# Unaudited Quarterly Report to Shareholders for The Nine Months Ended September 30, 2020

# P10 Holdings, Inc.

**Delaware**
*(State of Incorporation)*

**74-2961657**
*(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 November 16, 2020**

**Special Note Regarding Forward-Looking Statements**

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

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

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

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

Dear P10 Stockholders:

We continue to execute on the key pillars of our business strategy, including: 1) raise private capital in alternative asset classes where we believe we can achieve superior risk adjusted returns for our investors; 2) attract leading franchises in complementary alternative asset classes to our platform; and 3) deploy internally generated capital to maximize value for our stakeholders over the long term.

We believe our business model possesses many unique attributes that should allow us to create long term value for our shareholders. Our asset light, highly predictable, high margin and organically growing cash flow stream, complemented by accretive acquisitions, provides a stable foundation from which to continue to build the franchise. As large owners of P10 equity, our executive team and investment professionals are fully aligned with all shareholders.

During the third quarter, our private equity strategy, RCP Fund XV, closed on $241.8 million of capital commitments. We will continue to raise capital for this fund into 2021. In addition, our secondary strategy, SOF III Overage, closed on $58.4 million in the quarter and remains open for additional inflows. This fund will also continue to raise capital. Finally, we raised and closed $126.3 million for a separate account.

The table below outlines P10's cash earnings, which is the primary metric that management uses when evaluating the business. Going forward, we intend to report adjusted net income, rather than cash earnings, to better align our nomenclature with our peers. Additionally, the second and third quarter performance includes our private credit strategy, Five Points Capital, but does not include our venture capital strategy, TrueBridge Capital Partners, which successfully closed during the fourth quarter. Please find our GAAP financials following this letter.

| | For the Three Months Ended September 30, 2020 | For the Nine Months Ended September 30, 2020 |
|---|---|---|
| **Net Income** | $ (86) | $ 2,880 |
| **Add back:** | | |
| + Depreciation & amortization | 3,579 | 9,627 |
| + Non-cash expenses | 397 | 1,315 |
| + Non-recurring expenses | 1,995 | 1,229 |
| **Total Cash Earnings** | $ 5,885 | $ 15,051 |
| Weighted average shares outstanding* | 109,606 | 102,840 |
| Cash earnings per share | $ 0.05 | $ 0.15 |

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

Finally, as we look to build long term value for our shareholders, including a potential uplisting onto a national exchange (in connection with a public registration or some other transaction), we are pleased to announce the hiring of our new Chief Financial Officer, Amanda Coussens. Amanda has deep experience in asset management and the public markets, and we very much look forward to her contributions to the team over the long term.

Thank you for your support and we look forward to updating you on our continued progress.
Sincerely,

Robert Alpert — Co-CEO

C. Clark Webb — Co-CEO

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

# P10 Holdings, Inc.

Consolidated Balance Sheets

*(in thousands, except share amounts)*

| | As of September 30, 2020 (Unaudited) | As of December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 16,167 | $ 18,710 |
| Restricted cash | 756 | 756 |
| Accounts receivable | 471 | 704 |
| Due from related parties | 1,738 | 1,901 |
| Prepaid expenses and other | 1,942 | 1,132 |
| Property and equipment, net | 39 | 46 |
| Right-of-use assets | 5,172 | 5,711 |
| Deferred tax assets | 19,417 | 21,707 |
| Intangibles, net | 69,169 | 54,814 |
| Goodwill | 146,019 | 97,323 |
| Total assets | $ 260,890 | $ 202,804 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| LIABILITIES: | | |
| Accounts payable | $ 4,152 | $ 106 |
| Accrued expenses | 7,628 | 6,277 |
| Post-closing payment | - | 250 |
| Deferred revenues | 8,183 | 7,706 |
| Lease liabilities | 5,968 | 6,578 |
| Credit and guaranty facility, net | 102,456 | 104,963 |
| Notes payable to sellers, net | 31,642 | 40,883 |
| Total liabilities | 160,029 | 166,763 |
| COMMITMENTS AND CONTINGENCIES (NOTE 9) | | |
| REDEEMABLE NONCONTROLLING INTEREST | 61,418 | - |
| 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 | 324,092 | 323,570 |
| Accumulated deficit | (284,465) | (287,345) |
| Total stockholders' equity | 39,443 | 36,041 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 260,890 | $ 202,804 |



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 September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **REVENUES** | | | | |
| Management fees | $ 14,623 | $ 9,237 | $ 40,215 | $ 29,405 |
| Other revenue | 768 | 1,612 | 2,478 | 3,838 |
| Total revenues | 15,391 | 10,849 | 42,693 | 33,243 |
| **OPERATING EXPENSES** | | | | |
| Compensation and benefits | 5,919 | 2,954 | 15,813 | 9,231 |
| Professional fees | 2,627 | 281 | 5,155 | 717 |
| General, administrative and other | 1,077 | 1,010 | 3,178 | 3,193 |
| Amortization of intangibles | 3,571 | 2,638 | 9,605 | 7,914 |
| Total operating expenses | 13,194 | 6,883 | 33,751 | 21,055 |
| **INCOME FROM OPERATIONS** | 2,197 | 3,966 | 8,942 | 12,188 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest expense implied on notes payable to sellers | (216) | (362) | (771) | (1,567) |
| Interest expense, net | (2,089) | (2,528) | (6,498) | (7,009) |
| Total other expense | (2,305) | (2,890) | (7,269) | (8,576) |
| Net income before income taxes | (108) | 1,076 | 1,673 | 3,612 |
| Income tax benefit (expense) | 175 | 2,508 | 1,513 | 7,076 |
| **NET INCOME (LOSS)** | $ 67 | $ 3,584 | $ 3,186 | $ 10,688 |
| Less: preferred dividends attributable to redeemable noncontrolling interest | $ (153) | $ - | $ (306) | - |
| **NET INCOME (LOSS) ATTRIBUTABLE TO P10 HOLDINGS** | $ (86) | $ 3,584 | $ 2,880 | $ 10,688 |
| Earnings per share | | | | |
| Basic earnings per share | $ (0.00) | $ 0.04 | $ 0.03 | $ 0.12 |
| Diluted earnings per share | $ (0.00) | $ 0.04 | $ 0.03 | $ 0.12 |
| Weighted average shares outstanding, basic | 89,235 | 89,235 | 89,235 | 89,235 |
| Weighted average shares outstanding, diluted | 89,235 | 90,834 | 92,060 | 90,581 |



