Annual Report to Stockholders
for
The Fiscal Year Ended
December 31, 2017

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 March 28, 2018

Special Note Regarding Forward-Looking Statements

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

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

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

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

Dear P10 Holdings Stockholder:

2017 was a transformative year for your company. We entered the year, as P10 Industries, Inc., focused on the monetization of our patent portfolio, and exited the year, as P10 Holdings, Inc. (“P10”), still pursuing a patent monetization strategy but, more importantly, the proud owner of two entities included in RCP Advisors[1] ("RCP"), a premier investment management firm dedicated to lower middle market private equity funds-of-funds, secondary funds, and co-investment funds.

We could not have asked for a better acquisition than RCP. The 46 RCP dedicated employees are not only top-notch investment advisors; they are also extraordinary people and professionals. They are folks who care deeply about providing superior risk-adjusted performance, and superior client service, to the investors in the limited partnerships RCP manages. This has been the case since RCP's founding over 17 years ago. Since that time, investors have entrusted RCP with over $6.5 billion of capital to deploy into lower middle market private equity. The RCP investment returns speak for themselves; and importantly, RCP has not allowed either its growth or success to diminish its core focus on its investors.

In terms of the RCP investment model, RCP deploys capital using three primary types of investments: Primary Funds-of-Funds, Secondary Funds, and Direct Co-Investment Funds. In all three types of investments, RCP charges an annual management fee. In addition, affiliates of RCP receive a percentage of the profits ("carried interest") when the investments funds perform to expectations. In the case of Primary Funds-of-Funds and Secondary Funds, invested capital is committed ("locked up") for twelve years. In the case of the Direct Co-Investment Funds, invested capital is locked up for ten years, although it is typically fully deployed within the first five years, and then is returned to the investors as investments are liquidated. The investors in the funds benefit from the lock up because RCP can patiently allocate capital to what RCP believes are the best managers and investment opportunities. Investors have also benefited as RCP has kept its investment and operations teams fully intact in both good times and bad.

The RCP principals have historically aligned their interests with the limited partners of their funds by investing alongside them in the funds. P10 did not acquire the RCP principals’ existing interests in the various funds. However, moving forward, P10 will augment the RCP principals’ investments in new funds with P10 funds, creating even stronger alignment with the RCP limited partners. As a result, P10 stockholders will have the opportunity to participate in RCP prospective investment returns.

Importantly, P10 only receives the management fees generated from the RCP funds, not the carried interest. We believe that the carried interest provides an alignment between the RCP investment team and its investors. In other words, we want the carried interest to go to the RCP professionals, as it provides those individuals with economic incentives to continue to perform on behalf of investors. The benefit to P10 is twofold: (1) we have an RCP team that remains highly motivated to perform; and (2) the P10 revenues consist almost exclusively of highly predictable and stable management and advisory fees. Moreover, we have an extraordinary team in place with significant capacity to add incremental assets under management ("AUM"). As a result, to the extent we can continue to grow our AUM, thereby growing our management fees, we would anticipate an expanding profit margin and growing earnings for P10. For 2018, we project the RCP business should generate an EBITDA margin in excess of 50% of revenues; and because our management fees are, for the most part, locked up by contract for up to a decade, we believe this profit stream will prove to be stable.

In terms of the RCP acquisition, we believe it was a "win-win" for both P10 and RCP. As part of the transaction, RCP principals received 44.17 million shares of P10 common stock, representing approximately 49.5% of our post-acquisition capitalization, making them the largest stockholders of P10, by far. Two RCP partners, Fritz Souder and Jeff Gehl, also joined the board of directors of P10. In addition to the shares of common stock, P10 issued to the RCP principals approximately $117 million in principal amount of non-interest bearing promissory notes (the “Sellers’ Notes”). In early 2018, we began the process of refinancing these notes using an outside lender. As the profitability of RCP increases with expected incremental AUM and management fees, we intend to fully refinance all of these Sellers’ Notes using the existing credit facility with our lender.

Importantly, the RCP acquisition structure highlights three critical elements of our alignment:

(1) In our opinion, RCP is the crown jewel in lower middle market private equity. Their investment returns, brand equity, history, and continuity of team is unmatched. They had plenty of suitors, including those who were willing to pay far more than we ever could. RCP selected P10 precisely because they didn't want to "sell out". In fact, they remain the largest stockholders of their own business through their ownership of P10 common stock.

[1] P10 acquired RCP Advisors 2, LLC and RCP Advisors 3, LLC. We did not acquire RCP Advisors, LLC, which is owned by an unaffiliated third party but still serviced by the RCP team.

(2) With the P10 common stock trading on the OTC Pink Sheets, rather than remaining a private company, RCP has a currency (the P10 stock) to incentivize and promote the next generation of RCP professionals through our stock incentive plans. The RCP investment process and client service function has become finely tuned after 17 years. As RCP management peered out over the next 17 years, they knew they needed a better mechanism to attract, grow, and retain talent. Fortunately for P10 stockholders, the P10 acquisition was the solution.

(3) P10's unique financial position and tax attributes allows us to support our debt, reinvest in the RCP funds, and pursue growth opportunities, such as new fund offerings and acquisitions.

