3 in connection with the acquisition of that entity. The 2018 Seller Notes mature on January 15, 2025. The 2018 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the Credit and Guaranty Agreement described below. The 2018 Seller Notes were recorded at their discounted fair value in the amount of $21.2 million. Non-cash interest expense was recorded on a periodic basis increasing the 2018 Seller Notes to their gross value. As of March 31, 2020, and December 31, 2019, the gross value of the 2018 Seller Notes was $3.0 million.

On January 3, 2018, the Company issued tax amortized benefits in the amount of $48.4 million (“TAB Payments”) to the owners of RCP 3 in connection with the acquisition of that entity. The TAB Payments are non-interest bearing and will be paid in equal annual installments beginning April 15, 2023. The TAB Payments mature on April 15, 2037. The TAB Payments were recorded at their discounted fair value in the amount of $28.9 million. Non-cash interest expense is recorded on a periodic basis increasing the TAB Payments to their gross value. As of March 31, 2020, and December 31, 2019, the gross value of the 2018 TAB Payments was $48.4 million.

During the three months ended March 31, 2020 and 2019, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0 and $0.4 million, respectively. During the three months ended March 31, 2020 and 2019, we recorded $0.3 million in interest expense related to the TAB Payments, respectively. During the three months ended March 31, 2020 and 2019, no payments were made on the 2017 Seller Notes and 2018 Seller Notes.

The 2017 Seller Notes, the 2018 Seller Notes and the TAB Payments are collectively referred to as “Notes Payable to Sellers” on the consolidated financial statements.

Credit and Guaranty Agreement

The Company's wholly owned subsidiary P10 RCP Holdco, LLC ("Holdco") entered into a Credit and Guaranty Agreement ("Facility") with HPS Investment Partners, LLC ("HPS") as administrative agent and collateral agent on October 7, 2017. The agreement provides for a $130.0 million senior secured credit facility in order to refinance the existing debt obligations of RCP Advisors and provide for the financing to repay the Seller Notes due resulting from the acquisition of RCP Advisors. The Facility provides for a $125 million five-year term loan and a $5 million one-year line of credit. The line of credit was repaid and subsequently expired during 2018.

Subject to certain EBITDA levels and conditions, Holdco was permitted to draw up to $125 million in aggregate on the term loan in tranches through July 31, 2019. Interest is calculated upon each tranche at either the one, two, three, or six-month London Interbank Offered Rate ("LIBOR"), as selected by Holdco, plus an applicable margin of 6.00% per annum. To date, Holdco has chosen either three-month or six-month LIBOR at the time of each draw and each subsequent repricing at the end of the chosen LIBOR period. Principal is repaid at a rate of 0.75% of the original tranche draw per calendar quarter. Holdco took a $55 million draw on the term loan on January 3, 2018, a $25 million draw on August 15, 2018, a $15 million draw on December 3, 2018, and a $19.8 million draw on June 12, 2019. The maturity date of all term loan tranches is October 7, 2022.

The Facility contains affirmative and negative covenants typical of such financing transactions, and specific financial covenants which require Holdco to maintain a minimum leverage ratio, asset coverage ratio and a fixed charge ratio. The Facility also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the payment of dividends and other restrictions. As of March 31, 2020, Holdco was in compliance with all the financial covenants required under the Facility. The outstanding principal balance of the Facility was $106.1 million and $107.0 million as of March 31, 2020, and December 31, 2019, respectively.

Loans Payable

Future principal maturities of debt as of March 31, 2020 are as follows (in thousands):

Remainder of 2020	$	2,582
2021		3,443
2022		3,443
2023		80,122
2024		16,521
Thereafter		57,813
	$	163,923

Debt Issuance Costs

Debt issuance costs are offset against the Credit and Guaranty Agreement. Unamortized debt issuance costs for this facility as of March 31, 2020, and December 31, 2019 were $1.8 million and $2.0 million, respectively.

Amortization expense related to debt issuance costs totaled $181 thousand for the three months ended March 31, 2020 and 2019, and are included within interest expense, net on the accompanying Consolidated Statements of Operations. There were no debt issuance costs incurred during the three months ended March 31, 2020 and 2019, respectively.