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' |
|---|---|---|---|---|---|---|---|
| | Units | Amount | Units | 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 |
| Stock-based compensation | - | - | - | - | 187 | - | 187 |
| Net income attributable to P10 Holdings | - | - | - | - | - | 1,125 | 1,125 |
| **Balance at June 30, 2020** | 89,235 | $ 89 | 176 | $ (273) | $ 323,900 | $ (284,379) | $ 39,337 |
| Stock-based compensation | - | - | - | - | 192 | - | 192 |
| Net (loss) attributable to P10 Holdings | - | - | - | - | - | (86) | (86) |
| **Balance at September 30, 2020** | 89,235 | $ 89 | 176 | $ (273) | $ 324,092 | $ (284,465) | $ 39,443 |



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, 2018** | 89,235 | $ 89 | 176 | $ (273) | $ 323,153 | $ (299,286) | $ 23,683 |
| Stock-based compensation | - | - | - | - | 94 | - | 94 |
| Net income attributable to P10 Holdings | - | - | - | - | - | 3,920 | 3,920 |
| **Balance at March 31, 2019** | 89,235 | $ 89 | 176 | $ (273) | $ 323,247 | $ (295,366) | $ 27,697 |
| Stock-based compensation | - | - | - | - | 109 | - | 109 |
| Net income attributable to P10 Holdings | - | - | - | - | - | 3,184 | 3,184 |
| **Balance at June 30, 2019** | 89,235 | $ 89 | 176 | $ (273) | $ 323,356 | $ (292,182) | $ 30,990 |
| Stock-based compensation | - | - | - | - | 105 | - | 105 |
| Net income attributable to P10 Holdings | - | - | - | - | - | 3,584 | 3,584 |
| **Balance at September 30, 2019** | 89,235 | $ 89 | 176 | $ (273) | $ 323,461 | $ (288,598) | $ 34,679 |



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 Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 3,186 | $ 10,688 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation | 522 | 308 |
| Depreciation expense | 21 | 22 |
| Amortization of intangibles | 9,605 | 7,914 |
| Amortization of debt issuance costs and debt discount | 1,316 | 2,110 |
| Benefit for deferred tax | (3,214) | (8,097) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 528 | 198 |
| Due from related parties | 190 | (504) |
| Prepaid expenses and other | (797) | (781) |
| Right-of-use assets | 878 | 617 |
| Accounts payable | 3,688 | (83) |
| Accrued expenses | 962 | 589 |
| Deferred revenues | 477 | 986 |
| Lease liabilities | (949) | (688) |
| Net cash provided by operating activities | 16,413 | 13,279 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of Five Points Capital, net of cash acquired | (46,640) | - |
| Post-closing payments for Columbia Partners assets | (250) | (500) |
| Purchases of property and equipment | (14) | (14) |
| Net cash used in investing activities | (46,904) | (514) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issuance of redeemable noncontrolling interests | 31,000 | - |
| Repayment of notes payable to sellers | - | (19,750) |
| Borrowings on credit and guaranty facility | - | 19,750 |
| Repayments on credit and guaranty facility | (2,582) | (4,781) |
| Debt issuance costs | (470) | - |
| Net cash provided by (used in) financing activities | 27,948 | (4,781) |
| Net change in cash and cash equivalents and restricted cash | (2,543) | 7,985 |
| **CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period** | 19,466 | 8,951 |
| **CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period** | $ 16,923 | $ 16,936 |
| **SUPPLEMENTAL INFORMATION** | | |
| Cash paid for interest | $ 6,172 | $ 6,483 |
| Cash paid for income taxes | $ 441 | $ - |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Issuance of redeemable noncontrolling interests to FPC sellers | $ 20,100 | $ - |
| Issuance of redeemable noncontrolling interests in exchange for TAB | $ 10,012 | $ - |



The Notes to 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 majority-owned subsidiaries ("P10 Holdings" or the "Company," which also may be referred to as "we," "our" or "us") operates as an alternative asset management investment firm. The subsidiaries include P10 Intermediate Holdings, LLC ("Intermediate Holdings") which owns the subsidiaries P10 RCP Holdco, LLC ("Holdco") and Five Points Capital, Inc. ("FPC"). Holdco is the entity holding the acquisition financing debt and owns the subsidiaries RCP Advisors 2, LLC ("RCP 2") and RCP Advisors 3, LLC ("RCP 3"). Through the Company's subsidiaries, RCP 2, RCP 3, and FPC, we provide investment management and advisory services to affiliated private equity funds, funds-of-funds, secondary funds, co-investment funds, and private credit funds (collectively the "Funds").

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

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

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

On November 19, 2016, we completed the sale of substantially all our assets 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 Consolidated Balance Sheet by more than $5.0 million at closing. We also retained our net operating losses and other tax benefits and certain intellectual property rights related to our patents that are not related to the purchased assets.