Enclosed with this letter is the annual report to our stockholders, including the audited financial statements for the year ended December 31, 2017. You may notice that the RCP transaction creates certain accounting entries that we believe hide the true potential benefits of the RCP acquisition to P10. A noteworthy aspect of the transaction was its two-step process. First P10 acquired RCP Advisors 2 ("RCP2") on October 5, 2017; then on January 3, 2018, we acquired RCP Advisors 3 ("RCP3"). In the first step, P10's acquisition of RCP2 included a prepayment for RCP3. This resulted in a balance sheet entry called "Purchase Consideration Paid in Advance". On January 3rd, this entry was reclassified as "Goodwill" (related to RCP3). The acquisition of RCP2 resulted in the recording of an "Intangible Asset Management Fund Contract" on our balance sheet. This entry will be amortized (a non-cash expense) over 9 years, which will reduce our reported earnings. Other accounting entries that will offset the earnings of P10 include the inclusion of transaction costs (primarily legal fees – and there were plenty!) and additional amortization. Our financial statements also include the recognition of a small portion of our deferred tax asset based only on the RCP2 portion of the transaction for the period after October 5, 2017. The structure of the RCP acquisition also means that the financial statements included in the annual report only reflect our ownership of RCP2 and its financial results from October 5th to the end of 2017. With the acquisition of RCP3, alongside the initial refinancing of the Sellers' Notes in January, the positive cash flow effect to P10 should begin to be more fully reflected in our second quarter for 2018, when both RCP2 and RCP3 will be fully consolidated.

We do not intend to provide earnings guidance going forward for two reasons: 1) our primary focus has been, and will remain, obtaining outstanding investment performance for the RCP limited partners; and 2) we intend to build our business over many years, and we want our stockholders fully aligned with that time horizon. We will make investments when we believe they are appropriate, and we don't want quarterly guidance to govern how we make long term, strategic decisions.

However, we do want to provide insight into how we see the P10 business unfolding in 2018. Specifically, we expect our quarterly EBITDA to achieve $5 million per quarter during the second half of 2018, with an annual EBITDA run rate in excess of $20 million by the end of 2018. Our business is not seasonal, and because our revenues are mostly contracted for many years into the future, we believe quarterly numbers can be "annualized" in normal periods. Moreover, because of the unique tax attributes of P10, we believe that EBITDA minus cash interest expense is a good measure of "free cash flow" generation by P10. Finally, our cash interest expense is significantly lower than a company with a comparable debt balance because approximately half of our debt remains in the non-interest bearing Sellers' Notes.

Before concluding, we want to specifically thank the P10 executives that shepherded us through a successful reorganization. Mark Ascolese and Jay Powers, along with former members of our board of directors, Daryl Dulaney and Mark Hood, were key team members throughout the process, and their service was invaluable in bringing P10 to where we are today. P10 will be forever grateful for their services and contributions.

We at P10 Holdings, and the team at RCP Advisors, see significant opportunities in the years ahead. Our primary focus will remain on providing superior performance and client service for the RCP limited partner investors. To the extent we are successful in those areas, P10 stockholders should benefit from increasing AUM, management fees, profit margins, and earnings. By always doing right by the RCP funds' limited partners, we believe our stockholders will benefit as well.

Sincerely,

Robert H. Alpert	C. Clark Webb
Co-CEO	Co-CEO

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

To the Board of Directors and Shareholders
P10 Holdings, Inc.:

We have audited the accompanying consolidated financial statements of P10 Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the 2017 consolidated financial statements referred to above present fairly, in all material respects, the financial position of P10 Holdings, Inc. and its subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

The accompanying consolidated financial statements of P10 Holdings, Inc. and its subsidiaries as of December 31, 2016 and for the year then ended were audited by other auditors whose report thereon dated March 14, 2017, expressed an unmodified opinion on those financial statements.

KPMG LLP

Chicago, Illinois
March 30, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
P10 Holdings, Inc.

We have audited the accompanying consolidated balance sheets of P10 Holdings, Inc. (previously P10 Industries, Inc.) (a Delaware corporation) and subsidiaries as of December 31, 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P10 Holdings, Inc. and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has sustained net losses from operations and has an accumulated deficit. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PMB Helin Donovan, LLP

Austin, Texas
March 14, 2017

P10 Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except par value)

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 2,109	$ 1,569
Accounts receivable, net	-	41
Accounts receivable from affiliate	339	-
Prepaid expenses and other	307	65
Purchase consideration paid in advance	61,296	-
Intangibles, net	40,192	-
Debt issuance costs, net	3,284	-
Property and equipment, net	1	4
Deferred tax	1,911	-
Deposits and other	-	173
Total assets	$ 109,439	$ 1,852
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 191	$ 29
Accrued expenses	148	1,638
Deferred revenue	2,511	-
Loans payable	11,700	-
Notes payable, net of discount	77,326	-
Commitments and contingencies	-	-
Common stock - $0.001 par value; 110,000 and 40,000 shares authorized at December 31, 2017 and December 31, 2016; 89,411 and 23,598 issued and 89,235 and 23,414 outstanding at December 31, 2017 and December 31, 2016	89	23
Treasury stock	(273)	(273)
Additional paid-in capital	322,950	306,752
Accumulated deficit	(305,203)	(306,317)
Total stockholders' equity	17,563	185
Total liabilities and stockholders' equity	$ 109,439	$ 1,852

See accompanying notes

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P10 Holdings, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share amounts)

