Unaudited Quarterly Report to Shareholders for The Six Months Ended June 30, 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 August 14, 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 Shareholder,

First and foremost, we hope all of you are safe and well during these turbulent times.

It is during times like this that investors look to a safe pair of hands. With the teams, the investment performance, and the investment process refined over multiple cycles and decades, we believe RCP Advisors ("RCP") and Five Points Capital ("FPC") squarely fit the bill. To that end, we continued to raise capital and launch new funds, with RCP Fund XIV holding a final close in April—at the height of the pandemic—bringing total assets for that fund to $393.5 million. Later in the quarter, RCP formally launched RCP Fund XV which is off to a great start, holding a first close on July 31, 2020 of $145.1 million. We expect to bring additional funds to market in coming quarters. While large companies inevitably ebb and flow with global macro trends, we believe our focus on the lower middle market allows us to identify seams of growth, outstanding managers, and unique investment opportunities for our global client base. Our teams are busy, and we believe capital deployed in today's environment should prove beneficial to our investors in the years ahead.

For the three months ended June 30, 2020, our adjusted EBITDA and cash earnings rose 27% and 40% compared to the three months ended March 31, 2020, respectively, and 28% and 33% compared to the three months ended June 30, 2019, respectively.

The following tables present non-GAAP measures of adjusted EBITDA and cash earnings (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net Income	$ 1,400	$ 829	$ 2,807	$ 2,682
Add back:				
+ Depreciation & amortization	3,537	2,603	5,964	5,206
+/- Non-recurring fees and expenses	557	-	581	(1,951)
+ Interest expense, net	2,324	2,656	4,964	5,521
Remove:				
- Income tax provision	(433)	-	(811)	-
+ Convertible preferred coupon and management fees	403	-	403	-
Adjusted EBITDA	$ 7,788	$ 6,088	$ 13,908	$ 11,458

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net Income	$ 1,400	829	$ 2,807	$ 2,682
Add back:				
+ Depreciation & amortization	3,537	2,603	5,964	5,206
+ Non-cash expenses	394	674	918	1,595
+/- Non-recurring fees and expenses	557	-	581	(1,951)
- Non-recurring deferred tax expense (benefit)	(827)	-	(1,318)	-
+ Convertible preferred coupon and management fees*	403	-	403	-
Total Cash Earnings	$ 5,464	$ 4,106	$ 9,355	$ 7,532
Shares outstanding*	109,606	89,235	99,420	89,235
Cash earnings per share	$ 0.05	$ 0.05	$ 0.09	$ 0.08

* The calculation of cash earnings and total shares outstanding assumes the convertible preferred shares have been exchanged; therefore, we have removed the effects of the preferred coupon and related management fee and added the converted shares. See note 13 in the Notes to the Consolidated Financial Statements for additional information on the preferred shares.

Given the external environment, we are proud of the team's outstanding financial results. Because the vast majority of our earnings are generated from long-term, predictable management fees from funds and separate accounts with an average duration approaching a decade at launch, we are able to provide shareholders with high margin, recurring cash earnings alongside minimal capital reinvestment requirements. In both good times and bad, we believe our business model is among the most attractive in the public markets.

Finally, it is with tremendous excitement that we formally welcome the FPC team into the P10 family. Our teams are working well together, and we see significant opportunity in the years ahead.

Robert Alpert	Clark Webb
Co-CEO	Co-CEO

Note the financial data contained in this shareholder letter include non-GAAP financial measures, including the Company's adjusted EBITDA and cash earnings. The Company believes the presentation of these non-GAAP measures provides useful additional information to investors because it provides better comparability of ongoing operating performance to prior periods. It is reasonable to expect that one or more excluded items will occur in future periods, but the amounts recognized can vary significantly from period to period. Because these measures are not a measurement determined in accordance with GAAP and are thus susceptible to varying calculations, they may not be comparable as presented to other similarly titled measures of other companies. Adjusted EBITDA and cash earnings should not be considered a substitute for net income or cash flows from operating, investing, or financing activities.