On March 22, 2017, we filed for re-organization under Chapter 11 of the Federal Bankruptcy Code, using a prepackaged plan of reorganization. In connection with the filing, the Company entered into a Restructuring Support Agreement with 210/P10 Investment LLC, as well as a Restructuring Support Agreement with Langley. The Company emerged from bankruptcy on May 3, 2017. The key features of the plan included: 210/P10 Investment LLC acquiring 21,650,000 shares of the Company's common stock in exchange for a cash investment of $4.7 million; and satisfied all liabilities with Langley associated with their asset purchase agreement including their assumption of our former manufacturing facility lease in exchange for $0.8 million in cash and our lease deposit of $0.2 million.

On October 5, 2017, 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, we closed on the acquisition of FPC. FPC is a leading lower middle market alternative investment manager focused on providing both equity and debt capital to private, growth-oriented companies and LP capital to other private equity funds, with all strategies focused exclusively in the U.S. lower middle market. See Note 3 for additional information on the acquisition. FPC 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 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its consolidated subsidiaries. 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 consolidated subsidiaries include Intermediate Holdings which owns the subsidiaries Holdco and FPC. Holdco is the entity holding the acquisition financing debt and owns the subsidiaries RCP 2 and RCP 3. All intercompany transactions and balances have been eliminated upon consolidation. The Funds, including the general partners or managing members of such Funds, are not consolidated. The Company has no economic interest, ownership in or beneficiary interest in the performance of the Funds (except for a 5% carried interest in RCP FF Small Buyout Co-Investment Fund, LP). RCP 2, RCP 3 and FPC serve as the advisors of the Funds and receive management fees for the services performed.

In the opinion of management, all required adjustments have been made so that the interim Consolidated Financial Statements are presented fairly and that estimates made in preparing the interim Consolidated Financial Statements are reasonable and prudent. Results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. These unaudited interim Consolidated Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2019.

**Principles of Consolidation**

The Company performs the variable interest analysis for all entities in which it has a potential variable interest, which primarily consist of all partnerships where the Company serves as the general partner or managing member, and general partner entities not wholly owned by the Company. If the Company has a variable interest in the entity and the entity is a VIE, it will also analyze whether the Company is the primary beneficiary of this entity and whether consolidation is required.

VIEs are primarily 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 it, 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 14 for further information.

Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities 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.

*(Unaudited, dollar amounts stated in thousands)*

**Use of Estimates**

The preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. As of September 30, 2020 and December 31, 2019, cash equivalents include money market funds of $14.6 million and $17.6 million, respectively, which approximates fair value. The Company maintains its cash balances at a financial institution, which may periodically exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Company believes it is not exposed to any significant credit risk on cash.

**Restricted Cash**

As of September 30, 2020 and December 31, 2019, the Company had $0.8 million and $0.8 million, respectively, of compensating balances recorded in restricted cash on our Consolidated Balance Sheets. These balances reflect a letter of credit issued by a third party in lieu of a cash security deposit, as required by the Company's lease for its Chicago office.

**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 September 30, 2020 or December 31, 2019. If accounts become uncollectible, they will be expensed when 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 affiliate notes receivable. These amounts are expected to be fully collectible.

**Property and Equipment**

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

| | |
|---|---|
| Computers and purchased software | 3 years |

**Long-lived Assets**

Long-lived assets including property and equipment, lease right-of-use assets, and definite lived intangibles are evaluated for impairment under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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. Long-lived assets are determined to not be recoverable if the undiscounted estimated future net operating cash flows directly related to the asset, 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 amount of the asset exceeds its fair value. An estimate of fair value is based on the best information available, including prices for similar assets and discounted cash flow.

**Leases**

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-2, *Leases* ("ASC 842") using the optional transition method allowed under ASU 2018-11, *Leases: Targeted Improvements*. Consequently, financial information and disclosures for the reporting periods beginning after January 1, 2019 are presented under ASC 842. ASC 842 provides a number of optional practical expedients as part of the transition from ASC 840. The Company elected the 'package of practical expedients', which permits it to not reassess, under ASC 842, prior conclusions about lease identification, lease classification and initial direct costs. On adoption, the Company recognized $5.7 million of assets and $6.6 million of liabilities related to the right-of-use asset and lease liability, respectively, for its current operating leases. The adoption did not have a material impact on our Consolidated Statements of Operations.

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 space. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. The Company's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Company and are presented net of deferred rent, 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 for lease payments 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.

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 assets acquired less the liabilities assumed. As of September 30, 2020, goodwill recorded on our Consolidated Balance Sheets relates to the acquisitions of RCP 2, RCP 3 and FPC. As of September 30, 2020, the intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets related to the acquisitions of RCP 2, RCP 3 and FPC.

Indefinite-lived intangible assets and goodwill are not amortized. Finite-lived technology is amortized using the straight-line method over its estimated useful life of 4 years. Finite-lived management fund contracts, which relate to acquired separate accounts and funds and investor/customer relationships with a specified termination date, are amortized in line with contractual revenue to be received, which range between 9 and 10 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 arise.

Goodwill is reviewed for impairment at least annually 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, or when the quantitative approach is used, a two-step quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

The Company performed the annual goodwill impairment assessment as of September 30, 2020 and 2019 and concluded that goodwill was not impaired. The Company has not recognized any impairment charges in any of the periods presented.

**Debt Issuance Costs**

Costs incurred for debt issuance are being 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 and included in interest expense within our Consolidated Statements of Operations.