	Years ended December 31,	
	2017	2016
Revenues:		
Management fees	$ 4,192	$ -
Other revenue	118	-
Total revenue	4,310	-
Operating expenses:		
Compensation and benefits	859	338
Professional fees	1,150	380
General, administrative and other	857	729
Amortization of intangibles	1,884	-
Total operating expenses	4,750	1,447
(Loss) from operations	(440)	(1,447)
Interest expense implied on notes payable	(629)	-
Interest expense, net	(361)	-
Other expense, net	-	1
Loss before income taxes	(1,430)	(1,446)
Income tax benefit	1,911	-
Income (loss) from continuing operations	481	(1,446)
Income (loss) from discontinued operations	633	(7,823)
Loss on sale of discontinued operations	-	(6,597)
Net income (loss) from discontinued operations	633	(14,420)
Net income (loss)	$ 1,114	$ (15,866)
Earnings (loss) per share from continuing operations:		
Diluted earnings (loss) per share	$ 0.01	$ (0.06)
Basic earnings (loss) per share	$ 0.01	$ (0.06)
Earnings (loss) per share from discontinued operations:		
Diluted earnings (loss) per share	$ 0.01	$ (0.62)
Basic earnings (loss) per share	$ 0.01	$ (0.62)
Shares used in computing net income (loss) per share, basic	48,245	23,211
Shares used in computing net income (loss) per share, diluted	49,302	23,211
Comprehensive income (loss):		
Net income (Loss)	$ 1,114	$ (15,866)
Translation loss on subsidiaries denominated in foreign currencies	-	(132)
Comprehensive income (loss):	$ 1,114	$ (15,998)

See accompanying notes

P10 Holdings, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common stock		Treasury stock		Additional		Accumulated Other	Total
	Number of Shares	Par Value	Number of Shares	At Cost	Paid-In Capital	Accumulated Deficit	Comprehensive Income	Stockholders' Equity
Balance at December 31, 2015	23,111	$ 23	62	$ (240)	$ 304,094	$ (290,451)	$ 132	$ 13,558
Release of restricted stock	303	-	-	-	-	-	-	-
Shares held in treasury	-	-	114	(33)	-	-	-	(33)
Net translation loss on foreign subsidiaries	-	-	-	-	-	-	(132)	(132)
Stock-based compensation	-	-	-	-	2,658	-	-	2,658
Net loss	-	-	-	-	-	(15,866)	-	(15,866)
Balance at December 31, 2016	23,414	$ 23	176	$ (273)	$ 306,752	$ (306,317)	$ -	$ 185
Issuance of common stock to 210/P10	21,650	22	-	-	4,633	-	-	4,655
Issuance of common stock to RCP Advisors	44,171	44	-	-	11,263	-	-	11,307
Stock-based compensation	-	-	-	-	302	-	-	302
Net Income	-	-	-	-	-	1,114	-	1,114
Balance at December 31, 2017	89,235	$ 89	176	$ (273)	$ 322,950	$ (305,203)	$ -	$ 17,563

See accompanying notes

P10 Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2017	2016
Operating activities		
Net income (loss)	$ 1,114	$ (15,866)
Adjustment for net income (loss) from discontinued operations	(633)	14,420
Net loss from continuing operations	481	(1,446)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Stock-based compensation	302	-
Depreciation expense	3	1
Amortization of intangibles	1,884	-
Deferred tax	(1,911)	-
Non-cash interest expense	770	-
Changes in operating assets and liabilities:		
Accounts receivable	130	(41)
Prepaid expenses and other assets	112	(65)
Deferred revenue	62	-
Accounts payable	162	31
Accrued expenses	(141)	48
Net cash provided by (used in) operating activities in continuing operations	1,854	(1,472)
Net cash used in operating activities from discontinued operations	(820)	(5,697)
Net cash provided by (used in) operating activities	1,034	(7,169)
Investing activities		
Acquistion of RCP Advisors 2	(2,225)	-
Purchase of property and equipment	-	(3)
Net cash used in investing activities from continuing operations	(2,225)	(3)
Net cash used in investing activities from discontinued operations	-	(3,163)
Net cash used in investing activities	(2,225)	(3,166)
Financing activities		
Proceeds from issuance of common stock	4,655	-
Principal payments on debt	(2,924)	-
Taxes paid related to the net share settlement of equity awards	-	(33)
Net cash provided by (used in) financing activities from continuing operations	1,731	(33)
Net cash provided by (used in) financing activities	1,731	(33)
Effects of exchange rates on cash	-	(323)
Change in cash and cash equivalents	540	(10,691)
Cash and cash equivalents, beginning of period	1,569	12,260
Cash and cash equivalents, end of period	$ 2,109	$ 1,569
Supplemental cash flow information:		
Interest paid	$ 168	$ 332
Income tax paid	$ -	$ -

See accompanying notes

P10 HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017
(in thousands, except as otherwise indicated or per share amounts)

1. Summary of Significant Accounting Policies

Description of Business

As of November 19, 2016, P10 Holdings, Inc., formerly Active Power Inc. (collectively, “we”, “us”, “P10 Holdings” or “Company”), 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 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 have included 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 of our assets (excluding certain intellectual property rights) and operations for a nominal purchase price plus the assumption of all of our indebtedness, including bank debt, liabilities and customer, employee and purchase commitments going forward. The sale of substantially all of 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 of our assets and 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 our plan of reorganization 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 our satisfaction of all liabilities with Langley associated with our asset purchase agreement with Langley including their assumption of our former manufacturing facility lease in exchange for a payment of $0.8 million in cash from us and our lease deposit of $0.2 million.