P10 Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share amounts)

	As of June 30, 2020 (Unaudited)		As of December 31, 2019	
ASSETS				
Cash and cash equivalents	$	8,783	$	18,710
Restricted cash		756		756
Accounts receivable		2,801		2,421
Prepaid expenses and other		929		1,040
Property and equipment, net		39		46
Right-of-use assets		5,070		5,733
Deferred tax assets		17,391		21,577
Intangibles, net		71,814		53,803
Goodwill		147,376		98,680
Total assets	$	254,959	$	202,766
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY				
Accounts payable	$	-	$	105
Accrued expenses		5,472		6,078
Post-closing payment		-		250
Deferred revenues		7,149		7,204
Long-term lease obligation		5,889		6,576
Credit and guaranty facility, net		103,604		104,963
Notes payable to sellers, net		31,426		40,883
Total liabilities		153,540		166,059
Redeemable noncontrolling interest		61,265		-
Total mezzanine equity		61,265		-
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		324,729		324,089
Accumulated deficit		(284,391)		(287,198)
Total stockholders' equity		40,154		36,707
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	$	254,959	$	202,766

The Notes to the 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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES				
Management fees	$ 14,631	$ 8,463	$ 25,793	$ 18,928
Other revenue	1,042	1,657	2,142	2,507
Total revenues	15,673	10,120	27,935	21,435
OPERATING EXPENSES				
Compensation and benefits	5,812	2,681	9,812	5,374
Professional fees	1,511	277	2,357	358
General, administrative and other	1,376	974	2,703	2,117
Amortization of intangibles	3,529	2,595	5,949	5,191
Total operating expenses	12,228	6,527	20,821	13,040
INCOME FROM OPERATIONS	3,445	3,593	7,114	8,395
OTHER INCOME (EXPENSE)				
Interest expense implied on notes payable to sellers	(212)	(493)	(555)	(1,232)
Interest expense, net	(2,112)	(2,271)	(4,409)	(4,481)
Total other expense	(2,324)	(2,764)	(4,964)	(5,713)
Net income before income taxes	1,121	829	2,150	2,682
Income tax benefit	432	-	810	-
NET INCOME	$ 1,553	$ 829	$ 2,960	$ 2,682
Less: net income attributable to redeemable noncontrolling interest	$ (153)	$ -	$ (153)	$ -
NET INCOME ATTRIBUTABLE TO P10 HOLDINGS	$ 1,400	$ 829	$ 2,807	$ 2,682
Earnings per share				
Basic earnings per share	$ 0.02	$ 0.01	$ 0.03	$ 0.03
Diluted earnings per share	$ 0.01	$ 0.01	$ 0.03	$ 0.03
Weighted average shares outstanding, basic	89,235	89,235	89,235	89,235
Weighted average shares outstanding, diluted	91,262	90,464	91,121	90,367

The Notes to the Consolidated Financial Statements
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 attributable to P10 Holdings	-		-	-		-		-		1,853		1,853
Balance at March 31, 2019	89,235	$	89	176	$	(273)	$	323,478	$	(297,362)	$	25,932
Stock-based compensation	-		-	-		-		196		-		196
Net income attributable to P10 Holdings	-		-	-		-		-		829		829
Balance at June 30, 2019	89,235	$	89	176	$	(273)	$	323,674	$	(296,533)	$	26,957

	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 attributable to P10 Holdings	-		-	-		-		-		1,407		1,407
Balance at March 31, 2020	89,235	$	89	176	$	(273)	$	324,355	$	(285,791)	$	38,380
Stock-based compensation	-		-	-		-		374		-		374
Net income attributable to P10 Holdings	-		-	-		-		-		1,400		1,400
Balance at June 30, 2020	89,235	$	89	176	$	(273)	$	324,729	$	(284,391)	$	40,154

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

P10 Holdings, Inc.

Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,960	$ 2,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	640	365
Depreciation expense	14	15
Amortization of intangibles	5,949	5,191
Amortization of debt issuance costs and debt discount	917	1,595
Provision for deferred tax	(1,318)	-
Change in operating assets and liabilities		
Accounts receivable	(58)	(253)
Prepaid expenses and other	124	(835)
Right-of-use assets	1,002	479
Accounts payable	(463)	(58)
Accrued expenses	(995)	(692)
Deferred revenues	(55)	(72)
Long-term lease obligation	(1,026)	(172)
Net cash provided by operating activities	7,691	8,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Five Points Capital, net of cash acquired	(46,640)	-
Post-closing payments for Columbia Partners assets	(250)	(375)
Purchase of property and equipment	(7)	(12)
Net cash used in investing activities	(46,897)	(387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of redeemable noncontrolling interests	31,000	-
Repayment of notes payable to sellers	-	(19,750)
Borrowings on credit and guaranty facility	-	19,750
Repayments on credit and guaranty facility	(1,721)	(1,573)
Net cash provided by (used in) financing activities	29,279	(1,573)
Net change in cash and cash equivalents and restricted cash	(9,927)	6,284
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	19,466	8,951
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 9,539	$ 15,235
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 4,256	$ 4,179
Cash paid for income taxes	$ 441	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of redeemable noncontrolling interests to FPC sellers	$ 20,100	$ -
Issuance of redeemable noncontrolling interests in exchange for TAB	$ 10,012	$ -

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

P10 Holdings, Inc.

