Unaudited Quarterly Report to Shareholders for The Three Months Ended March 31, 2021

P10 Holdings, Inc.

Delaware
(State of Incorporation)

74-2961657
(IRS Employer Identification No.)

4514 Cole Avenue
Suite 1600
Dallas, TX 75205
(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 May 14, 2021

P10 Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share amounts)

		As of March 31, 2021		As of December 31, 2020
		(Unaudited)		
ASSETS				
Cash and cash equivalents	$	12,179	$	11,773
Restricted cash		1,198		1,010
Accounts receivable		3,005		2,494
Due from related parties		2,475		2,667
Investment in unconsolidated subsidiaries		2,332		2,158
Prepaid expenses and other assets		2,665		3,368
Property and equipment, net		1,080		1,124
Right-of-use assets		7,914		6,491
Deferred tax assets, net		37,504		37,621
Intangibles, net		136,254		143,738
Goodwill		369,982		369,982
Total assets	$	576,588	$	582,426
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Accounts payable	$	851	$	1,103
Accrued expenses		10,634		12,505
Due to related parties		-		2,200
Other liabilities		443		254
Deferred revenues		10,481		10,347
Lease liabilities		9,052		7,682
Debt obligations		283,714		290,055
Total liabilities		315,175		324,146
COMMITMENTS AND CONTINGENCIES (NOTE 11)				
REDEEMABLE NONCONTROLLING INTEREST		198,933		198,439
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		324,708		324,284
Accumulated deficit		(262,044)		(264,259)
Total stockholders' equity		62,480		59,841
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	576,588	$	582,426

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, 2021	For the Three Months Ended March 31, 2020
REVENUES		
Management and advisory fees	$ 32,573	$ 11,326
Other revenue	195	522
Total revenues	32,768	11,848
OPERATING EXPENSES		
Compensation and benefits	11,874	4,042
Professional fees	2,382	952
General, administrative and other	2,448	1,004
Amortization of intangibles	7,484	2,462
Total operating expenses	24,188	8,460
INCOME FROM OPERATIONS	8,580	3,388
OTHER (EXPENSE)/INCOME		
Interest expense implied on notes payable to sellers	(215)	(343)
Interest expense, net	(5,255)	(2,297)
Other income	260	22
Total other (expense)	(5,210)	(2,618)
Net income before income taxes	3,370	770
Income tax (expense)/benefit	(661)	1,071
NET INCOME	$ 2,709	$ 1,841
Less: preferred dividends attributable to redeemable noncontrolling interest	(494)	-
NET INCOME ATTRIBUTABLE TO P10 HOLDINGS	$ 2,215	$ 1,841
Earnings 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	95,110	91,321

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

P10 Holdings, Inc.

Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)

(in thousands)

	Common Stock		Treasury stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Paid-in-capital	Deficit	Equity
Balance at December 31, 2019	89,235	$ 89	176	$ (273)	$ 323,570	$ (287,345)	$ 36,041
Stock-based compensation	-	-	-	-	143	-	143
Net income attributable to P10 Holdings	-	-	-	-	-	1,841	1,841
Balance at March 31, 2020	89,235	$ 89	176	$ (273)	$ 323,713	$ (285,504)	$ 38,025

	Common Stock		Treasury stock		Additional	Accumulated	Total Stockholders'
	Units	Amount	Units	Amount	Paid-in-capital	Deficit	Equity
Balance at December 31, 2020	89,235	$ 89	176	$ (273)	$ 324,284	$ (264,259)	$ 59,841
Stock-based compensation	-	-	-	-	424	-	424
Net income attributable to P10 Holdings	-	-	-	-	-	2,215	2,215
Balance at March 31, 2021	89,235	$ 89	176	$ (273)	$ 324,708	$ (262,044)	$ 62,480

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,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,709	$ 1,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	424	143
Depreciation expense	66	7
Amortization of intangibles	7,484	2,462
Amortization of debt issuance costs and debt discount	944	525
Income from unconsolidated subsidiaries	(220)	-
Benefit for deferred tax	117	(1,178)
Change in operating assets and liabilities:		
Accounts receivable	(511)	506
Due from related parties	192	(716)
Prepaid expenses and other assets	703	101
Right-of-use assets	400	228
Accounts payable	(252)	(106)
Accrued expenses	(250)	(517)
Due to related parties	(2,200)	-
Other liabilities	189	-
Deferred revenues	134	158
Lease liabilities	(453)	(297)
Net cash provided by operating activities	9,476	3,157
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in unconsolidated subsidiaries	(2,087)	-
Proceeds from investments in unconsolidated subsidiaries	2,133	-
Post-closing payments for Columbia Partners assets	-	(125)
Post-closing payments for Enhanced working capital	(1,207)	-
Purchases of property and equipment	(22)	-
Net cash used in investing activities	(1,183)	(125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on debt obligations	(7,258)	(861)
Payments of contingent consideration	(414)	-
Debt issuance costs	(27)	-
Net cash used in financing activities	(7,699)	(861)
Net change in cash and cash equivalents and restricted cash	594	2,171
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	12,783	19,466
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 13,377	$ 21,637

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, 2021		For the Three Months Ended March 31, 2020	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$	4,624	$	2,203
Cash paid for income taxes	$	407	$	-
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES				
Additions to right-of-use assets	$	1,823	$	-
Additions to lease liabilities	$	1,823	$	-
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH				
Cash and cash equivalents	$	12,179	$	20,881
Restricted cash		1,198		756
Total cash, cash equivalents and restricted cash	$	13,377	$	21,637

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

P10 Holdings, Inc.

Notes to Consolidated Financial Statements

(Unaudited, dollar amounts stated in thousands)

Note 1. Description of Business

Description of Business

P10 Holdings, Inc. and its consolidated subsidiaries ("P10 Holdings" or the "Company," which also may be referred to as "we," "our" or "us") operates as a multi-asset class private market solutions provider in the alternative asset management industry. Our mission is to provide our investors differentiated access to a broad set of solutions and investment vehicles across a multitude of asset classes and geographies. Our existing portfolio of solutions across private equity, venture capital, private credit and impact investing support our mission by offering a comprehensive set of investment vehicles to our investors, including primary fund of funds, secondary investment, direct investment and co-investments, alongside separate accounts (collectively the "Funds").

The subsidiaries of the Company include P10 Intermediate Holdings, LLC ("P10 Intermediate") which owns the subsidiaries P10 RCP Holdco, LLC ("Holdco"), Five Points Capital, Inc. ("Five Points"), TrueBridge Capital Partners, LLC ("TrueBridge") and Enhanced Capital Group, LLC ("ECG"). 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"). See Note 9 for further information on the acquisition financing debt.