**Redeemable Noncontrolling Interest**

Redeemable noncontrolling interest represents third-party interests in the Company's consolidated subsidiary, Intermediate Holdings. 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 the end of each reporting period 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 13 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.

At September 30, 2020 and December 31, 2019, 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 seller notes payable and tax amortization benefits were recorded at their discounted fair values upon issuance and a non-cash interest expense is recorded every period on our Consolidated Statements of Operations. Thus, their carrying values approximate fair value. At September 30, 2020 and December 31, 2019, the Company did not have any assets or liabilities that were measured at fair value on a recurring basis.

**Revenue Recognition of Management Fees and Management Fees Received in Advance**

On January 1, 2019, the Company adopted ASC 606, *Revenue from Contracts with Customers* ("ASC 606") using the modified retrospective method. The adoption did not change the historical pattern of recognizing revenue for management fees. Accordingly, the Company did not record a cumulative adjustment upon adoption.

Revenue is recognized when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

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

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

The Company generally earns management fees on the Funds for ten years from the inception date for each Fund. The fee is typically a fixed percentage of limited partner committed capital during the investment period, and then typically steps down to a new rate on either limited partner committed capital, net invested capital, or underlying commitments, as appropriate, by fund. Management fees received in advance reflects the amount of management fees that have been received prior to the period the fees are earned from the underlying Funds. These fees are recorded as deferred revenue on our Consolidated Balance Sheets.

The Company typically satisfies its performance obligation over time as the services are rendered, since the Funds simultaneously receive and consume the benefits provided as the Company performs the service. Revenue for investment management services provided is recognized at the end of the period, as that is when the Company has performed all contractual services for the period and fees have been earned.

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

**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 12 for additional information.

The numerator in the computation of diluted EPS is impacted by the redeemable convertible preferred shares issued by Intermediate Holdings since these preferred shares are convertible into common shares of Intermediate Holdings. Under the if converted method, diluted EPS reflects a reduction in earnings that P10 Holdings would recognize by owning a smaller percentage of Intermediate Holdings 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 is accounted for using the Black Scholes option valuation model. Stock-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award, generally five years. Expected life is based on the vesting period and expiration date. 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 accounted for as they occur.

**Segment Reporting**

We operate as 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 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 are not required if market participants can acquire the set and continue to produce outputs. In addition, the Company also performs a screen test to determine when a set 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 is not a business. If the set 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)*

**Recent Accounting Pronouncements**

The Company adopted ASU No. 2016-15, Statement of Cash Flows ("ASC 320") *Classification of Certain Cash Receipts and Cash Payments* on January 1, 2019. 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. 2016-18, Statement of Cash Flows (ASC 320) *Restricted Cash* on January 1, 2019. 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. 2017-01, Business Combinations (ASC 805) *Clarifying the Definition of a Business* on January 1, 2019. 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. The adoption of the new guidance is not expected to have a material effect on our Consolidated Financial Statements and related disclosures.

## Note 3. Acquisitions

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

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

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

We recognized $0 and $1.1 million of acquisition-related costs for the three and nine months ended September 30, 2020, respectively. We also recognized $1.2 million of acquisition-relates costs for the year ended December 31, 2019. These costs are included in professional fees on our Consolidated Statements of Operations.

The acquisition date fair values of certain assets and liabilities, including intangible assets acquired and related weighted average expected lives and deferred income taxes, are provisional and subject to revision within one year of the acquisition date. 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 | $ | 111 |
| Accounts receivable | | 295 |
| Due from related parties | | 27 |
| Prepaid expenses and other | | 13 |
| Right-of-use assets | | 339 |
| Intangible assets | | 23,960 |
| Total assets acquired | $ | 24,745 |
| **LIABILITIES** | | |
| Accounts payable | $ | 358 |
| Accrued expenses | | 389 |
| Long-term lease obligation | | 339 |
| Deferred tax liability | | 5,504 |
| Total liabilities assumed | $ | 6,590 |
| Net identifiable assets acquired | $ | 18,155 |
| Goodwill | | 48,696 |
| Net assets acquired | $ | 66,851 |

*Identifiable Intangible Assets*

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

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

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

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

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

*(Unaudited, dollar amounts stated in thousands)*

*Goodwill*

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

*Financial Information*

Since the acquisition date of April 1, 2020, the revenues and net loss of the business acquired have been included in our Consolidated Statements of Operations and were $8.5 million and $0.3 million, respectively.

The following unaudited pro forma condensed consolidated results of operations of the Company assumes the acquisition of FPC was completed on January 1, 2019:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | $ 15,391 | $ 15,354 | $ 47,026 | $ 46,143 |
| Net income (loss) | (86) | 3,975 | 4,319 | 10,269 |

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

## Note 4. Revenue

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Management fee contracts | $ 14,623 | $ 9,237 | $ 40,215 | $ 29,405 |
| Subscriptions | 156 | 196 | 496 | 614 |
| Consulting agreements and referral fees | - | 422 | 55 | 754 |
| Advisory services fees | 600 | 805 | 1,807 | 2,089 |
| Other revenue | 12 | 189 | 120 | 381 |
| Total revenues | $ 15,391 | $ 10,849 | $ 42,693 | $ 33,243 |

*(Unaudited, dollar amounts stated in thousands)*

## Note 5. Property and Equipment

Property and equipment consist of the following:

| | As of September 30, 2020 | As of December 31, 2019 |
|---|---|---|
| Computers and purchased software | $ 165 | $ 151 |
| Less: accumulated depreciation | (126) | (105) |
| Total property and equipment, net | $ 39 | $ 46 |