On October 5, 2017 we closed on the acquisition of RCP Advisors 2, LLC (RCP 2) and entered into a purchase agreement to acquire RCP Advisors 3, LLC (RCP 3) in January 2018. The owners of RCP 2, received 44,171,234 of newly issued shares of our common stock with a fair value of $11.3 million and non-interest bearing subordinated promissory notes (the "Seller Notes") totaling an aggregate of $81.3 million which have been recorded in our financial statements at their fair value of $78.7 million. We intend to repay the Seller's Notes from borrowings under our new $130 million credit agreement described in Note 6. Our external bank debt will also be refinanced with this credit agreement.

RCP 2 provides investment advisory services to affiliated private equity funds and fund-of-funds (collectively the "Funds"). RCP 2 was formed on June 15, 2012 and serves as sub-adviser to funds managed by RCP Advisors, LLC. Prior to the formation of RCP 2, RCP Advisors, LLC served as the sole investment advisor of the Funds. RCP 2's business is currently limited to providing management services and collecting the related management fees from the Funds which commenced operations between 2011 and 2016. The management fees are scheduled to be earned through 2026 with a declining rate of income each year as the Funds mature. RCP 2 has no employees and pays RCP 3 a fee for managing the funds. RCP 2 does not hold the general partner's interest or the carried interest in the funds. These interests are owned individually by others parties, including certain employees of RCP 3.

RCP 2 serves as investment manager and owns 100% of the voting interests of the general partners of each of the following Funds: Fund VIII, LP (Fund VIII), RCP Fund IX, LP (Fund IX), RCP Fund X, LP (Fund X), RCP Fund XI LP (Fund XI), RCP Secondary Opportunity Fund II, LP (SOF II), RCP FF Small Buyout Co-Investment Fund, LP, RCP FF Small Buyout Co-Investment Fund II, LP, and RCP Direct II, LP. Certain nonvoting interests of the general partners of these Funds, including the carried interest are owned by non-owner partners and employees, and board of managers of RCP 3.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and include the accounts of the Company and its consolidated subsidiaries. The consolidated subsidiaries include P10 RCP Holdco, LLC which issued the RCP acquisition financing debt and owns RCP 2 and RCP 3 as subsidiaries which went effective on January 3, 2018. 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. RCP 2 serves as the advisor, and provides management services to the Funds, and receives a management fee for the services performed.

In accordance with Accounting Standards Update ("ASU") 2015-02, "Amendments to the Consolidation Analysis", the Company performs an analysis to determine whether it is required to consolidate entities, by determining if the Company has a variable interest in each entity and whether that entity is a variable interest entity ("VIE"). The Company performs the variable interest analysis for all entities in which it has a potential variable interest, which primarily consists of all Funds where the Company serves as the general partner or managing partner, and general partner entities not wholly owned by the Company. If the Company determine that it had a variable interest in the entity and the entity is a VIE, it would also analyze whether the Company is the primary beneficiary of this entity and whether consolidation is required.

In evaluating whether it has a variable interest in the entity, the Company reviews the equity ownership and whether the Company absorbs risk created and distributed by the entity, as well as whether the fees charged to the entity are customary and commensurate with the level of effort required to provide services. Fees received by the Company are not variable interests if (i) the fees are compensation for services provided and are commensurate with the level of effort required to provide those services, (ii) the service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar negotiated at arm's length and (iii) the Company's other economic interest in the VIE held directly and indirectly through its related parties, as well as economic interests held by related parties under common control, where applicable, would not absorb more than an insignificant amount of the entity's losses or receive more than an insignificant amount of the entity's benefits. Evaluation of these criteria requires judgement. The Company does not consolidate the Funds because it is not the primary beneficiary of those funds due to the fact that its fee arrangements are considered at-market and thus not deemed to be variable interests, and it does not hold any other interests in those Funds that are considered to be more than insignificant.

Going Concern

In the notes to our financial statements for fiscal 2016, our accountants had expressed substantial doubt about our ability to continue as a going concern as a result of our history of net operating losses, and continuing obligations under our facility operating lease. Our ability to achieve and maintain profitability and positive cash flow was dependent upon our ability to successfully obtain financing to acquire profitable operations and revenue that could generate cash flow to meeting operating requirements. We were also dependent on assigning our remaining operating lease on our former headquarter facility in Austin, Texas and being relieved from future lease obligations thereunder.

We put a plan in place described above which included filing for a prepackaged plan of reorganization in order to relieve us of our obligations under the operating lease. In addition, we secured the financing of $4.65 million by selling shares of our common stock to 210/P10 Investment LLC. These funds along with the issuance of additional shares of our common stock and promissory notes were sufficient for us to complete the acquisition of RCP 2, which along with RCP 3, is expected to provide us with what we believe will be the cash flow necessary to meet our ongoing operating requirements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Changes in the estimates or assumptions used by management could have a material impact upon reported amounts and our results of operations.

Cash and Cash Equivalents

Investments with a contractual maturity of three months or less when purchased are classified as cash equivalents. These investments are carried at cost, which approximates fair value.

Revenue Recognition of Management Fees and Management Fees Received in Advance

The Company, through RCP 2, earns management fees from the Funds which continue for ten years from the inception date for each Fund. The management fees are generally reduced in year's six to ten. Management fees within our financial statements are determined on an accrual basis. The Company receives management fees from the Funds

at the beginning of each quarterly anniversary of the Fund anniversary date. Management fees received in advance reflects the amount of management fees that have been received prior to the period the fees are earned from the underlying Funds. These fees are recorded as deferred revenue on the balance sheet.