Prior to November 19, 2016, P10 Holdings, formerly Active Power, Inc. designed, manufactured, sold, and serviced flywheel-based uninterruptible power supply products and serviced modular infrastructure solutions. On November 19, 2016, we completed the sale of substantially all our assets and liabilities and operations to Langley Holdings plc, a United Kingdom public limited company. Following the sale, we changed our name from Active Power, Inc. to P10 Industries, Inc. and became a non-operating company focused on monetizing its retained intellectual property and acquiring profitable businesses. For the period from December 2016 through September 2017, our business primarily consisted of cash, certain retained intellectual property assets and our net operating losses ("NOLs") and other tax benefits. On March 22, 2017, we filed for re-organization under Chapter 11 of the Federal Bankruptcy Code, using a prepackaged plan of reorganization. The Company emerged from bankruptcy on May 3, 2017. 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.

On October 5, 2017, we closed on the acquisition of RCP 2 and entered into a purchase agreement to acquire RCP 3 in January 2018. On January 3, 2018, we closed on the acquisition of RCP 3. RCP 2 and RCP 3 are registered investment advisors with the United States Securities and Exchange Commission.

On April 1, 2020, the Company completed the acquisition of Five Points. 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 limited partner 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. Five Points is a registered investment advisor with the United States Securities and Exchange Commission.

On October 2, 2020, the Company completed the acquisition of TrueBridge. TrueBridge is an investment firm focused on investing in venture capital through fund-of-funds, co-investments, and separate accounts. See Note 3 for additional information on the acquisition. TrueBridge is a registered investment advisor with the United States Securities and Exchange Commission.

On December 14, 2020, the Company completed the acquisition of 100% of the equity interest in ECG, and a noncontrolling interest in Enhanced Capital Partners, LLC ("ECP") (collectively, "Enhanced"). Enhanced undertakes and manages equity and debt investments in impact initiatives across North America, targeting underserved areas and other socially responsible end markets including renewable energy, historic building renovations, and affordable housing. See Note 3 for additional information on the acquisitions. ECP is a registered investment advisor with the United States Securities and Exchange Commission.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management believes it has made all necessary adjustments so that the Consolidated Financial Statements are presented fairly and that estimates made in preparing the Consolidated Financial Statements are reasonable and prudent. The Consolidated Financial Statements include the accounts of the Company, its wholly owned or majority-owned subsidiaries and entities in which the Company is deemed to have a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. All intercompany transactions and balances have been eliminated upon consolidation. The results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year ended December 31, 2021.

Certain entities in which the Company holds an interest are investment companies that follow specialized accounting rules under U.S. GAAP and reflect their investments at estimated fair value. Accordingly, the carrying value of the Company's equity method investments in such entities retains the specialized accounting treatment.

Principles of Consolidation

The Company performs the variable interest analysis for all entities in which it has a potential variable interest. If the Company has a variable interest in the entity and the entity is a variable interest entity ("VIE"), we will also analyze whether the Company is the primary beneficiary of this entity and if consolidation is required.

Generally, VIEs are entities that lack sufficient equity to finance their activities without additional financial support from other parties, or whose equity holders, as a group, lack one or more of the following characteristics: (a) direct or indirect ability to make decisions, (b) obligation to absorb expected losses or (c) right to receive expected residual returns. A VIE must be evaluated quantitatively and qualitatively to determine the primary beneficiary, which is the reporting entity that has (a) the power to direct activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

To determine a VIE's primary beneficiary, we perform a qualitative assessment to determine which party, if any, has the power to direct activities of the VIE and the obligation to absorb losses and/or receive its benefits. This assessment involves identifying the activities that most significantly impact the VIE's economic performance and determine whether we, or another party, has the power to direct those activities. When evaluating whether we are the primary beneficiary of a VIE, we perform a qualitative analysis that considers the design of the VIE, the nature of our involvement and the variable interests held by other parties. See Note 5 for further information.

The Company has determined that certain of its subsidiaries are VIEs, and that the Company is the primary beneficiary of the entity, because it has the power to direct activities of the entities that most significantly impact the VIE's economic performance and has a controlling financial interest in each entity. Accordingly, the Company consolidates these entities, which includes P10 Intermediate, Holdco, RCP 2, RCP 3 and TrueBridge. The assets and liabilities of the consolidated VIEs are presented gross in the Consolidated Balance Sheets. The assets of our consolidated VIE's are owned by those entities and not generally available to satisfy P10 Holding's obligations, and the liabilities of our consolidated VIE's are obligations of those entities and their creditors do not generally have recourse to the assets of P10 Holdings. See Note 5 for more information on both consolidated and unconsolidated VIEs.

Entities that do not qualify as VIEs are assessed for consolidation under the voting interest model. Under the voting interest model, the Company consolidates those entities it controls through a majority voting interest or other means. Five Points and ECG are concluded to be consolidated subsidiaries of P10 Intermediate under the voting interest model.

Reclassifications

Certain reclassifications have been made within the consolidated financial statements to conform prior periods with current period presentation.

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, 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, 2021, and December 31, 2020, cash equivalents include money market funds of $2.2 million and $2.8 million, respectively, which approximates fair value. The Company maintains its cash balances at various 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

Restricted cash as of March 31, 2021 and December 31, 2020 was primarily cash that is restricted due to certain lease arrangements.

Accounts Receivable and Due from Related Parties

Accounts receivable is equal to contractual amounts reduced for allowances, if applicable. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established as of March 31, 2021 and December 31, 2020. If accounts are subsequently determined to be uncollectible, they will be expensed in the period that determination is made.

Due from related parties represents receivables from the Funds for management fees earned but not yet received, reimbursable expenses from the Funds and notes receivable due from affiliates. These amounts are expected to be fully collectible.

Investment in Unconsolidated Subsidiaries

For equity investments in entities that we do not control, but over which we exercise significant influence, we use the equity method of accounting. The equity method investments are initially recorded at cost, and their carrying amount is adjusted for the Company's share in the earnings or losses of each investee, and for distributions received. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

For certain entities in which the Company does not have significant influence and fair value is not readily determinable, we value these investments under the measurement alternative. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, Financial Instruments, requires equity securities to be recorded at cost and adjusted to fair value at each reporting period. However, the guidance allows for a measurement alternative, which is to record the investments at cost, less impairment, if any, and subsequently adjust for observable price changes of identical or similar investments of the same issuer.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. 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 - 5 years
Furniture and fixtures	7 - 10 years

Long-lived Assets

Long-lived assets including property and equipment, lease right-of-use assets, and definite lived intangibles are evaluated for impairment under FASB ASC 360, *Property, Plant, and Equipment*. Long-lived assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of long-lived assets are determined to not be recoverable if the undiscounted estimated future net operating cash flows directly related to the asset or asset group, including any disposal value, is less than the carrying amount of the asset. If the carrying value of an asset is determined to not be recoverable, the impairment loss is measured as the amount by which the carrying value of the asset exceeds its fair value on the measurement date. Fair value is based on the best information available, including prices for similar assets and estimated discounted cash flows.