## Note 6. Intangibles

Intangibles consists of the following:

| | As of September 30, 2020 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Indefinite-lived intangible assets: | | | |
| Trade names | $ 17,350 | $ - | $ 17,350 |
| Total indefinite-lived intangible assets | 17,350 | - | 17,350 |
| Finite-lived intangible assets: | | | |
| Trade names | 4,060 | (157) | 3,903 |
| Management fund contracts | 74,876 | (28,827) | 46,049 |
| Technology | 5,950 | (4,083) | 1,867 |
| Total finite-lived intangible assets | 84,886 | (33,067) | 51,819 |
| Total intangible assets | $ 102,236 | $ (33,067) | $ 69,169 |

| | As of December 31, 2019 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Indefinite-lived intangible assets: | | | |
| Trade names | $ 17,350 | $ - | $ 17,350 |
| Total indefinite-lived intangible assets | 17,350 | - | 17,350 |
| Finite-lived intangible assets: | | | |
| Management fund contracts | 54,976 | (20,495) | 34,481 |
| Technology | 5,950 | (2,967) | 2,983 |
| Total finite-lived intangible assets | 60,926 | (23,462) | 37,464 |
| Total intangible assets | $ 78,276 | $ (23,462) | $ 54,814 |

*(Unaudited, dollar amounts stated in thousands)*

Management fund contracts and certain trade names are amortized over 10 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 2020 | $ | 3,572 |
| 2021 | | 12,988 |
| 2022 | | 9,414 |
| 2023 | | 8,005 |
| 2024 | | 6,366 |
| Thereafter | | 11,474 |
| Total amortization | $ | 51,819 |

## Note 7. Debt

Debt consists of the following:

| | | As of September 30, 2020 | | As of December 31, 2019 |
|---|---|---|---|---|
| Gross notes payable to sellers | $ | 41,064 | $ | 57,814 |
| Less debt discount | | (9,422) | | (16,931) |
| Notes payable to sellers, net | $ | 31,642 | $ | 40,883 |
| Gross credit and guaranty facility | $ | 104,389 | $ | 106,971 |
| Debt issuance costs | | (1,933) | | (2,008) |
| Credit and guaranty facility, net | $ | 102,456 | $ | 104,963 |
| Total Debt | $ | 134,098 | $ | 145,846 |

**Notes Payable to Sellers**

On October 5, 2017, the Company issued Secured Promissory Notes Payable ("2017 Seller Notes") in the amount of $81.3 million to the owners of RCP 2 in connection with the acquisition of that entity. The 2017 Seller Notes mature on January 15, 2025. The 2017 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the Credit and Guaranty 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 September 30, 2020 and December 31, 2019, the gross value of the 2017 Seller Notes was $6.4 million.

On January 3, 2018, the Company issued Secured Promissory Notes Payable ("2018 Seller Notes") in the amount of $22.1 million to the owners of RCP 3 in connection with the acquisition of that entity. The 2018 Seller Notes mature on January 15, 2025. The 2018 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the 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 September 30, 2020 and December 31, 2019, the gross value of the 2018 Seller Notes was $3.0 million.

On January 3, 2018, the Company issued tax 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 Intermediate Holdings 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 FPC acquisition, April 1, 2020. See Note 13 for additional information. As of September 30, 2020 and December 31, 2019, the gross value of the 2018 TAB Payments was $31.7 million and $48.4 million, respectively.

During the three and nine months ended September 30, 2020, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0. During the three and nine months ended September 30, 2019, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0 and $0.6 million, respectively. During the three and nine months ended September 30, 2020, we recorded $0.2 million and $0.8 million in interest expense related to the TAB Payments, respectively. During the three and nine months ended September 30, 2019, we recorded $0.3 million and $1.0 million in interest expense related to the TAB Payments, respectively. During the three and nine months ended September 30, 2020, no payments were made on the 2017 Seller Notes and 2018 Seller Notes. During the three and nine months ended September 30, 2019, payments of $0 and $19.7 million were made on the 2017 Sellers Notes and 2018 Sellers Notes, respectively.

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

**Credit and Guaranty Facility**

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

Subject to certain EBITDA levels and conditions, Holdco was permitted to draw up to $125 million in aggregate on the term loan in tranches through July 31, 2019. Interest is calculated upon each tranche at 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 repaid at a rate of 0.75% of the original tranche draw per calendar quarter. Holdco took a $55 million draw on the term loan on January 3, 2018, a $25 million draw on August 15, 2018, a $15 million draw on December 3, 2018, and a $19.8 million draw on June 12, 2019. The maturity date of all term loan tranches is October 7, 2022.

The Facility contains affirmative and negative covenants typical of such financing transactions, and specific financial covenants which require Holdco to maintain a minimum leverage ratio, asset coverage ratio and a fixed charge ratio. The Facility also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the payment of dividends and other restrictions. As of September 30, 2020, Holdco was in compliance with all the financial covenants required under the Facility. The outstanding balance of the Facility was $104.0 million and $107.0 million as of September 30, 2020 and December 31, 2019, 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.

*(Unaudited, dollar amounts stated in thousands)*

**Debt Payable**

Future principal maturities of debt as of September 30, 2020 are as follows:

| | | |
|---|---|---|
| Remainder of 2020 | $ | 861 |
| 2021 | | 3,443 |
| 2022 | | 100,086 |
| 2023 | | 2,111 |
| 2024 | | 2,111 |
| Thereafter | | 36,841 |
| | $ | 145,453 |

**Debt Issuance Costs**

Debt issuance costs are offset against the Credit and Guaranty Facility. Unamortized debt issuance costs for this Facility as of September 30, 2020 and December 31, 2019 were $1.9 million and $2.0 million, respectively.