Intangibles and Goodwill

The Company accounts for business combinations in accordance with FASB ASC 805, *Business Combinations* (ASC 805), which allows for an alternative accounting method to be utilized in the recognition of identifiable intangible assets acquired in a business combination. The Company acquired RCP 2 for consideration valued at $102.6 million including subordinated notes valued at $78.7 million, our common stock subject to a five year lock up period with a fair value of $11.3 million, and assumed bank loans of $12.6 million. The Company assumed net liabilities of ($0.7) million and asset management fund contracts valued at $42.1 million. The asset management fund contracts have been recorded as an intangible asset and are being amortized ratably over the period of expected revenue from these contracts through 2026. The consideration we paid in the RCP 2 transaction included $61.3 million in Consideration Paid in Advance for the RCP 3 transaction. This amount is included in consideration paid in the valuation of RCP 3, which closed on January 3, 2018.

Accrued Expenses

Accrued expenses from our continuing operations consist of the following at December 31:

	2017	2016
Compensation, severance and benefits	$ 62	$ 2
Accrued Interest	23	-
Accrued franchise tax	34	-
Management incentive bonus	-	241
Taxes, other than income	-	10
Provision for lease settlement	-	1,203
Other	29	182
Total accrued expenses	$ 148	$ 1,638

Professional Fees

During the year ended December 31, 2017 we incurred professional and legal fees in support of the prepackaged plan of reorganization process and costs associated with the acquisition of RCP 2 and RCP 3, totaling approximately $0.8 million.

Debt Issuance Costs

The Company accounts for debt issuance costs in accordance with the FASB ASU 2015-15. We have classified the costs associated with securing the Credit and Guarantee Agreement referred to in Note 6 as an asset. These costs included the legal fees, and loan origination fees totaling $3.4 million through December 31, 2017. The costs are being amortized over a straight-line basis over the five year term of the agreement and the costs are reported as a component of interest expense.

Stock-Based Compensation Expense

We account for our stock-based compensation 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 four years. We develop our estimates of expected life and forfeitures based on historical data. We estimate stock price volatility based on historical volatilities. The risk-free rates are based on the U.S. Treasury yield in effect at the time of grant. Details of our stock-based compensation include the following:

	2017	2016
Stock-based compensation expense by caption:		
General and administrative	$ 302	$ —
Loss from discontinued operations	—	2,658
	$ 302	$ 2,658
Stock-based compensation expense by type of award:		
Stock options	$ 302	$ 2,245
Restricted stock awards	—	413
	$ 302	$ 2,658

Stock based compensation expense for the year ended December 31, 2016 was included within our net loss on discontinued operations in the consolidated statements of operations and comprehensive loss. The sale of our former business on November 19, 2016 triggered the change in control provision of our stock compensation 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 under those plans existing at that time.

Assumptions used in the Black-Scholes model for our stock plans are presented below:

	2017	2016
Weighted average expected life in years	3.0 years	6.27 years
Weighted average expected volatility	101.5%	55%
Volatility	101.5%	54%-55%
Risk-free interest rate	1.50%	1.23%-2.01%
Weighted average forfeiture rate	0%	28.3%

Income Taxes

We account for income taxes using the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

We recognize the financial statement benefit of a tax position that does not meet the more-likely-than-not threshold only after expiration of the statute of limitations of the relevant tax authority sustains our position following

an audit. For tax positions meeting the more likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon the ultimate settlement with the relevant tax authority. We recognize interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2017 and 2016, we had no material unrecognized tax benefits.

As of December 31, 2017 and 2016, we had no accrued or expensed interest or penalties related to uncertain tax positions.

Segment Reporting

We operate as a single operating segment. According to the FASB ASC Topic *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.

Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share data) for the years ended December 31:

	2017	**2016**
Net income (loss) from continuing operations	$ 481	$ (1,446)
Net income (loss) from discontinued operations	$ 633	$ (14,420)
Basic and diluted:		
Weighted-average shares of common stock outstanding used in computing basic net income (loss) per share	48,245	23,211
Weighted-average shares of common stock outstanding used in computing diluted net income (loss) per share	49,302	23,211
Basic net income (loss) per share from continuing operations	$ 0.01	$ (0.06)
Diluted net income (loss) per share from continuing operations	$ 0.01	$ (0.06)
Basic net income (loss) per share from discontinued operations	$ 0.01	$ (0.62)
Diluted net income (loss) per share from discontinued operations	$ 0.01	$ (0.62)

The calculation of diluted net income (loss) per share excludes 1,206,000 shares of common stock issuable upon exercise of employee stock options as of December 31, 2016, because their inclusion in the calculation would be anti-dilutive.

Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2018-02, (“ASU 2018-02”), Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the guidance

that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The standard takes effect for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption of the amendments in this update is permitted for public business entities for reporting periods for which financial statements have not yet been issued and for all other entities for reporting periods for which financial statements have not yet been made available for issuance. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, ("ASU 2017-09"), Compensation – Stock Compensation (Topic 718): Scope in Modification Accounting, which clarifies and reduces diversity in practice, cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. An entity should account for the effects of a modification unless the fair value, vesting conditions and classification of the modified award are the same for the modified award as for the original award. ASU 2017-09 is effective for all entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017, and requires a prospective approach. Early adoption is permitted. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, ("ASU 2017-04"), Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. An entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if applicable. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2019, on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, ("ASU 2017-01"), Business Combinations (Topic 805): Clarifying the Definition of a Business, which provides a screen to determine when an asset acquired or group of assets acquired is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. For public entities, ASU 2017-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2018. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, ("ASU 2016-18"), Statement of Cash Flows (Topic 230): Restricted Cash, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period balances on the statement of cash flows upon adoption of this standard. For public entities, ASU 2016-18 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017, with early adoption permitted. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2018. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In October 2016, FASB issued ASU No. 2016-16, ("ASU 2016-16"), Income Taxes (Topic 740): Intra-Entity Transfer of Assets Other than Inventory, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. For public entities, ASU 2016-16 is effective for financial statements issued for annual periods beginning after December 15, 2018, and interim periods within those annual periods. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2019. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