Notes to the 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. The subsidiaries include P10 Intermediate Holdings, LLC ("Intermediate Holdings") which owns the subsidiaries P10 RCP Holdco, LLC ("Holdco") and Five Points Capital, Inc. ("FPC"). Holdco is the entity holding the acquisition financing debt and owns the subsidiaries RCP Advisors 2, LLC ("RCP 2") and RCP Advisors 3, LLC ("RCP 3"). Through the Company's subsidiaries, RCP 2, RCP 3, and FPC, we provide investment management and advisory services to affiliated private equity funds, funds-of-funds, secondary funds, co-investment funds, and private credit 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.

On April 1, 2020, we closed on the acquisition of FPC. FPC 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. See Note 3 for additional information on the acquisition.

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 Intermediate Holdings which owns the subsidiaries Holdco and FPC. Holdco 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, RCP 3 and FPC 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 and six months ended June 30, 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 June 30, 2020, and December 31, 2019, cash equivalents include money market funds of $5.6 million and $17.5 million, respectively, which approximates fair value. The Company maintains its cash balances at financial institutions, 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 June 30, 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.

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's sources of revenue currently include management fee contracts, subscriptions, consulting agreements and referral fees and advisory services fees.

The Company generally earns management fees on the Funds for ten years from the inception date for each Fund. The fee is typically a fixed percentage of limited partner committed capital during the investment period, and then typically steps down to a new rate on either limited partner committed capital, net invested capital, or underlying commitments, as appropriate, by fund. 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.

The Company typically satisfies its 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. Revenue for investment management services provided is recognized at the end of the period, as that is when the Company has performed all contractual services for the period and fees have been earned.

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 include management fees earned on nondiscretionary 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 Consolidated 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

Current income tax expense represents our estimated taxes to be paid or refunded for the current period. In accordance with ASC 740, Income Taxes, we recognized deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount we believe is more likely than not to be realized.

Uncertain tax positions are recognized only when we believe it is more likely than not that the tax position will be upheld on examination by the taxing authorities based on the merits of the position. We recognize interest and penalties, if any, related to uncertain tax positions in income tax expense. We did not accrue additional interest or penalties associated with material uncertain tax positions for the three-month and six-month periods ended June 30, 2020.

We file various federal and state and local tax returns based on federal and state local consolidation and stand-alone tax rules as applicable.

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 ("EPS") 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 EPS reflects the impact of the convertible preferred stock issued by Intermediate Holdings. See Note 12 for additional information. Since the securities are convertible into shares of Intermediate Holdings, diluted EPS is calculated at Intermediate Holdings using the if-converted method. The resulting diluted EPS is then multiplied by the number of shares owned by P10 Holdings' to determine P10 Holdings' share of the subsidiary's earnings. This computation impacts the numerator only.

The denominator in the computation of diluted EPS is impacted by 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. Acquisitions

As previously announced, on April 1, 2020, we completed the acquisition of 100% of the capital stock of FPC, an independent private equity manager focused exclusively on the U.S. lower middle market. FPC manages direct private equity, credit and small market, sector-focused buyout fund-of-funds strategies. The transaction was accounted for under the acquisition method of accounting pursuant to Accounting Standards Codification Topic 805, *Business Combinations*.

Consideration used in the transaction consisted of both cash and equity. See Note 13 for additional information on the preferred stock issued in the connection with the acquisition of FPC. The following is a summary (in thousands) of consideration paid:

	Fair Value
Cash	46,751
Preferred Stock	20,100
Total purchase consideration	$ 66,851

We recognized $0.6 million and $1.1 million of acquisition-related costs for the three and six months ended June 30, 2020, respectively. We also recognized $1.2 million of acquisition-relates costs for the year ended December 31, 2019. These costs are included in professional fees on our Consolidated Statements of Operations.