Amortization expense related to debt issuance costs totaled $0.2 and $0.5 million for the three and nine months ended September 30, 2020 and 2019, respectively, and are included within interest expense, net on the accompanying Consolidated Statements of Operations. During the three and nine months ended September 30, 2020, we recorded $0.5 million in debt issuance costs. There were no debt issuance costs incurred during the three and nine months ended September 30, 2019.

## Note 8. Related Party Transactions

Effective May 1, 2018, P10 Holdings pays a monthly services fee of $31.7 thousand for administration and consulting services along with a monthly fee of $18.8 thousand for certain reimbursable expenses to 210/P10 Acquisition Partners, LLC, which owns approximately 24.9% of P10 Holdings. P10 Holdings paid 210/P10 Acquisition Partners $0.2 million and $0.5 million during the three and nine months ended September 30, 2020 and 2019, respectively.

On June 30, 2020, RCP 2 entered into an intercompany services agreement with FPC whereby RCP 2 will provide certain accounting, human resources, back office, administrative functions and such other services to FPC as mutually agreed upon from time to time. In consideration for the services provided, FPC shall pay RCP 2 a quarterly fee in the amount of $850 thousand. Per the agreement, for the services rendered for the three and nine months ended September 30, 2020, FPC shall pay RCP 2 in the amount of $850 thousand and $1.7 million, respectively. These amounts were eliminated in consolidation.

Effective April 1, 2020, Intermediate Holdings pays a quarterly management fee of $250 thousand to Keystone Capital XXX, LLC, which is the holder of the Series B preferred shares issued by Intermediate Holdings in connection with the acquisition of FPC. See Note 14 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 September 30, 2020, the total accounts receivable from the Funds totaled $1.7 million, of which $0.3 million related to reimbursable expenses and $1.4 million related to management fees earned but not yet received. In certain instances, the Company may incur expenses related to specific products that never materialize.

*(Unaudited, dollar amounts stated in thousands)*

## Note 9. 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. The information in the table below does not include any renewal options unless those options have been exercised. Rent expense for the various leased office space and equipment was approximately $0.4 million and $1.1 million for the three and nine months ended September 30, 2020, respectively. Rent expense for the various leased office space and equipment was approximately $0.3 million and $0.9 million for the three and nine months ended September 30, 2019, respectively.

The following table presents information regarding the Company's operating leases as of September 30, 2020:

| | | |
|---|---|---|
| Operating lease right-of-use assets | $ | 5,172 |
| Operating lease liabilities | $ | 5,968 |
| Cash paid for lease liabilities | $ | 1,132 |
| Weighted-average remaining lease term (in years) | | 4.41 |
| Weighted-average discount rate | | 6.11% |

The estimated lease payments as of September 30, 2020 are as follows:

| | | |
|---|---|---|
| Remainder of 2020 | $ | 398 |
| 2021 | | 1,626 |
| 2022 | | 1,504 |
| 2023 | | 1,488 |
| 2024 | | 1,308 |
| Thereafter | | 507 |
| Total undiscounted lease payments | | 6,831 |
| Less discount | | (863) |
| Total lease liabilities | $ | 5,968 |

**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. We are unable to accurately predict how COVID-19 will affect the results of our operations because the virus's severity and the duration of the pandemic are uncertain. However, we do not expect a significant impact to our near-term results given the structure of our contracts. While it is premature to accurately predict its full impact, we do anticipate an effect on our ability to raise capital for future funds.

## Note 10. Income Taxes

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

The Company acquired an affiliate, FPC, effective April 1, 2020. FPC files its own stand-alone tax returns.

Based on these methodologies, the Company's effective income tax rate for the three and nine months ended September 30, 2020 was 162.0% and -90.4%, respectively.

For the three months ended September 30, 2020, the tax rate differed from the federal tax rate primarily due to the release of the valuation allowance, a non-controlling partnership interest, state taxes and the effect of FPC filing a separate return. Discrete tax items for the period related primarily to the release of the valuation allowance against certain deferred tax assets due to forecasted income,

For the nine months ended September 30, 2020, the tax rate differed from the federal tax rate primarily due to the release of the valuation allowance, a non-controlling partnership interest, state taxes and the effect of FPC filing a separate return. Discrete tax items for the period related primarily to the release of the valuation allowance against certain deferred tax assets due to forecasted income, prior year NOL adjustment, as well as transaction costs for the acquisition of FPC.

As of September 30, 2020 and December 31, 2019, the Company had a valuation allowance against deferred tax assets related to a significant portion of its federal and state deferred tax assets.

The Company's effective income tax rate for the three and nine months ended September 30, 2019 was -233.1% and -195.9%, respectively.

For the three months ended September 30, 2019, the tax rate differed from the federal tax rate primarily due to the release of the valuation allowance and state taxes. Discrete tax items for the period related primarily to the release of the valuation allowance against certain deferred tax assets due to forecasted income.

For the nine months ended September 30, 2019, the tax rate differed from the federal tax rate primarily due to the release of the valuation allowance and state taxes. Discrete tax items for the period related primarily to the release of the valuation allowance against certain deferred tax assets due to forecasted income and prior year adjustments.