Leases

The Company recognizes a lease liability and right-of-use asset in our 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 spaces. 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, lease incentives and certain other existing lease liabilities. 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 is recognized on a straight-line basis over the lease term. Additionally, upon amendments or other events, the Company may be required to remeasure our lease liability and right-of-use asset.

The Company does not recognize a lease liability or right-of-use asset on our 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 identifiable assets acquired, less the liabilities assumed. As of March 31, 2021, goodwill recorded on our Consolidated Balance Sheets relates to the acquisitions of RCP 2, RCP 3, Five Points, TrueBridge and Enhanced. As of March 31, 2021, the intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets related to the acquisitions of RCP 2, RCP 3, Five Points, TrueBridge and Enhanced.

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 and advisory 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, which range between 7 and 16 years. Certain of our trade names are considered to have finite-lives. Finite-lived trade names are amortized over 10 years in line with the pattern in which the economic benefits are expected to occur.

Goodwill is reviewed for impairment at least annually as of September 30 utilizing a qualitative or quantitative approach and more frequently if circumstances indicate impairment may have occurred. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company's reporting unit is less than the respective carrying value. The reporting unit is the reporting level for testing the impairment of goodwill. If it is determined that it is more likely than not that a reporting unit's fair value is less than its carrying value, then the difference is recorded as an impairment (not to exceed the carrying amount of goodwill).

Debt Issuance Costs

Costs incurred which are directly related to the issuance of debt are deferred and amortized on a straight-line basis over the terms of the underlying obligation, which approximates the effective interest method, and are presented as a reduction to the carrying value of the associated debt on our Consolidated Balance Sheets. As these costs are amortized, they are included in interest expense, net within our Consolidated Statements of Operations.

Redeemable Noncontrolling Interest

Redeemable noncontrolling interest represents third party and related party interests in the Company's consolidated subsidiary, P10 Intermediate. This interest is redeemable at the option of the investors and therefore is not treated as permanent equity. Redeemable noncontrolling interest is presented at the greater of its carrying amount or redemption value at each reporting date in the Company's Consolidated Balance Sheets. Any changes in redemption value are recorded to retained earnings, or in the absence of retained earnings, additional paid-in capital. See Note 15 for additional information.

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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the FASB.

As of March 31, 2021 and December 31, 2020, we used the following valuation techniques to measure fair value for assets and there were no changes to these methodologies during the periods presented:

Level 1—Assets were valued using the closing price reported in the active market in which the individual security was traded.

Level 2—Assets were valued using quoted prices in markets that are not active, broker dealer quotations, and other methods by which all significant inputs were observable at the measurement date.

Level 3—Assets were valued using unobservable inputs in which little or no market data exists as reported by the respective institutions at the measurement date.

The carrying values of financial instruments comprising cash and cash equivalents, prepaid assets, accounts payable, accounts receivable and due from related parties approximate fair values due to the short-term maturities of these instruments. The fair value of the credit and guarantee facility approximates the carrying value based on the interest rates which approximate current market rates. The carrying values of the seller notes payable and tax amortization benefits approximate fair value. As of March 31, 2021 and December 31, 2020, the Company did not have any assets or liabilities that were measured at fair value on a recurring basis.

Revenue Recognition

Revenue is recognized when, or as, 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.

Management and Advisory Fees

The Company earns management fees for asset management services provided to the Funds where the Company has discretion over investment decisions. The Company primarily earns fees for advisory services provided to clients where the Company does not have discretion over investment decisions. Management and advisory fees received in advance reflects the amount of fees that have been received prior to the period the fees are earned. These fees are recorded as deferred revenue on the Consolidated Balance Sheets.

For asset management and advisory services, the Company typically satisfies its performance obligations over time as the services are rendered, since the customers 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 based on the terms of the arrangement. For certain funds, management fees are initially calculated based on committed capital during the investment period and on net invested capital through the remainder of the fund's term. Additionally, the management fee may step down for certain funds depending on the contractual arrangement. Advisory services are generally based upon fixed amounts and billed quarterly. Other advisory services include transaction and management fees associated with managing the origination and ongoing compliance of certain investments.

Other Revenue

Other revenue on our Consolidated Statements of Operations primarily consists of subscriptions, consulting agreements and referral 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 our Consolidated Balance Sheets. Referral fee revenue is recognized upon closing of certain opportunities.

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* ("ASC 740"), we recognize 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 file various federal and state and local tax returns based on federal and state local consolidation and stand-alone tax rules as applicable.

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. Diluted EPS includes the determinants of basic EPS and common stock equivalents outstanding during the period adjusted to give effect to potentially dilutive securities. See Note 14 for additional information.

The numerator in the computation of diluted EPS is impacted by the redeemable convertible preferred shares issued by P10 Intermediate since these preferred shares are convertible into common shares of P10 Intermediate. Under the if converted method, diluted EPS reflects a reduction in earnings that P10 Holdings would recognize by owning a smaller percentage of P10 Intermediate when the preferred shares are assumed to be converted.

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 relates to option grants for shares of P10 Holdings awarded to our employees. Stock-based compensation cost is estimated at the grant date based on the fair-value of the award, which is determined using the Black Scholes option valuation model and is recognized as expense ratably over the requisite service period of the award, generally five years. The share price used in the Black Scholes model is based on the trading price of our shares on the OTC Market. Expected life is based on the vesting period and expiration date of the option. Stock price volatility is estimated based on a group of similar publicly traded companies determined to be most reflective of the expected volatility of the Company due to the nature of operations of these entities. The risk-free rates are based on the U.S. Treasury yield in effect at the time of grant. Forfeitures are recognized as they occur.

Segment Reporting

The Company operates as an integrated private markets solution provider and a single operating segment. According to ASC 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(s) in deciding how to allocate resources and in assessing performance.

Business Acquisitions

In accordance with ASC 805, *Business Combinations* ("ASC 805"), the Company identifies a business to have three key elements; inputs, processes, and outputs. While an integrated set of assets and activities that is a business usually has outputs, outputs are not required to be present. In addition, all the inputs and processes that a seller uses in operating a set of assets and activities are not required if market participants can acquire the set of assets and activities and continue to produce outputs. In addition, the Company also performs a screen test to determine when a set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets is not a business. If the set of assets and activities is not considered a business, it is accounted for as an asset acquisition using a cost accumulation model. In the cost accumulation model, the cost of the acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values.

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 using the acquisition method. 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.