The acquisition date fair values of certain assets and liabilities, including intangible assets acquired and related weighted average expected lives and deferred income taxes, are provisional and subject to revision within one year of the acquisition date. We are actively working with an independent third party in conjunction with our external auditors in order to finalize the valuation of certain intangible assets, including the FPC trade name and management fund contracts. As such, our estimates of fair values are pending finalization, which may result in adjustments to goodwill.

P10 Holdings, Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

The following table presents the fair value (in thousands) of the net assets acquired as of the acquisition date:

	Fair Value
ASSETS	
Cash and cash equivalents	$ 111
Accounts receivable	322
Prepaid expenses and other	13
Right-of-use assets	339
Intangible assets	23,960
Total assets acquired	$ 24,745
LIABILITIES	
Accounts payable	$ 358
Accrued expenses	389
Long-term lease obligation	339
Deferred tax liability	5,504
Total liabilities assumed	$ 6,590
Net identifiable assets acquired	$ 18,155
Goodwill	48,696
Net assets acquired	$ 66,851

Identifiable Intangible Assets

The following table presents the fair value of identifiable intangible assets acquired (dollars in thousands):

	Fair Value	Weighted-Average Amortization Period
Value of management fund contracts	$ 19,900	10
Value of trade name	4,060	10
Total identifiable intangible assets	$ 23,960	

The fair value of the management fund contracts was estimated using the excess earnings method. Significant inputs to the valuation model include existing fund revenue, estimates of expenses and contributory asset charges, the economic life of the contracts and discount rate based on a weighted average cost of capital.

The fair value of the trade name was estimated using the relief from royalty method. Significant inputs to the valuation model include estimates of existing and future revenue, estimated royalty rate, economic life and discount rate based on a weighted average cost of capital.

The management fund contracts and the trade name both have a finite useful life. The carrying value of the management fund contracts and trade name will be amortized in line with the pattern in which the economic benefits arise and reviewed at least annually for indicators of impairment in value that is other than temporary.

Goodwill

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from assets acquired and liabilities assumed that could not be individually identified. The goodwill recorded as part of the acquisition includes the expected synergies and other benefits that management believes will result from the acquisition, including expanding the Company's product offering into private credit. The goodwill is not expected to be deductible for tax purposes. For more information on goodwill, see Note 2.

Financial Information

Since the acquisition date of April 1, 2020, the revenues and net loss of the business acquired have been included in the Consolidated Statements of Operations and were $4.2 million and $(0.1) million, respectively.

The following unaudited pro forma condensed consolidated results of operations of the Company assumed the acquisition of FPC was completed on January 1, 2019 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	$ 15,674	$ 14,765	$ 32,331	$ 29,951
Net Income	1,901	1,416	4,176	2,817

Pro forma adjustments include revenue and net income (loss) of the acquired business for each period as well as amortization of identifiable intangible assets acquired. Other pro forma adjustments include one-time bonus expenses directly attributable to the business combination, dividends on preferred stock issued by Intermediate Holdings in connection with the acquisition and the impact of reflecting acquisition costs directly attributable to the business combination in 2019 instead of 2020.

Note 4. 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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Management fee contracts	$ 14,631	$ 8,463	$ 25,793	$ 18,928
Subscriptions	165	207	340	418
Consulting agreements and referral fees	-	268	55	332
Advisory services fees	623	792	1,267	1,283
Other revenue	254	390	480	474
Total revenues	$ 15,673	$ 10,120	$ 27,935	$ 21,435

Note 5. Property and Equipment

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

	As of June 30, 2020	As of December 31, 2019
Computers and purchased software	$ 158	$ 151
Less: accumulated depreciation	(119)	(105)
Total property and equipment, net	$ 39	$ 46

P10 Holdings, Inc.