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

## Note 11. Stockholders' Equity

### Common Stock

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

*(Unaudited, dollar amounts stated in thousands)*

**Stock Option Plans**

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

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

A summary of stock option activity for the nine months ended September 30, 2020 is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Contractual Life Remaining (in years) | Aggregate Intrinsic Value (whole dollars) |
|---|---|---|---|---|
| Outsanding as of December 31, 2019 | 5,670,000 | $ 0.93 | 8.25 | $ 2,668,000 |
| Granted | 2,000,000 | $ 1.69 | | |
| Exercised | - | | | |
| Expired/Forfeited | (26,000) | $ 2.57 | | |
| Outsanding as of September 30, 2020 | 7,644,000 | $ 1.18 | 8.00 | $ 21,206,800 |
| Exercisable as of September 30, 2020 | 1,684,000 | $ 0.47 | 6.47 | $ 5,922,500 |

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

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Expected life | 7.5 (yrs) | 7.5 (yrs) |
| Expected volatility | 39.49% | 39.60% |
| Risk-free interest rate | 1.11% | 2.49% |
| Expected dividend yield | 0.00% | 0.00% |

Compensation expense equal to the grant date fair value is recognized for these awards over the vesting period. The stock-based compensation expense for the three and nine months ended September 30, 2020 was $0.2 million and $0.5 million, respectively. The stock-based compensation expense for the three and nine months ended September 30, 2019 was $0.1 million and $0.3 million, respectively. Unrecognized stock-based compensation expense related to outstanding unvested stock options as of September 30, 2020 was $2.6 million and is expected to be recognized over a weighted average period of 3.36 years. Any future forfeitures will impact this amount.

*(Unaudited, dollar amounts stated in thousands)*

## Note 12. Earnings Per Share

The Company presents basic EPS and diluted EPS for our common stock. Basic EPS excludes potential dilution and is computed by dividing net income 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 Intermediate Holdings were converted into common shares of Intermediate Holdings.

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 September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Numerator: | | | | |
| Numerator for basic calculation—Net income (loss) attributable to P10 Holdings | $ (86) | $ 3,584 | $ 2,880 | $ 10,688 |
| Adjustment for: | | | | |
| Preferred dividends attributable to redeemable noncontrolling interest | - | - | 306 | - |
| Proportionate share of subsidiary's earnings attributable to subsidiary's convertible preferred stock under assumed conversion | - | - | (322) | - |
| Numerator for earnings per share assuming dilution | $ (86) | $ 3,584 | $ 2,864 | $ 10,688 |
| Denominator: | | | | |
| Denominator for basic calculation —Weighted-average shares | 89,235 | 89,235 | 89,235 | 89,235 |
| Weighted shares assumed upon exercise of stock options | - | 1,599 | 2,825 | 1,346 |
| Denominator for earnings per share assuming assuming dilution | 89,235 | 90,834 | 92,060 | 90,581 |
| Earnings per share—basic | $ (0.0) | $ 0.04 | $ 0.03 | $ 0.12 |
| Earnings per share—diluted | $ (0.0) | $ 0.04 | $ 0.03 | $ 0.12 |

The computations of diluted earnings excluded options to purchase 7.6 million and 1.8 million shares and 2.1 million and 2.8 million shares of common stock for the three and nine months ended September 30, 2020 and 2019, respectively, because the options were anti-dilutive. Additionally, for the three months ended September 30, 2020, the computation of diluted earnings excluded the effect of 11.3 million convertible preferred shares of Intermediate Holdings because the assumed conversion was antidilutive.

## Note 13. Redeemable Noncontrolling Interest

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

- The right to convert each share into a common share of Intermediate Holdings (1:1 ratio).
- The right to require Intermediate Holdings to purchase all shares from the preferred shareholder after the 3rd anniversary of the FPC acquisition close date unless the Company meets the acquisition threshold (as defined in Intermediate Holdings' Operating Agreement), at which point the right will be extended to the 5th anniversary. The shares are redeemable at fair market value.
- Intermediate Holdings has the right to exchange, immediately prior to a qualified public offer (as defined in Intermediate Holdings' Operating Agreement), each preferred share into an ordinary share of the new public entity at the then effective and applicable conversion price.
- Each preferred share accrues dividends at the rate of 1% of the issue price per annum.
- In the event of any liquidation, dissolution or winding up of Intermediate Holdings, the preferred shareholders 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*

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

*Series B*

Intermediate Holdings issued to Keystone Capital XXX, LLC ("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 FPC described in Note 3.

In addition to the rights listed above, the Series B preferred shares also feature a call option that gives the shareholder the ability to purchase up to an additional 5,000,000 Series B preferred shares at an exercise price of $3 per share; provided the 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 FPC acquisition close date.

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

*(Unaudited, dollar amounts stated in thousands)*

*Series C*

Intermediate Holdings issued to the holders of the TAB Payments 3,337,470 shares of Series C redeemable convertible preferred shares at a price of $3.00 per share for an aggregate issuance price of $10.0 million. The shares were issued in 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, Intermediate Holdings issued to certain key members of FPC 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.

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 Sheet as of September 30, 2020. 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, 2019** | $ | - |
| Issuance of subsidiary preferred stock | | 61,112 |
| Preferred dividends attributable to redeemable noncontrolling interest | | 306 |
| **Balance at September 30, 2020** | $ | 61,418 |

Cumulative dividends in arrears on the preferred stock were $0.3 million and $0 as of September 30, 2020 and 2019, respectively.

## Note 14. Variable Interest Entities

As of December 31, 2019, P10 Holdings consolidated (i) its subsidiary Holdco and (ii) Holdco's subsidiaries, RCP 2 and RCP 3, based on the VIE model under which the Company determined that it was the primary beneficiary. As described in Note 13, in order to facilitate the acquisition of FPC in April 2020, the Company formed a new entity, Intermediate Holdings. P10 Holdings contributed Holdco, as well as Holdco's subsidiaries, to this newly formed entity in exchange for 100% of the common equity interest of Intermediate Holdings. In addition to the common equity, Intermediate Holdings has issued redeemable preferred shares to the sellers of FPC and others.