(Unaudited, dollar amounts stated in thousands)

The consideration for certain of our acquisitions may include liability classified contingent consideration, which is determined based on formulas stated in the applicable purchase agreements. The amount to be paid under these arrangements is based on certain financial performance measures subsequent to the acquisitions. The contingent consideration included in the purchase price is measured at fair value on the date of the acquisition. The liabilities are remeasured at fair value on each reporting date, with changes in the fair value reflected in general, administrative and other on our Consolidated Statements of Operations.

For business acquisitions, the Company recognizes the fair value of goodwill and other acquired intangible assets, and estimated contingent consideration at the acquisition date as part of purchase price. This fair value measurement is based on unobservable (Level 3) inputs.

Recent Accounting Pronouncements

The Company adopted ASU No. 2017-04, Intangibles—Goodwill and Other (“ASC 350”) *Simplifying the Test for Goodwill Impairment* on January 1, 2020. The adoption of this new guidance did not have a material impact on our Consolidated Financial Statements and related disclosures.

The Company adopted ASU No. 2018-13, *Fair Value Measurement (“ASC 820”): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* on January 1, 2020. The adoption of this new guidance did not have a material impact on our Consolidated Financial Statements and related disclosures.

Pronouncements not yet adopted

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 on January 1, 2023, with early adoption permitted.

Note 3. Acquisitions

Five Points Capital

On April 1, 2020, we completed the acquisition of 100% of the capital stock of Five Points, an independent private equity manager focused exclusively on the U.S. lower middle market. The transaction was accounted for as a business combination under the acquisition method of accounting pursuant to ASC 805.

The following is a summary of consideration paid:

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

Consideration paid in the transaction consisted of both cash and equity. See Note 15 for additional information on the preferred stock issued in the connection with the acquisition of Five Points.

(Unaudited, dollar amounts stated in thousands)

In connection with the acquisition, the Company incurred a total of $2.3 million of acquisition-related expenses. Of the total acquisition-related expense, zero and $0.6 million were recorded during the three months ended March 31, 2021 and 2020, respectively. These costs are included in professional fees on our Consolidated Statements of Operations.

The following table presents the fair value of the net assets acquired as of the acquisition date:

	Fair Value
ASSETS	
Cash and cash equivalents	$ 111
Accounts receivable	295
Due from related parties	27
Prepaid expenses and other	13
Property and equipment	87
Right-of-use assets	339
Intangible assets	23,960
Total assets acquired	$ 24,832
LIABILITIES	
Accounts payable	$ 358
Accrued expenses	390
Long-term lease obligation	339
Deferred tax liability	5,524
Total liabilities assumed	$ 6,611
Net identifiable assets acquired	$ 18,221
Goodwill	48,630
Net assets acquired	$ 66,851

The following table presents the fair value of identifiable intangible assets acquired:

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

Goodwill

The goodwill recorded as part of the acquisition includes 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.

Acquisition of TrueBridge Capital

On October 2, 2020, the Company completed the acquisition of 100% of the issued and outstanding membership interests of TrueBridge for a total consideration of $189.1 million, which includes cash, contingent consideration and preferred stock of P10 Intermediate. TrueBridge is a leading venture capital firm that invests in both venture funds and directly in select venturebacked companies. The transaction was accounted for as a business combination under the acquisition method of accounting pursuant to ASC 805.

(Unaudited, dollar amounts stated in thousands)

The following is a summary of consideration paid:

		Fair Value
Cash	$	94,216
Contingent consideration		572
Preferred stock		94,350
Total purchase consideration	$	189,138

A net cash amount of $89.5 million was financed through an amendment to the existing term loan under the credit and guarantee facility with HPS Investment Partners, LLC ("HPS"), an unrelated party. The additional draw has the same terms as the existing Facility including the maturity date. See Note 15 for additional information on the preferred stock issued in the connection with the acquisition of TrueBridge.

Included in total consideration is $572 thousand of contingent consideration, representing the fair value of expected future payments on the date of the acquisition. The amount ultimately owed to the sellers is based on achieving specific fundraising targets, and all amounts under this arrangement are expected to be paid by August 2021. As of March 31, 2021, the estimated fair value of the remaining contingent consideration totaled $207 thousand. For the three months ended March 31, 2021, a total of $414 thousand was paid to the sellers of Truebridge and $28 thousand in expense was recognized in other income on the Consolidated Statements of Operations for the change in estimated value of the contingent consideration.

In connection with the acquisition, the Company incurred a total of $1.7 million of acquisition-related expenses. Of the total acquisition-related expense, no costs were recorded during the three months ended March 31, 2021 and 2020, respectively.

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. As such, our estimates of fair values are pending finalization, which may result in adjustments to goodwill.

(Unaudited, dollar amounts stated in thousands)

The following table presents the fair value of the net assets acquired as of the acquisition date:

		Fair Value
ASSETS		
Cash and cash equivalents	$	6,537
Accounts receivable		14
Due from related parties		55
Prepaid expenses and other		60
Property and equipment		1,061
Right-of-use assets		1,627
Intangible assets		43,600
Total assets acquired	$	52,954
LIABILITIES		
Accounts payable	$	20
Accrued expenses		323
Deferred revenues		6,491
Long-term lease obligation		2,031
Deferred tax liability		5,518
Total liabilities assumed	$	14,383
Net identifiable assets acquired	$	38,571
Goodwill		150,567
Net assets acquired	$	189,138

The following table presents the provisional fair value of identifiable intangible assets acquired:

		Fair Value	Weighted-Average Amortization Period
Value of management contracts	$	34,100	10
Value of trade name	$	7,300	10
Value of technology		2,200	4
Total identifiable intangible assets	$	43,600	

Goodwill

The goodwill recorded as part of the acquisition includes the expected benefits that management believes will result from the acquisition, including the Company's build out of its investment product offering. Approximately $73.7 million of goodwill is expected to be deductible for tax purposes.

Acquisition of Enhanced

On December 14, 2020, the Company completed the acquisition of 100% of the equity interest in ECG and a non-controlling interest in ECP's outstanding equity, comprised of a 49% voting interest and a 50% economic interest, for total consideration of $111.2 million. The consideration included cash, estimated working capital adjustments and preferred stock of P10 Intermediate. ECG is an alternative asset manager and provider of tax credit transaction and consulting services focused on underserved areas and other socially responsible end markets such as renewable energy (impact investing). The alternative asset management business includes providing management, transaction, and consulting services to various entities which have historically been wholly owned by subsidiaries and affiliates of ECG. ECP's primary business is to participate in various state sponsored premium tax credit investment programs through debt, equity, and equity-related investments. The acquisition of ECG was accounted for as a business combination under the acquisition method of accounting pursuant to ASC 805, while ECP will be reported as an unconsolidated investee of P10 and accounted for under the equity method of accounting.