In August 2016, the FASB ASU No. 2016-15, ("ASU 2016-15"), Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This amendment eliminates the diversity in practice related to the classification of certain cash receipts and payments for debt prepayment or extinguishment costs, the maturing of a zero coupon bond, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization. ASU 2016-15 designates the appropriate cash flow classification, including requirements to allocate certain components of these cash receipts and payments among operating, investing and financing activities. The retrospective transition method, requiring adjustment to all comparative periods presented, is required unless it is impracticable for some of the amendments, in which case those amendments would be prospectively as of the earliest date practicable. We are evaluating the new guidance to determine the impact that adopting this new accounting standard will have on our consolidated financial statements and footnote disclosures. ASU 2016-15 if effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application is permitted, including adoption in an interim period.

In April 2016, the FASB issued ASU No. 2016-10, ("ASU 2016-10") Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which adds further guidance on identifying performance obligations and improves the operability and understanding of the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting, which rescinds SEC paragraphs pursuant to the SEC Staff Announcement, "Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606," and the SEC Staff Announcement, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity". The FASB also issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which addresses narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. Additionally, the amendments in this update provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. We will adopt this guidance beginning January 1, 2018. We are evaluating the new guidelines to determine if they will have a significant impact on our consolidated results of operation, financial condition or cash flows.

In February 2016, FASB issued ASU No. 2016-02, ("ASU 2016-02"), Leases (Topic 842). The amendments in this update require lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases at the commencement date. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and is to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are evaluating the new guidelines to see if they will have a significant impact on our consolidated results of operation, financial condition or cash flows.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards update (ASU) No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09). ASU 2014-09 represents a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASU 2014-09 by one year to annual and interim reporting periods beginning after December 15, 2017. In addition, during March, April and May 2016, the FASB issued ASU No. 2016-08 “Revenue from Contracts with Customer: Principal versus Agent Consideration (Reporting Revenue Gross versus Net)”, ASU No. 2016-10 “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing”, and ASU No. 2016-12 “Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients”, respectively. These additional amendments clarified the revenue recognition guidance on reporting revenue. The Company is currently evaluating the effect that adoption will have on its Consolidated Financial Statements.

2. Discontinued Operations

On November 19, 2016, we completed the sale of substantially all of our assets and operations to Langley and recorded an approximately $6.6 million loss on the sale of the discontinued operations. Pursuant to the terms of the purchase agreement, after the closing of the disposition of our assets, 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 were not related to the purchased assets.

The results of operations and the assets and liabilities for this sold business have been classified as “discontinued operations” in the consolidated balance sheet, the consolidated statements of operations and cash flows for the fiscal years presented. The loss from continuing operations presented in our financial statements for the period ending December 31, 2016 represents the costs of expenses of maintaining our corporate structure as a shell company subsequent to the November 19, 2016 sale. These costs include payroll costs for the two executives, legal costs, consulting costs to monetize our intellectual property and other general and administrative expenses.

Certain items were reclassified as part of discontinued operations for comparative purposes. There were no balance sheet items remaining on our balance sheet as of December 31, 2016 related to our discontinued operations.

The amounts in the statement of operations that are included in discontinued operations are summarized in the following table:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Revenue	$ —	$ 31,753
Cost of goods sold	—	23,782
Gross profit	—	7,971
Operating expenses:		
Research and development	—	4,135
Selling and marketing	—	7,349
General and administrative	(633)	3,979
Total operating expenses	(633)	15,463
Loss on sale of discontinued operations	—	(6,597)
Interest expense, net	—	(312)
Other expense, net	—	(19)
Income (loss) from discontinued operations before income taxes	633	(14,420)
Income tax expense	—	—
Net income (loss) from discontinued operations	$ 633	$ (14,420)

In 2017, the Company as part of its pre-packaged bankruptcy filing settled the liabilities associated with our discontinued operations favorably resulting in income from discontinued operations including (a) the contingent liability associated with the lease of our manufacturing facility at an amount less than accrued on the December 31, 2016 balance sheet resulting in earnings reported as discontinued operations of $392 and (b) the management incentive bonus earned in 2015 of $241 was reversed as the result of the terms of the restructuring plan.

The loss on sale of discontinued operations amount incurred for the year ended December 31, 2016 was a result of the disposition of the following assets and liabilities to Langley on November 31, 2016:

Assets sold:		As of November 18, 2016
Accounts receivable, net	$	6,484
Inventories, net		6,933
Other assets		1,702
		15,119
Liabilities assumed:		
Accounts payable and accrued expenses		2,999
Deferred revenue		4,550
Line of credit payable		5,535
Other liabilities		359
		13,443
Excess of assets sold over liabilities assumed		1,676
Cash paid to complete sale		3,324
		5,000
Provision for lease settlement		1,203
Cumulative translation adjustment of disposed assets and liabilities		211
Other costs to close the sale		183
Loss on sale of discontinued operations	$	6,597

3. Property and Equipment

Property and equipment included in our continuing operations consists of the following at December 31:

	2017		2016	
Computers and purchased software	$	5	$	5
		5		5
Accumulated depreciation		(4)		(1)
Net Property and Equipment	$	1	$	4

4**. Stockholders' Equity**

Common Stock

Common stock reserved for future issuance at December 31, 2017 consisted of 5,628,781 shares reserved under our 2010 Stock Incentive Plan, of which 93,000 shares were subject to outstanding options and 5,535,781 shares were available for future grants of awards.