Notes to the Consolidated Financial Statements

(Unaudited)

Note 6. Intangibles

Intangibles consists of the following (in thousands):

	As of June 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names	$ 17,350	$ -	$ 17,350
Total indefinite-lived intangible assets	17,350	-	17,350
Finite-lived intangible assets:			
Trade names	4,060	(79)	3,981
Management fund contracts	73,526	(25,282)	48,244
Technology	5,950	(3,711)	2,239
Total finite-lived intangible assets	83,536	(29,072)	54,464
Total intangible assets	$ 100,886	$ (29,072)	$ 71,814

	As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names	$ 17,350	$ -	$ 17,350
Total indefinite-lived intangible assets	17,350	-	17,350
Finite-lived intangible assets:			
Management fund contracts	53,626	(20,156)	33,470
Technology	5,950	(2,967)	2,983
Total finite-lived intangible assets	59,576	(23,123)	36,453
Total intangible assets	$ 76,926	$ (23,123)	$ 53,803

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

Note 7. Debt

Debt consists of the following (in thousands):

	As of June 30, 2020		As of December 31, 2019	
Gross notes payable to sellers	$	41,064	$	57,813
Less debt discount		(9,638)		(16,930)
Notes payable to sellers, net	$	31,426	$	40,883
Gross credit and guaranty facility	$	105,250	$	106,971
Debt issuance costs		(1,646)		(2,008)
Credit and guaranty facility, net	$	103,604	$	104,963
Total Debt	$	135,030	$	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 June 30, 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 June 30, 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. On April 1, 2020, the holders of the TAB Payments contributed $16.8 million of their TAB Payments to Intermediate Holdings in return for issuing 3.3 million shares of Series C preferred stock. The discounted fair value of the TAB Payments received was $10.0 million. See Note 13 for additional information. As of June 30, 2020, and December 31, 2019, the gross value of the 2018 TAB Payments was $31.7 million and $48.4 million, respectively.

During the three and six months ended June 30, 2020, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0 million. During the three and six months ended June 30, 2019, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0.2 million and $0.6 million, respectively. During the three and six months ended June 30, 2020 we recorded $0.2 million and $0.6 million in interest expense related to the TAB Payments, respectively. During the three and six months ended June 30, 2019 we recorded and $0.7 million and $0.3 million in interest expense related to the TAB Payments, respectively. During the three and six months ended June 30, 2020, no payments were made on the 2017 Seller Notes and 2018 Seller Notes. During the three and six months ended June 30, 2019, payments of $13.4 million and $6.3 million were made on the 2017 Sellers Notes and 2018 Sellers Notes, respectively.

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 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 and subject to a 1% floor, 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 June 30, 2020, Holdco was in compliance with all the financial covenants required under the Facility. The outstanding principal balance of the Facility was $105.2 million and $107.0 million as of June 30, 2020, and December 31, 2019, respectively.

Loans Payable

Future principal maturities of debt as of June 30, 2020 are as follows (in thousands):

Remainder of 2020	$	1,721
2021		3,442
2022		100,086
2023		2,111
2024		2,111
Thereafter		36,843
	$	146,314

Debt Issuance Costs

Debt issuance costs are offset against the Credit and Guaranty Agreement. Unamortized debt issuance costs for this facility as of June 30, 2020, and December 31, 2019 were $1.6 million and $2.0 million, respectively.

Amortization expense related to debt issuance costs totaled $0.2 and $0.4 million for the three and six months ended June 30, 2020 and 2019, respectively, and are included within interest expense, net on the accompanying Consolidated Statements of Operations. There were no debt issuance costs incurred during the three and six months ended June 30, 2020 and 2019.

Note 8. 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. P10 Holdings paid 210/P10 Acquisition Partners $0.2 million and $0.3 million during the three and six months ended June 30, 2020 and 2019, respectively.

On June 30, 2020, RCP 2 entered into an intercompany services agreement with FPC whereby RCP 2 will provide certain accounting, human resources, back office, administrative functions and such other services to the Company as mutually agreed upon from time to time. In consideration for the services provided, FPC shall pay RCP 2 a quarterly fee in the amount of $850 thousand. Per the agreement, for the services rendered for the three months ended June 30, 2020, FPC shall pay RCP 2 in the amount of $850 thousand. This amount was eliminated in consolidation.

Effective April 1, 2020, Intermediate Holdings pays a quarterly management fee of $250 thousand to Keystone Capital XXX, LLC, which is the holder of the Series B preferred shares issued by Intermediate Holdings in connection with the acquisition of FPC. See Note 13 below for additional information.

As described in Note 1, through its subsidiaries, the Company serves as the investment manager to the Funds. Certain expenses incurred by the Funds are paid upfront and are reimbursed from the Funds as permissible per fund agreements. As of June 30, 2020, the total accounts receivable from Funds totaled $0.4 million. In certain instances, the Company may incur expenses related to specific products that never materialize.