(Unaudited, dollar amounts stated in thousands)

Upon the completion of the acquisitions, certain agreements contemplated in the Securities Purchase Agreement became effective immediately upon the closing of the acquisitions. The allocation of the consideration paid for the assets acquired and liabilities assumed takes into consideration the fact that these agreements occurred contemporaneously with the closing of the acquisitions.

Prior to and through the date of the acquisition by the Company, ECG had certain consolidated subsidiaries and funds whose primary activities consisted of issuing qualified debt or equity instruments to tax credit investors in order to make investments in qualified businesses, which are referred to as the "Permanent Capital Subsidiaries." Pursuant to a Reorganization Agreement, upon the closing of P10's acquisition of ECG, the Permanent Capital Subsidiaries were contributed by ECG to Enhanced Permanent Capital, LLC ("Enhanced PC"), a newly formed entity. In exchange for this contribution of the Permanent Capital Subsidiaries, ECG obtained a non-controlling equity interest in Enhanced PC. The ownership in Enhanced PC was evaluated by management, and it was determined to be a variable interest. However, ECG was concluded to not be the primary beneficiary of Enhanced PC and, accordingly, Enhanced PC is not consolidated by ECG. Rather, the interest in Enhanced PC is reflected as an equity method investment by ECG. In addition to the Reorganization Agreement, see Note 10 for information on the Advisory Agreement and Administrative Services Agreement.

The acquisition of the equity interests in ECG and ECP were negotiated simultaneously for a single purchase price. The following tables illustrate the consideration paid for Enhanced, and the allocation of the purchase price to the acquired assets and assumed liabilities.

		Fair Value
Cash	$	82,596
Estimated post-closing working capital adjustment		1,707
Preferred stock		26,904
Total purchase consideration	$	111,207

A total of $66.6 million of the cash consideration was financed through an amendment to the existing term loan under the Facility with HPS. The additional draw has the same terms as the existing Facility, including the maturity date. See Note 15 for additional information on the preferred stock issued in the connection with the acquisition of Enhanced.

In connection with the acquisition, the Company incurred a total of $3.7 million of acquisition-related expenses. Of the total acquisition-related expense, zero and $38 thousand were recorded during the three months ended March 31, 2021 and 2020, respectively. 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. As such, our estimates of fair values are pending finalization, which may result in adjustments to goodwill.

(Unaudited, dollar amounts stated in thousands)

The following table presents the fair value of the net assets acquired as of the acquisition date:

		Fair Value
ASSETS		
Cash and cash equivalents	$	2,752
Restricted cash		254
Accounts receivable		3,424
Due from related parties		257
Prepaid expenses and other assets		2,099
Investment in unconsolidated subsidiaries		2,158
Intangible assets		36,820
Total assets acquired	$	47,764
LIABILITIES		
Accrued expenses	$	551
Other liabilities		288
Deferred revenues		2,110
Due to related parties		2,059
Debt obligations		1,693
Deferred tax liability		3,318
Total liabilities assumed	$	10,019
Net identifiable assets acquired	$	37,745
Goodwill		73,462
Net assets acquired	$	111,207

The following table presents the provisional fair value of identifiable intangible assets acquired:

		Fair Value	Weighted-Average Amortization Period
Value of management and advisory contracts	$	30,820	12
Value of trade name		6,000	10
Total identifiable intangible assets	$	36,820	

Goodwill

The goodwill recorded as part of the acquisition includes the expected benefits that management believes will result from the acquisition, including the Company's build out of its investment product offering. Approximately $18.7 million of goodwill is expected to be deductible for tax purposes.

Identifiable Intangible Assets

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

(Unaudited, dollar amounts stated in thousands)

The fair value of trade names acquired were 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 a discount rate based on a weighted average cost of capital.

The fair value of technology acquired was estimated using the relief from royalty method. Significant inputs to the valuation model include a royalty rate, an estimated life and a discount rate.

The management and advisory contracts, trade names and the acquired technology all have a finite useful life. The carrying value of the management fund and advisory contracts and trade names will be amortized in line with the pattern in which the economic benefits arise and are reviewed at least annually for indicators of impairment in value that is other than temporary. The technology will be amortized on a straight-line basis.

Pro-forma Financial Information

The following unaudited pro forma condensed consolidated results of operations of the Company assumes the acquisitions of Five Points, TrueBridge and Enhanced were completed on January 1, 2020:

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Revenue	$ 32,768	$ 28,169
Net income	2,215	(3,622)

Pro forma adjustments include revenue and net income (loss) of the acquired business for each period. Other pro forma adjustments include intangible amortization expense and interest expense based on debt issued or repaid in connection with the acquisitions as if the acquisitions were completed on January 1, 2020. The pro forma adjustments also give effect to the reorganization of Enhanced and formation of Enhanced Permanent Capital, as well as the impacts of the advisory services agreement as further described at Note 10.

Note 4. Revenue

The following presents revenues disaggregated by product offering:

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Management and advisory fees	$ 32,573	$ 11,326
Subscriptions	177	175
Consulting agreements and referral fees	-	55
Other revenue	18	292
Total revenues	$ 32,768	$ 11,848

Note 5. Variable Interest Entities

Consolidated VIEs

The Company consolidates certain VIEs for which it is the primary beneficiary. VIEs consist of certain operating entities not wholly owned by the Company and include P10 Intermediate, Holdco, RCP 2 and RCP 3 and TrueBridge. See Note 2 for more information on the Company's accounting policies related to the consolidation of VIEs. The assets of the consolidated VIEs totaled \$355.3 million and \$361.7 million as of March 31, 2021 and December 31, 2020, respectively. The liabilities of the consolidated VIEs totaled $280.9 million and $287.1 million as of March 31, 2021 and December 31, 2020, respectively. The assets of our consolidated VIE's are owned by those entities and not generally available to satisfy P10 Holding's obligations, and the liabilities of our consolidated VIE's are obligations of those entities and their creditors do not generally have recourse to the assets of P10 Holdings.

(Unaudited, dollar amounts stated in thousands)

Unconsolidated VIEs

Through its subsidiary, ECG, the Company holds variable interests in the form of direct equity interests in certain VIEs that are not consolidated because the Company is not the primary beneficiary. The Company's maximum exposure to loss is limited to the potential loss of assets recognized by the Company relating to these unconsolidated entities.

Note 6. Investment in Unconsolidated Subsidiaries

The Company's investment in unconsolidated subsidiaries consist of equity method investments primarily related to ECG's tax credit finance and asset management activities.

As of March 31, 2021, investment in unconsolidated subsidiaries totaled $2.3 million, of which $1.4 million related to ECG's asset management businesses and $0.9 million related to ECG's tax credit finance businesses. As of December 31, 2020, investment in unconsolidated subsidiaries totaled $2.2 million, of which $2.0 million related to ECG's asset management businesses and $0.2 million related to ECG's tax credit finance businesses.