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 our plan of 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

Since its inception, we have authorized 8,682,296 shares of common stock for issuance under our 2000 and 2010 Stock Incentive Plans, however, we are only issuing new shares of common stock under our 2010 Stock Incentive Plan. The 2000 Stock Incentive Plan has no remaining shares reserved for issuance. We grant options under these plans that vest over periods of up to four years. The term of each option is no more than ten years from the date of grant. Our policy is to issue new shares when required to issue shares upon option exercises. 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 plan of reorganization proceeding in 2017 the 1,110,000 stock options held by our then chief executive officer, chief financial officer and the then current chairman of the board were terminated and returned to the stock option plan pool. In addition, our then chief executive officer was granted nonqualified stock options to purchase 1,600,000 shares of our common stock at an exercise price of $0.30. These options were fully vested, have a ten year exercise period and were issued outside of the 2010 Stock Incentive Plan. When the options are exercised our 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 our common stock's fair market value on the exercise date and the option price.

A summary of common stock option activity is as follows:

	Number of Shares	**Weighted-Average Exercise Price**	**Weighted-Average Contractual Life (in years)**	**Aggregate Intrinsic Value (whole dollars)**
Outstanding at December 31, 2016	1,206,000	$ 2.44		
Granted	1,600,000	0.30		
Exercised	—	—		
Canceled	(1,113,000)	2.33		
Outstanding at December 31, 2017	1,693,000	$ 0.49	9.27	$ —
Vested and expected to vest at December 31, 2017	1,693,000	$ 0.49	9.27	$ —
Exercisable at December 31, 2017	1,693,000	$ 0.49	9.27	$ —

The weighted average grant date fair value per share of options granted during 2017 and 2016 was $0.30 and $0.42, respectively. There were no options exercised during the years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, there was $0 of total unrecognized compensation cost, related to non-vested stock options.

5. Debt

Notes Payable – On October 5, 2017, the Company issued Secured Promissory Notes Payable ("Seller's Notes") in the aggregate principal amount of $81.3 million to the owners of RCP 2 in connection with the acquisition

of that entity. These notes are non-interest bearing and will be paid using cash generated from our operations and borrowings under our Credit and Guaranty Agreement described below. The Sellers Notes were recorded at their discounted fair value in the amount of $78.7 million. We will record non cash interest expense on a periodic basis increasing the Seller's Notes to their gross value. In the fourth quarter of 2017 we recorded interest expense on the Seller's Notes in the amount of $0.6 million. The Seller's Notes mature on January 15, 2025. During the fourth quarter of 2017, we made payments in the amount of $2.0 million on the Seller's Notes using operating cash.

Credit and Guarantee Agreement - The Company's wholly-owned subsidiary P10 RCP Holdco, LLC ("Holdco") entered into a Credit and Guaranty Agreement (the "Credit Agreement") with HPS Investment Partners, LLC ("HPS") as administrative agent and collateral agent on October 7, 2017. The Credit Agreement provides for a $130.0 million senior secured credit facility in order to refinance our then the existing debt obligations and provide for the financing to repay the Seller's Notes due resulting from the acquisition of RCP. The Credit Agreement provides for a $125 million five year term loan and a $5 million one year line of credit. The Credit Agreement contains affirmative and negative covenants typical of such financing transactions, and specific financial covenants which require the Company to maintain a minimum leverage ratio, asset coverage ratio and fixed charge ratio. The Credit Agreement also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the payment of dividends and other restrictions. As of December 31, 2017 the Company was in compliance with all of the financial covenants under the Credit Agreement. There were no borrowings under the Credit Agreement at December 31, 2017.

Term Loan – The Company assumed outstanding term loans with a balance of $12.6 million when we acquired RCP 2. The primary term loan was for a five year term with sixteen remaining principal payments of $731 as of December 31, 2017. Interest on the term loan was based on the lender's prime rate plus 200 basis points. The term loan contained affirmative and negative covenants typical of such financing transactions. The outstanding balance of the term loans at December 31, 2017 was $11.7 million and we incurred interest expense was $0.4 million for the period from October 6, 2017 through December 31, 2017. As of December 31, 2017 the Company was in compliance with all of the financial covenants required under the term loan.

6. Income Taxes

The Tax Act was enacted in December 2017. The Tax Act significantly changes U.S. tax law by, among other things, lowering U.S. corporate income tax rates, implementing a territorial tax system and imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. The Tax Act reduces the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As the Company's ending deferred tax asset relates to net operating losses expected to be realized, and was determined as of December 31, 2017, the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Act did not result in a revaluation of ending deferred tax assets or liabilities.