As of September 30, 2020, P10 Holdings had an 81.4% ownership in Intermediate Holdings through their common stock holdings, with the remaining 18.6% representing the redeemable preferred equity ownership by others, calculated on an 'as-if-converted' basis. Intermediate Holdings had two wholly owned subsidiaries, FPC and Holdco, and Holdco continued to own 100% of RCP 2 and RCP 3. We concluded that our equity interests in Intermediate Holdings represent variable interests and evaluated whether this entity should be consolidated by P10 Holdings.

The preferred shareholders, as a group, lack the power to direct the most significant operations of Intermediate Holdings as they are unable to exercise substantive kick-out or participating rights over the decision makers, which is the board of managers ("BOM"). The BOM has the power to direct the activities of the entity that most significantly impact the VIE's economic performance, and those decisions are made through a majority vote. As P10 Holdings represents a majority of the BOM, P10 Holdings was concluded to be the primary beneficiary of Intermediate Holdings, which is therefore consolidated in P10's financial statements. Based on similar considerations, Holdco, RCP 2 and RCP 3 are VIE's for which Intermediate Holdings and P10 Holdings are considered the primary beneficiaries. FPC, a corporation, is concluded to be a consolidated subsidiary of Intermediate Holdings under the voting interest model. Based on these analyses, Intermediate Holdings, Holdco, FPC, RCP 2 and RCP 3 are consolidated subsidiaries of P10 Holdings as reflected in the accompanying Consolidated Financial Statements.

*(Unaudited, dollar amounts stated in thousands)*

The Company further evaluated whether any of the funds managed by RCP 2, RCP 3 or FPC, or any of the related general partner entities, would be required to be consolidated. Based on the Company's analysis, consolidation of these entities is not required.

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.

The majority of the balances and activity included in our Consolidated Financial Statements are those of our consolidated VIE's, RCP 2, RCP 3 and Intermediate Holdings, with the exception of $92.2 million of total assets and $34.6 million of total liabilities as of September 30, 2020. The $92.2 million of total assets is primarily comprised of $19.4 million of deferred tax assets, $21.7 million of intangible assets and $48.7 million of goodwill. The $34.6 million of total liabilities is primarily comprised of $31.6 million of notes payable to sellers.

## Note 15. Subsequent Events

### Acquisition of TrueBridge Capital

On October 2, 2020, the Company completed the acquisition of 100% of the issued and outstanding membership interests of TrueBridge Capital Partners, LLC ("TCP") for a total consideration of $186.6 million, which includes cash and preferred stock of Intermediate Holdings. TCP is a leading venture capital firm that invests in both venture funds and directly in select venture-backed companies. The transaction was accounted for as a business combination under the acquisition method of accounting pursuant to ASC 805.

Consideration paid in the transaction consisted of both cash and equity. The following is a summary of consideration paid:

| | Fair Value |
|---|---|
| Cash | 94,174 |
| Preferred Stock | 94,350 |
| Total purchas consideration | $ 188,524 |

A total of $91.4 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. The Company also issued 28,590,910 shares of redeemable convertible preferred stock of Intermediate Holdings for an issuance price of $3.30 per share. Intermediate Holdings was the acquiring entity of TCP and is also the direct owner of FPC and Holdco.

A total of $4 million of cash consideration came from Keystone exercising their option to purchase additional Series B redeemable convertible preferred shares at a price of $3.00 per share. See Note 13 above for additional information. The shares were issued upon the exercising of the option on the acquisition date, October 2, 2020. The $4 million of cash was received on September 30, 2020 in advance of the acquisition. As a result, the cash was reflected in cash and cash equivalents and accounts payable in our Consolidated Balance Sheet as of September 30, 2020.

We have recognized $1.6 million of acquisition-related costs to date in 2020. No acquisition costs were recognized for the year ended December 31, 2019 related to the acquisition of TCP. These costs are included in professional fees on our Consolidated Statements of Operations.

*(Unaudited, dollar amounts stated in thousands)*

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.

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

| | | Fair Value |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 6,527 |
| Accounts receivable | | 14 |
| Due from related parties | | 55 |
| Prepaid expenses and other | | 60 |
| Property and equipment | | 1,128 |
| Right-of-use assets | | 1,555 |
| Intangible assets acquired | | 43,800 |
| Total assets acquired | $ | 53,139 |
| **LIABILITIES** | | |
| Accounts payable | $ | 20 |
| Accrued expenses | | 318 |
| Deferred revenues | | 6,491 |
| Long-term lease obligation | | 1,959 |
| Total liabilities assumed | $ | 8,788 |
| Net identifiable assets acquired | $ | 44,351 |
| Goodwill | | 144,173 |
| Net assets acquired | $ | 188,524 |

*Identifiable Intangible Assets*

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

| | | Fair Value | Weighted-Average Amortization Period |
|---|---|---|---|
| Value of management fund contracts | $ | 34,300 | 10 |
| Value of trade name | | 7,300 | 10 |
| Value of technology | | 2,200 | 4 |
| Total identifiable intangible assets | $ | 43,800 | |

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

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

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

*Goodwill*

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from assets acquired and liabilities assumed that could not be individually identified. The goodwill recorded as part of the acquisition includes the expected benefits that management believes will result from the acquisition, including the Company's build out of its investment product offering. The goodwill is expected to be partially deductible for tax purposes.

In accordance with ASC 855, Subsequent Events, the Company evaluated all material events or transactions that occurred after September 30, 2020, the Consolidated Balance Sheets 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.