Asset Management

ECG manages some of its alternative asset management funds through various unconsolidated subsidiaries and records these investments under the equity method of accounting. ECG recorded its share of income in the amount of zero and $0.2 million for the three months ended March 31, 2020 and March 31, 2021, respectively. For the three months ended March 31, 2021, ECG made zero capital contributions and received distributions of $0.8 million.

Tax Credit Finance

ECG provides a wide range of tax credit transactions and consulting services through various entities which are wholly owned subsidiaries of Enhanced Tax Credit Finance, LLC ("ETCF"), which is a wholly owned subsidiary of ECG. Some of these subsidiaries own nominal interests, typically under 1.0%, in various VIEs and record these investments under the measurement alternative described in Note 2 above. For the three months ended March 31, 2021, ECG made $2.1 million capital contributions and received distributions of $1.4 million.

Note 7. Property and Equipment

Property and equipment consist of the following:

	As of March 31, 2021	As of December 31, 2020
Computers and purchased software	$ 298	$ 281
Furniture and fixtures	452	449
Leasehold improvements	595	595
Other	3	-
	$ 1,348	$ 1,325
Less: accumulated depreciation	(268)	(201)
Total property and equipment, net	$ 1,080	$ 1,124

(Unaudited, dollar amounts stated in thousands)

Note 8. Goodwill and Intangibles

Changes in goodwill for the three months ended March 31, 2021 is as follows:

Balance at December 31, 2020	$ 369,982
Increase from acquisitions	-
Balance at March 31, 2021	$ 369,982

Intangibles consists of the following:

	As of March 31, 2021		
	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	17,360	(710)	16,650
Management and advisory contracts	139,796	(40,600)	99,196
Technology	8,160	(5,102)	3,058
Total finite-lived intangible assets	165,316	(46,412)	118,904
Total intangible assets	$ 182,666	$ (46,412)	$ 136,254

	As of December 31, 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	17,360	(368)	16,992
Management and advisory contracts	139,796	(33,967)	105,829
Technology	8,160	(4,593)	3,567
Total finite-lived intangible assets	165,316	(38,928)	126,388
Total intangible assets	$ 182,666	$ (38,928)	$ 143,738

(Unaudited, dollar amounts stated in thousands)

Management and advisory contracts and finite lived trade names are amortized over 7 - 16 years and are being amortized in line with pattern in which the economic benefits arise. Technology is amortized on a straight-line basis over 4 years. The amortization expense for each of the next five years and thereafter are as follows:

Remainder of 2021	$	22,459
2022		22,900
2023		19,222
2024		15,606
2025		12,045
Thereafter		26,672
Total amortization	$	118,904

During the quarter ended March 31, 2021, we identified adjustments related to the timing of amortization of certain finite lived intangible assets. The total estimated accumulated amortization of $118,904 remains unchanged. The table above has been adjusted to reflect those timing differences. There was no impact to the Consolidated Statement of Operations nor the Consolidated Balance Sheets as the adjustments related to amounts scheduled to be expensed subsequent to December 31, 2020. We do not believe the impact of the adjustments is material to our consolidated financial statements for any previously issued financial statements taken as a whole, and any impact to our expected net income for future periods has been adjusted for in the table above.

Note 9. Debt Obligations

Debt obligations consists of the following:

	As of March 31, 2021		As of December 31, 2020	
Gross revolving credit facility state tax credits	$	-	$	1,533
Debt issuance costs		-		(25)
Revolving credit facility state tax credits, net	$	-	$	1,508
Gross notes payable to sellers	$	41,064	$	41,064
Less debt discount		(8,990)		(9,205)
Notes payable to sellers, net	$	32,074	$	31,859
Gross credit and guaranty facility	$	255,959	$	261,683
Debt issuance costs		(4,319)		(4,995)
Credit and guaranty facility, net	$	251,640	$	256,688
Total debt obligations	$	283,714	$	290,055

Revolving Credit Facility State Tax Credits

Enhanced State Tax Credit Fund III, LLC, a subsidiary of ECG, has a $10 million revolving credit facility with a regional financial institution restricted solely for the purchase of allocable state tax credits from various state tax credit incentive programs. The facility bears interest at 0.25% above the Prime Rate and matures on June 15, 2022. As of March 31, 2021 and December 31, 2020, the credit facility had an outstanding balance of $0 and $1.5 million, respectively, and is reported net of unamortized debt issuance costs on our Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, the Company’s investment in allocable state tax credits was $0 and $1.5 million.

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 Facility ("Facility") 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, 2021 and December 31, 2020, 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 Facility described below. The 2018 Seller Notes were recorded at their discounted fair value in the amount of $21.2 million. Noncash interest expense was recorded on a periodic basis increasing the 2018 Seller Notes to their gross value. As of March 31, 2021 and December 31, 2020, the gross value of the 2018 Seller Notes was $3.0 million.

On January 3, 2018, the Company issued tax amortization 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 P10 Intermediate in exchange for receiving 3.3 million shares of Series C preferred stock. The discounted fair value of the TAB Payments received was $10.0 million on the date of the Five Points acquisition, April 1, 2020. See Note 15 for additional information. As of March 31, 2021 and December 31, 2020, the gross value of the 2018 TAB Payments was $31.7 million and $31.7 million, respectively.

During the three months ended March 31, 2021 and 2020, we recorded $0.2 million and $0.3 million in interest expense related to the TAB Payments, respectively.

The 2017 Seller Notes, the 2018 Seller Notes and the TAB Payments are collectively referred to as "Notes payable to sellers" on our Consolidated Financial Statements.

Credit and Guaranty Facility

The Company's subsidiary, Holdco, entered into the Facility with HPS as administrative agent and collateral agent on October 7, 2017. The Facility initially provided 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 provided for a $125 million five-year term, subject to certain EBITDA levels and conditions, and a $5 million one-year line of credit. The line of credit was repaid and subsequently expired during 2018. Holdco was permitted to draw up to $125 million in aggregate on the term loan in tranches through July 31, 2019.

On October 2, 2020 and December 14, 2020, in connection with the acquisitions of TrueBridge and Enhanced, the term loan under the Facility was amended adding an additional $91.4 million and $68.0 million to the Facility, respectively.

Interest is calculated upon each tranche at LIBOR for either one, two, three, or six months, as selected by Holdco, plus an applicable margin of 6.00% per annum. To date, Holdco has chosen three-month and six-month LIBOR at the time of each draw and each subsequent repricing at the end of the chosen LIBOR period. Principal is contractually repaid at a rate of 0.75% of the original tranche draw per calendar quarter. The maturity date of the Facility is October 7, 2022.

(Unaudited, dollar amounts stated in thousands)

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, 2021, Holdco was in compliance with all the financial covenants required under the Facility. The outstanding balance of the Facility was $256.0 million and $261.7 million as of March 31, 2021 and December 31, 2020, respectively, and is reported net of unamortized debt issuance costs on our Consolidated Balance Sheets.