The components of the provision (benefit) for income taxes attributed to continuing operations are as follows:

	Year Ended December 31,	
	2017	**2016**
Current:		
Federal	$ -	$ -
State	-	-
Total current	$ -	$ -
Deferred:		
Federal	$ (1,459)	$ -
State	(452)	-
Total current	$ (1,911)	$ -
Total	$ (1,911)	$ -

As of December 31, 2017, we had federal and apportioned state net operating loss carry-forwards, or NOL's, of approximately $272.7 million and $22.6 million and research and development credit carry-forwards of approximately $4.1 million. A portion of the net operating loss and credit carry-forwards will expire beginning in 2018, if not utilized. Utilization of the net operating losses and tax credits may be subject to substantial annual limitations due to the "change of ownership" provisions under the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and credit carryforwards before utilization.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes as of December 31 are as follows:

	2017	**2016**
Deferred tax assets:		
Current deferred tax assets		
Reserves and allowances	$ -	$ 516
Deferred rent	-	65
Stock Compensation	172	242
Net operating loss and tax credit carryforwards	62,460	95,196
Acquired intangibles	325	-
Goodwill	395	-
Valuation allowance for current deferred tax assets	(61,328)	(96,019)
Net deferred tax assets	$ 2,024	$ -
Deferred tax liabilities:		
Interest Expense	(113)	-
Total deferred tax liabilities	$ (113)	$ -
Total net deferred taxes	$ 1,911	$ -

Due to the uncertainty surrounding the timing of realizing the benefits of our domestic favorable tax attributes in future tax returns the Company has placed a valuation allowance against our domestic net deferred tax asset, exclusive of goodwill, other than $1.9 million we expect to realize during the next three years. During the year ended December 31, 2017 and 2016, the valuation allowance decreased by approximately $34.7 million and $7.9 million, respectively, due primarily to operations, acquisitions and the impact of changes in tax law.

Our provision for income taxes differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 34% to income before taxes due to the following:

	Year Ended December 31,	
	2017	2016
Federal statutory rate	(34.0) %	(34.0)%
State taxes, net of federal benefit	(14.5)	(2.9)
R&D credits	-	(0.1)
Stock compensation	-	8.4
Effect of current foreign operations	-	19.4
Expiration and adjustment of net operating losses	-	1.5
Impact of sale of business	-	(42.2)
Permanent items and other	(0.1)	0.1
Effect of Tax Act	2,456.0	-
Tax carryforwards not benefited	(2,541.0)	49.8
	(133.6) %	- %

We recognized no material adjustment in the liability for unrecognized income tax benefits under ASC 740-10. The reconciliation of our unrecognized tax benefits at the beginning and end of the year is as follows:

Balance at December 31, 2016	$ 2,387
Additions based on tax positions related to the current year	-
Additions for tax positions of prior years	32
Reductions for tax positions of prior years	(533)
Settlements	-
Balance at December 31, 2017	$ 1,886

Due to the existence of the valuation allowance, future changes in our unrecognized tax benefits will not materially impact our effective tax rate. Our assessment of our unrecognized tax benefits is subject to change as a function of the audit of our financial statements.

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2017, we had no accrued interest or penalties related to uncertain tax positions.

The tax years 2013 through 2017 remain open to examination by the major taxing jurisdictions to which we are subject.

7. Commitments and Contingencies

Our former corporate headquarters facility was a 127,000 square foot building we leased in Austin, Texas. We leased this building pursuant to a lease agreement that was set to expire in December 2021. Our discontinued manufacturing, administrative, information systems, sales and service groups utilized this facility. The purchase agreement with Langley contemplated that the parties would execute a sublease under which Langley would assume the full lease obligations for the facility for one year and for one third of the space and obligations for the remaining term of the lease. The landlord of the facility refused to consent to the sublease, and Langley agreed to close on the sale without the landlord's consent to the sublease of the facility. The landlord then notified us that it considered us in breach of the lease agreement for the facility. We had recorded a provision in our December 31, 2016 financial statements for vacating the lease in an amount equal to one year of lease payments amount, or approximately $1.2 million as our best estimate of the likely exposure to settle our outstanding lease obligation. This matter led us to file under Chapter 11 of the Federal Bankruptcy Code, using a prepackaged plan of reorganization. The matter was settled under the plan resulting in Langley assuming the full lease obligation in exchange for a payment from us of $1 million consisting of $0.8 million of cash and $0.2 million from our lease deposit.

We have no lease obligations as of December 31, 2017.

We have entered into Severance Benefits Agreements with our chief financial officer. This agreement generally provides that, if within 12 months following a change in control the executive officer's employment is terminated for reasons other than for cause (as defined in such executive's employment agreement) or by the executive for good reason, including a significant reduction in the role and/or responsibility of the executive within 12 months of the change in corporate control, then all outstanding stock options or restricted shares held by the executive would become fully vested as of the date of the termination and certain severance payments would be payable. In the event of termination of employment by us for reasons other than for cause or by the executive for good reason, he would be entitled to a severance payment equal to 12 months of salary and be entitled to receive health benefits for 12 additional months after termination.

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.

8. Subsequent Events

Management has evaluated subsequent events through March 30, 2018, the date the financial statements were available to be issued.

On January 3, 2018 the Company closed on the acquisition of RCP 3 in exchange for $35.8 million in principal amount of additional non-interest bearing Seller's Notes which will be recorded at a fair value to be determined. In addition, the Company will pay the former owners of RCP 3 a tax amortization benefit amount to be paid in fifteen annual installments beginning in 2023. The valuation and purchase accounting for the RCP 3 transaction will be evaluated during 2018.

On January 3, 2018 we incurred borrowings under the Credit Agreement in the amount of $60 million in order to pay off the outstanding loans payable as well as a portion of the Seller's Notes outstanding at year end and new Seller's Notes issued in conjunction with the closing of the RCP 3 transaction.

No other subsequent events were identified as part of management's assessment that would require disclosure in these financial statements.