Note 7. Related Party Transactions

Effective May 1, 2018, P10 Holdings pays a monthly services fee of $31.7 thousand for administration and consulting services along with a monthly fee of $18.8 thousand for certain reimbursable expenses to 210/P10 Acquisition Partners, LLC, which owns approximately 24.9% of P10 Holdings. In addition, P10 Holdings paid 210/P10 Acquisition Partners, LLC a one-time retainer for $46.9 thousand in 2018, plus $129.9 thousand in retroactive expenses. P10 Holdings paid 210/P10 Acquisition Partners $156 thousand and $157 thousand during the three months ended March 31, 2020 and 2019, respectively.

As described in Note 1, RCP 2 and RCP 3 serve as the investment managers to the RCP Funds. Certain expenses incurred by the RCP Funds are paid upfront by RCP 2 and RCP 3 and are reimbursed from the RCP Funds as permissible per fund agreements. As of March 31, 2020, the total accounts receivable from RCP Funds totaled $370.5 thousand. In certain instances, RCP 2 and RCP 3 may incur expenses related to specific products that never materialize.

Note 8. Commitments and Contingencies

Operating Leases

The Company leases office space and various equipment under non-cancelable operating leases, with the latest expiring in 2027. These lease agreements provide for various renewal options. The information in the table below does not include any renewal options unless those options have been exercised. Rent expense for the various leased office space and equipment was approximately $0.4 million and $0.3 million for the three months ended March 31, 2020 and 2019.

The following table presents information regarding the Company's operating leases as of March 31, 2020 (in thousands, except weighted-average data):

Operating lease right-of-use assets	$	4,969
Operating lease liabilities	$	5,765
Weighted-average remaining lease term (in years)		5.03
Weighted-average discount rate		8.81%

The yearly estimated lease payments as of March 31, 2020 are as follows (in thousands):

Remainder of 2020	$	1,032
2021		1,413
2022		1,450
2023		1,488
2024		1,308
Thereafter		507
Total undiscounted lease payments		7,198
Less discount		(1,433)
Total lease liabilities	$	5,765

Contingencies

The Company may be involved, either as plaintiff or defendant, in a variety of ongoing claims, demands, suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of business. All potentially significant litigation, government investigations, claims or assessments in which the Company is involved have been evaluated and we do not believe that any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized, if any.

COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the Company has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. Currently, we have activated our Business Continuity Plan, which assures the ability for all aspects of our business to continue operating without interruption if an emergency causes our offices to close and our employees to work offsite. We are unable to accurately predict how COVID-19 will affect the results of our operations because the virus's severity and the duration of the pandemic are uncertain. However, we do not expect a significant impact to our near-term results given the structure of our contracts. While it is premature to accurately predict its full impact, we do anticipate an effect on our ability to raise capital for future funds.

Note 9. Income Taxes

The Company calculates its tax provision using the estimated annual effective tax rate methodology. The tax expense or benefit caused by an unusual or infrequent item is recorded in the quarter in which it occurs. To the extent that information is not available for the Company to fully determine the full year estimated impact of an item of income or tax adjustment, the Company calculates the tax impact of such item discretely.

Based on these methodologies, the Company's effective income tax rate for the three months ended March 31, 2020 was -36.70%. During the three months ended March 31, 2020, the unusual or infrequent items whose tax impact were recorded discretely related primarily to the release of the valuation allowance against certain federal deferred taxes.

For the three months ended March 31, 2020, the effective tax rate differs from the statutory rate of 21% primarily due to the effect of state income taxes.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that, in management's view, is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. As of March 31, 2020, the Company recorded a valuation allowance against deferred tax assets related to a significant portion of its federal net operating loss carryforwards.

The Company's tax provision has been prepared reflecting the recently enacted CARES Act. The Company will continue to monitor legislative activity and other developments impact on its tax provision. The Company is subject to examination by the United States Internal Revenue Service as well as state, local and tax authorities. The Company is not currently under audit.

Note 10. Stockholders' Equity

Common Stock

On May 28, 2014, our stockholders approved an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 30 million shares to 40 million shares. On May 3, 2017, through the court reorganization process an amendment to the Company's Restated Certificate of Incorporation further increased the authorized shares of common stock from 40 million to 110 million.

Stock Option Plans

Options granted under the 2010 Incentive Plan and 2018 Incentive Plan vest over a period of up to four years and five years, respectively. The term of each option is no more than ten years from the date of grant. The sale of the business to Langley triggered the change in control provisions of the stock incentive plans which resulted in the accelerated vesting of all outstanding stock options and restricted stock units. This resulted in the accelerated expense recognition of all outstanding grants outstanding at that time.