Phase-Out of LIBOR

In July 2017, the UK's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR as a benchmark by the end of 2021. At the present time, our Facility has a term that extends beyond 2021. The Facility provides for a mechanism to amend the underlying agreements to reflect the establishment of an alternate rate of interest. However, we have not yet pursued any amendment or other contractual alternative to our Facility to address this matter. We are currently evaluating the potential impact of the eventual replacement of the LIBOR interest rate.

Debt Payable

Future principal maturities of debt as of March 31, 2021 are as follows:

Remainder of 2021	$	6,167
2022		249,791
2023		-
2024		2,111
2025		2,111
Thereafter		36,843
	$	297,023

Debt Issuance Costs

Debt issuance costs are offset against the Revolving Credit Facility State Tax Credits and the Credit and Guaranty Facility. Unamortized debt issuance costs for the Credit and Guaranty Facility as of March 31, 2021 and December 31, 2020 were $4.3 million and $5.0 million, respectively. Unamortized debt issuance costs for the Revolving Credit Facility State Tax Credits as of March 31, 2021 and December 31, 2020 were $0 and $25 thousand, respectively.

Amortization expense related to debt issuance costs totaled $0.7 million and $0.2 million for the three months ended March 31, 2021 and 2020, respectively, and are included within interest expense, net on the accompanying Consolidated Statements of Operations. During the three months ended March 31, 2021, we recorded $27 thousand in debt issuance costs. There were no debt issuance costs incurred during the three months ended March 31, 2020.

Note 10. 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. These services were terminated effective December 31, 2020.

Effective January 1, 2021, the Company entered into a sublease with 210 Capital, LLC, a related party, for office space serving as our corporate headquarters. The monthly rent expense is $20.3 thousand, and the lease expires December 31, 2029.

On June 30, 2020, RCP 2 entered into an intercompany services agreement with Five Points whereby RCP 2 will provide certain accounting, human resources, back office, administrative functions and such other services to Five Points as mutually agreed upon from time to time. In consideration for the services provided, Five Points shall pay RCP 2 a quarterly fee in the amount of $850 thousand. As a result of the agreement, Five Points paid RCP 2 $2.6 million and $0.9 million for the three months ended December 31, 2020 and March 31, 2021, respectively. These amounts were eliminated in consolidation.

(Unaudited, dollar amounts stated in thousands)

Effective April 1, 2020, P10 Intermediate 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 P10 Intermediate in connection with the acquisition of Five Points. See Note 15 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 March 31, 2021, the total accounts receivable from the Funds totaled $0.9 million, of which $0.6 million related to reimbursable expenses and $0.3 million related to fees earned but not yet received. As of December 31, 2020, the total accounts receivable from the Funds totaled $2.6 million, of which $0.6 million related to reimbursable expenses and $2.0 million related to fees earned but not yet received. In certain instances, the Company may incur expenses related to specific products that never materialize.

Upon the closing of the Company's acquisition of ECG and ECP, the Advisory Agreement between ECG and Enhanced PC immediately became effective. Under this agreement, ECG will provide advisory services to Enhanced PC related to the assets and operations of the permanent capital subsidiaries owned by Enhanced PC, as contributed by both ECG and ECP. In exchange for those services, which commenced on January 1, 2021, ECG will receive advisory fees from Enhanced PC based on a declining fixed fee schedule totaling $76.0 million over 7 years. This agreement is subject to customary termination provisions. For the three months ended March 31, 2020 and March 31, 2021, advisory fees under this agreement were zero and $4.75 million, respectively, and is reported in management and advisory fees on the Consolidated Statement of Operations.

Upon the closing of the Company's acquisition of ECG and ECP, the Administrative Services Agreement between ECG and Enhanced Capital Holdings, Inc. ("ECH"), the entity which holds a controlling equity interest in ECP, immediately became effective. Under this agreement, ECG will pay ECH for the use of their employees to provide services to Enhanced PC at the direction of ECG. For the three months ended March 31, 2020 and March 31, 2021, the Company recognized zero and $2.8 million, respectively, related to this agreement within compensation and benefits on our Consolidated Statements of Operations.

Note 11. Commitments and Contingencies

Operating Leases

The Company leases office space and various equipment under non-cancelable operating leases, with the longest lease expiring in 2027. These lease agreements provide for various renewal options. Rent expense for the various leased office space and equipment was approximately $0.5 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively.

The following table presents information regarding the Company's operating leases as of March 31, 2021:

Operating lease right-of-use assets	$	7,914
Operating lease liabilities	$	9,052
Cash paid for lease liabilities	$	572
Weighted-average remaining lease term (in years)		5.04
Weighted-average discount rate		5.18%

(Unaudited, dollar amounts stated in thousands)

The future contractual lease payments as of March 31, 2021 are as follows:

Remainder of 2021	$	1,723
2022		2,184
2023		2,180
2024		2,011
2025		854
Thereafter		1,260
Total undiscounted lease payments		10,212
Less discount		(1,160)
Total lease liabilities	$	9,052

Contingencies

We 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 our business. We evaluated all potentially significant litigation, government investigations, claims or assessments in which we are involved and 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 has resulted in significant disruption and uncertainty in the global economic markets. 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. COVID-19 has not negatively impacted our business in a material way and our business continuity plan is operating as planned with limited interruptions. We are closely monitoring developments related to COVID-19 and assessing any negative impacts to our business. It is possible that our future results may be adversely affected by slowdowns in fundraising activity and the pace of capital deployment, which could result in delayed or decreased management fees.

Note 12. 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, 2021 was 22.98%. The effective tax rate differs from the statutory rate of 21% primarily due to the release of valuation allowance, expiration of NOL, a partnership non-controlling interest, nonconsolidated subsidiaries, and the state 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, 2021, the Company recorded $13.0 million valuation allowance against deferred tax assets mostly related to partnership outside basis difference and a portion of the net operating loss carryforwards.