Note 9. 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 $0.7 million for the three and six months ended June 30, 2020, respectively. Rent expense for the various leased office space and equipment was approximately $0.3 million and $0.6 million for the three and six months ended June 30, 2019, respectively.

The following table presents information regarding the Company's operating leases as of June 30, 2020 (in thousands, except weighted-average data):

Operating lease right-of-use assets	$	5,070
Operating lease liabilities	$	5,889
Weighted-average remaining lease term (in years)		4.79
Weighted-average discount rate		8.81%

The yearly estimated lease payments as of June 30, 2020 are as follows (in thousands):

Remainder of 2020	$	794
2021		1,626
2022		1,504
2023		1,488
2024		1,308
Thereafter		507
Total undiscounted lease payments		7,227
Less discount		(1,338)
Total lease liabilities	$	5,889

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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") a global pandemic, which continues to spread and cause significant disruption and uncertainty in the global economic markets. We are closely monitoring developments related to the COVID-19 pandemic and assessing any negative impacts to our business. 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. Our financial results for 2020 so far have not been materially impacted by COVID-19, but our results could be adversely affected in the future if conditions do not improve.

Given the amount of uncertainty regarding the scope and duration of the COVID-19 pandemic, it is not currently possible to predict the precise impact it will have on our business, but it could result in the following:

- Restrictions on travel and social distancing requirements implemented globally may challenge our ability to fundraise for new products or raise new business, which may result in lower or delayed revenue growth compared to prior periods.
- Investors may limit the amount of capital they are willing to commit given the current uncertainties in global markets and economies.
- An extended duration of working remotely could lead to additional operational risks as well as a threat to employee well-being and morale.

Note 10. 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.

The Company's effective income tax rate for the three and six months ended June 30, 2020 was -44.6% and -40.5%, respectively. During the six months and three months ended June 30, 2020, the tax rate differed from the federal tax rate due to state and local taxes as well as discrete items for the quarter associated with the release of the valuation allowance reduced by non-deductible acquisition costs.

As of June 30, 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 11. 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 then-current 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 six months ended June 30, 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	2,000,000	$ 1.69		
Exercised	-			
Expired/Forfeited	(26,000)	$ 2.57		
Outsanding as of June 30, 2020	7,644,000	$ 1.18	8.25	$ 10,168,000
Exercisable as of June 30, 2020	1,684,000	$ 0.47	6.72	$ 3,525,700

The weighted average assumptions used in calculating the fair value of stock options granted during the six months ended June 30, 2020 and 2019 were as follows:

	For the Six Months Ended June 31,	
	2020	2019
Expected life	7.5 (yrs)	7.5 (yrs)
Expected volatility	112.12%	133.63%
Risk-free interest rate	1.11%	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 and six months ended June 30, 2020 was $0.4 million and $0.6 million, respectively. The stock-based compensation expense for the three and six months ended June 30, 2019 was $0.2 million and $0.4 million, respectively. Unrecognized stock-based compensation expense related to outstanding unvested stock options as of June 30, 2020 was $5.8 million and is expected to be recognized over a weighted average period of 8.68 years. Any future forfeitures will impact this amount.

Note 12. Earnings Per Share

The Company presents basic EPS and diluted EPS for our common stock. Basic EPS excludes potential dilution and is computed by dividing Net income attributable to P10 Holdings by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if shares of common stock were issued pursuant to our stock-based compensation awards as well as the effect of convertible securities issued by our subsidiaries.

The following table presents (in thousands) a reconciliation of the numerators and denominators used in the computation of basic and diluted EPS:

	For the Three Months Ended June 30,		For the Six Months Ended June 31,	
	2020	2019	2020	2019
Numerator:				
Numerator for basic calculation—Net income attributable to P10 Holdings	$ 1,400	$ 829	$ 2,807	$ 2,682
Adjustment for:				
Net income attributable to redeemable noncontrolling interest	153	-	153	-
Proportionate share of subsidiary's earnings attributable to subsidiary's convertible preferred stock under assumed conversion	(253)		(253)	-
Numerator for earnings per share assuming dilution	$ 1,300	$ 829	$ 2,707	$ 2,682
Denominator:				
Denominator for basic calculation —Weighted-average shares	89,235	89,235	89,235	89,235
Weighted shares assumed upon exercise of stock options	2,027	1,229	1,887	1,132
Denominator for earnings per share assuming assuming dilution	91,262	90,464	91,121	90,367
Earnings per share—basic	$ 0.02	$ 0.01	$ 0.03	$ 0.03
Earnings per share—diluted	$ 0.01	$ 0.01	$ 0.03	$ 0.03

The computations of diluted earnings excluded options to purchase 4.0 million and 4.1 million shares of common stock for the three and six months ended June 30, 2020 and 2019, respectively, because the options were anti-dilutive.