In conjunction with the bankruptcy proceeding in 2017, the Company terminated the 2000 and 2010 Stock Incentive Plans, whereby 1,113,000 shares held by the CEO, CFO and current Chairman of the Board subject to outstanding options were cancelled and returned to the stock option pool. In addition, the CEO was granted 1,600,000 nonqualified stock options at an exercise price of $0.30 per share. These options are fully vested, have a ten-year exercise period and were issued outside of the 2010 Stock Incentive Plan. When the options are exercised, the Board of Directors has the option of issuing shares of common stock or paying a lump sum cash payment on the exercise date equal to the difference between the common stock's fair market value on the exercise date and the option price.

A summary of stock option activity for the three months ended March 31, 2020 is as follows:

	Number of Shares	Weighted Average Exercise Price		Weighted Average Contractual Life Remaining (in years)	Aggregate Intrinsic Value (whole dollars)	
Outsanding as of December 31, 2019	5,670,000	$	0.94	8.21	$	2,347,958
Granted	1,250,000					
Exercised	-					
Expired/Forfeited	(20,000)					
Outsanding as of March 31, 2020	6,900,000	$	1.13	8.33	$	4,833,400
Vested as of March 31, 2020	1,690,000		0.48	6.95	$	2,320,000
Exercisable as of March 31, 2020	1,690,000		0.48	6.95	$	2,320,000

The weighted average assumptions used in calculating the fair value of stock options granted during the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31, 2020	2019
Expected life	7.5 (yrs)	7.5 (yrs)
Expected volatility	113.13%	133.63%
Risk-free interest rate	1.39%	2.49%
Expected dividend yield	0.00%	0.00%

Compensation expense equal to the grant date fair value is recognized for these awards over the vesting period. The stock-based compensation expense for the three months ended March 31, 2020 and 2019 was $0.3 million and $0.2 million, respectively. Unrecognized stock-based compensation expense related to outstanding unvested stock options as of March 31, 2020 was $4.8 million and is expected to be recognized over a weighted average period of 8.89 years. Any future forfeitures will impact this amount.

Note 11. Earnings Per Share

The following table presents (in thousands) a reconciliation of the denominators used in the computation of basic and diluted earnings per share:

	For the Three Months Ended March 31, 2020	2019
Weighted-average shares, as used in basic calculation	89,235	89,235
Weighted shares assumed upon exercise of stock options	1,747	1,036
Weighted-average shares, as used in diluted calculation	90,981	90,271

The computations of diluted earnings excluded options to purchase 3.3 million and 4.1 million shares of common stock outstanding for the three months ended March 31, 2020 and 2019, respectively, because the options were anti-dilutive.

Note 12. Subsequent Events

Acquisition of Five Points Capital Subsequent to the Quarter End

On April 1, 2020, the Company acquired 100% of the Five Points Capital, Inc. ("Five Points") stock for $67 million in cash and convertible preferred equity in a newly formed limited liability company owned by P10 Holdings, which will own both RCP Advisors and Five Points. The cash portion of the transaction is funded by P10 Holdings' cash on hand, alongside the issuance of additional convertible preferred to Keystone Capital, Inc., a leading private investor based in Chicago, IL. This acquisition is pursuant to an agreement dated January 16, 2020, subject to an adjustment for working capital and escrow provisions. Five Points is a leading lower middle market alternative investment manager focused on providing both equity and debt capital to private, growth-oriented companies and LP capital to other private equity funds, with all strategies focused exclusively in the U.S. lower middle market. Since its founding over two decades ago, Five Points has successfully raised and deployed in excess of $1.5 billion on behalf of institutional and high net worth clients.

The Company incurred $0.6 million and $1.2 million of related acquisition costs for the three months ended March 31, 2019 and fiscal year ended December 31, 2019, respectively, which are reflected in Professional fees on the Consolidated Statements of Operations. The acquisition qualifies as a business combination and will be accounted for using the acquisition method of accounting.

As a result of the limited time since the acquisition date and the effort required to conform the consolidated financial statements to the Company's practices and policies, the initial accounting for the business combination is incomplete at the time of this filing. As a result, the Company is unable to provide the amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed, pre-acquisition contingencies and goodwill. This information will be included in the Company's Quarterly Report for the quarter ended June 30, 2020.

In accordance with ASC 855, Subsequent Events, the Company evaluated all material events or transactions that occurred through the date the consolidated financial statements were issued and determined there have been no additional events or transactions which would materially impact the consolidated financial statements.