(Unaudited, dollar amounts stated in thousands)

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 13. Stockholders' Equity

Stock Option Plans

Options granted under the 2018 Incentive Plan vest over a period of up to four years and five years, respectively. The Company is authorized to issue 8,000,000 shares for awards of equity share options under the 2018 Incentive Plan. On February 1, 2021, the Company made an amendment to the 2018 Incentive Plan, increasing the authorized shares to 9,000,000. The term of each option is no more than ten years from the date of grant. 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, 2021 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, 2020	7,644,000	$ 1.18	7.75	$ 41,442,250
Granted	2,987,500	5.65		
Exercised	-	-		
Expired/Forfeited	-	-		
Outsanding as of March 31, 2021	10,631,500	$ 2.44	8.16	$ 67,506,200
Exercisable as of March 31, 2021	1,684,000	$ 0.47	5.97	$ 11,370,750

The weighted average assumptions used in calculating the fair value of stock options granted during the three months ended March 31, 2021 and 2020 were as follows:

	For the Three Monhts Ended March 31,	
	2021	2020
Expected life	7.5 (yrs)	7.5 (yrs)
Expected volatility	41.70%	36.85%
Risk-free interest rate	0.79%	1.39%
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 and is included in compensation and benefits on our Consolidated Statements of Operations. The stock-based compensation expense for the three months ended March 31, 2021 and 2020 was $0.4 million and $0.1 million, respectively. Unrecognized stock-based compensation expense related to outstanding unvested stock options as of March 31, 2021 was $9.6 million and is expected to be recognized over a weighted average period of 3.52 years. Any future forfeitures will impact this amount.

Note 14. 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 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. Additionally, diluted EPS reflects the potential dilution that could occur if convertible preferred shares of P10 Intermediate were converted into common shares of P10 Intermediate.

(Unaudited, dollar amounts stated in thousands)

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

	For the Three Months Ended March 31,	
	2021	2020
Numerator:		
Numerator for basic calculation—Net income attributable to P10 Holdings	$ 2,215	$ 1,841
Adjustment for:		
Preferred dividends attributable to redeemable noncontrolling interest	494	-
Proportionate share of subsidiary's earnings attributable to subsidiary's convertible preferred stock under assumed conversion	(1,066)	-
Numerator for earnings per share		
Numerator for earnings per share assuming dilution	$ 1,643	$ 1,841
Denominator:		
Denominator for basic calculation—Weighted-average shares	89,235	89,235
Weighted shares assumed upon exercise of stock options	5,875	2,087
Denominator for earnings per share assuming dilution	95,110	91,321
Earnings per share—basic	$ 0.02	$ 0.02
Earnings per share—diluted	$ 0.02	$ 0.02

The computations of diluted earnings excluded options to purchase 3.0 million shares and 3.3 million shares of common stock for the three months ended March 31, 2021 and 2020, respectively, because the options were anti-dilutive.

Note 15. Redeemable Noncontrolling Interest

In connection with the closing of the acquisition of Five Points on April 1, 2020, the Company formed a new subsidiary, P10 Intermediate, which was the acquiring entity of Five Points. On April 1, 2020, P10 Intermediate issued three series (A, B and C) of redeemable convertible preferred shares. On October 2, 2020 and December 14, 2020, P10 Intermediate issued two additional series (D and E) in connection with the acquisitions of TrueBridge and Enhanced. The preferred shares on an as-if-converted basis represent approximately 40.9% of the aggregate issued and outstanding share capital of P10 Intermediate with P10 Holdings owning the remaining 59.1% through its 100% ownership of the outstanding common stock of P10 Intermediate. The third-party ownership interest represents a noncontrolling interest in P10 Intermediate, 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 P10 Intermediate (1:1 ratio).
- The right to require P10 Intermediate to purchase all shares from the preferred shareholder after the 3rd anniversary of the Five Points acquisition close date unless the Company meets the acquisition threshold (as defined in P10 Intermediate's Operating Agreement), at which point the right will be extended to the 5th anniversary. The shares are redeemable at fair market value.
- P10 Intermediate has the right to exchange, immediately prior to a qualified public offer (as defined in P10 Intermediate's 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 P10 Intermediate, the preferred shareholders have legal rights 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

P10 Intermediate issued to the Five Points 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 Five Points described in Note 3.

Series B

P10 Intermediate issued to Keystone Capital XXX, LLC ("Keystone") 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 Five Points 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 option may only be used for funding the cash purchase price of an acquisition and any related fees. The option may only be exercised with respect to a definitive agreement related to an acquisition and the option expires on the second anniversary of the Five Points acquisition close date.

On October 2, 2020, in connection with the acquisition of TrueBridge, Keystone exercised its option purchasing 1,333,333 shares of Series B redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $4.0 million.

On December 14, 2020, in connection with the acquisition of Enhanced, Keystone exercised its option purchasing 3,333,334 shares of Series B redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $10.0 million.

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

Series C

P10 Intermediate 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 a non-cash exchange for a portion of the TAB Payments held. The gross value of the TAB payments received was $16.8 million.

Additionally, P10 Intermediate issued to certain key members of Five Points management 333,333 shares of Series C redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $1.0 million. The shares were issued in exchange for cash.

Series D

P10 Intermediate issued to the TrueBridge sellers 28,590,910 shares of Series D redeemable convertible preferred shares at a price of $3.30 per share for an aggregate issuance price of $94.4 million. These shares were a part of the purchase consideration in the acquisition of TrueBridge described in Note 3.

(Unaudited, dollar amounts stated in thousands)

Additionally, on December 14, 2020, P10 Intermediate issued to certain TrueBridge employees 285,714 shares of Series D redeemable convertible preferred shares at a price of $3.50 per share for an aggregate issuance price of $1.0 million. The shares were issued in exchange for cash.

The Series D preferred shareholders are also granted additional protective rights with respect to certain matters.

Series E

P10 Intermediate issued to the Enhanced sellers 7,686,925 shares of Series E redeemable convertible preferred shares at a price of $3.50 per share for an aggregate issuance price of $26.9 million. These shares were a part of the purchase consideration in the acquisition of Enhanced described in Note 3.

Additionally, P10 Intermediate issued to certain key members of Enhanced management 100,714 shares of Series E redeemable convertible preferred shares at a price of $3.50 per share for an aggregate issuance price of $0.4 million. The shares were issued in exchange for cash.

Since the preferred shares are redeemable at the option of the holder and the redemption is not solely in the control of the Company, the preferred shares are accounted for as a redeemable noncontrolling interest and classified within temporary equity in the Company's Consolidated Balance Sheets. The redeemable noncontrolling interest was initially measured at the fair value of the consideration paid. The preferred shares are considered not currently redeemable, but probable of becoming redeemable and therefore the redeemable noncontrolling interest is subsequently measured at the greater of the carrying amount or redemption value as of each reporting date. Dividends on the preferred shares are recognized as preferred dividends attributable to redeemable non-controlling interest in our Consolidated Statements of Operations.

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

Balance at December 31, 2020	$	198,439
Issuance of subsidiary preferred stock		-
Preferred dividends attributable to redeemable noncontrolling interest		494
Balance at March 31, 2021	$	198,933

Cumulative dividends in arrears on the preferred stock were $1.2 million and $0.7 million as of March 31, 2021 and December 31, 2020, respectively.

Note 16. Subsequent Events

In accordance with ASC 855, Subsequent Events, the Company evaluated all material events or transactions that occurred after March 31, 2021, the Consolidated Balance Sheet date, 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.