Note 13. Redeemable Noncontrolling Interest

In connection with the closing of the acquisition of FPC on April 1, 2020, the Company formed a new subsidiary, Intermediate Holdings, which was the acquiring entity of FPC. On April 1, 2020, Intermediate Holdings issued three series (A, B and C) of redeemable convertible preferred shares. The preferred shares on an as-if-converted basis represent approximately 18.6% of the aggregate issued and outstanding share capital of Intermediate Holdings with P10 Holdings owning the remaining 81.4% through its 100% ownership of the outstanding common stock of Intermediate Holdings. The third-party ownership interest represents a noncontrolling interest in Intermediate Holdings, which we have a controlling interest in. There are common features among all three series of preferred shares, including:

- The right to convert each share into a common share of Intermediate Holdings (1:1 ratio).
- The right to require Intermediate Holdings to purchase all shares from the preferred shareholder after the 3rd anniversary of the FPC acquisition close date unless the Company meets the acquisition threshold (as defined in Intermediate Holdings' Operating Agreement), at which point the right will be extended to the 5th anniversary. The shares are redeemable at fair market value.
- Intermediate Holdings has the right to exchange, immediately prior to a qualified public offer (as defined in Intermediate Holdings' Operating Agreement), each preferred share into an ordinary share of the new public entity at the then effective and applicable conversion price.
- Each preferred share accrues dividends at the rate of 1% of the issue price per annum.
- In the event of any liquidation, dissolution or winding up of Intermediate Holdings, the preferred shareholders come after the debt holders, but before the Notes Payable to Sellers and common equity holders.
- Except for certain additional rights granted to the Series B preferred shareholder, each preferred shareholder has a number of votes equal to the number of shares they hold. The voting rights are identical to the common shareholders.

The following is a summary of each individual series and any additional features they have:

Series A

Intermediate Holdings issued to the FPC sellers 6,700,000 shares of Series A redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $20.1 million. These shares were a part of the purchase consideration in the acquisition of FPC described in Note 3.

Series B

Intermediate Holdings issued to Keystone Capital XXX, LLC 10,000,000 shares of Series B redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $30.0 million. The shares were issued in exchange for cash. The cash received was used as part of the cash consideration in the acquisition of FPC described in Note 3.

In addition to the rights listed above, the Series B preferred shares also feature a call option that gives the shareholder the ability to purchase up to an additional 5,000,000 Series B preferred shares at an exercise price of $3 per share; provided the options may only be used for funding the cash purchase price of an acquisition and any related fees. The options may only be exercised with respect to a definitive agreement related to an acquisition and the options expire on the second anniversary of the FPC acquisition close date.

The Series B preferred shareholder is also granted additional protective rights as well as additional approval rights with respect to certain matters.

Series C

Intermediate Holdings issued to the holders of the TAB Payments 3,337,470 shares of Series C redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $10.0 million. The shares were issued in exchange for a portion of the TAB Payments held. The gross value of the TAB payments received was $16.8M.

Additionally, Intermediate Holdings issued 333,333 shares of Series C redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $1.0M. The shares were issued in exchange for cash.

Since the preferred shares are redeemable at the option of the holder, the preferred shares are accounted for as a redeemable noncontrolling interest and classified within Mezzanine Equity in the Company's Consolidated Balance Sheets. It is probable that the Company will go public prior to the triggering of the redemption feature on the preferred shares. As such, we have concluded that it is not probable the preferred shares will become redeemable and therefore we will not subsequently adjust the carrying value of the redeemable noncontrolling interest to the greater of the carrying amount or redemption value at the end of each reporting period.

The table below presents the reconciliation of changes in redeemable noncontrolling interests (in thousands):

Balance at December 31, 2019	$	-
Issuance of subsidiary preferred stock		61,112
Net income attributable to redeemable noncontrolling interest		153
Balance at June 30, 2020	$	61,265

Cumulative dividends in arrears on the preferred stock were $0.2 million and zero as of June 30, 2020 and 2019, respectively

Note 14. Subsequent Events

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 events or transactions which would materially impact the consolidated financial statements.