Audited Annual Report to Shareholders for The Year Ended December 31, 2019

P10 Holdings, Inc.

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

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

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

Common Stock
$0.001 Par Value
Trading Symbol: PIOE

Trading Market: OTC Pink Open Market

110,000,000 Common Shares Authorized
89,411,175 Shares Issued and 89,234,816 Shares Outstanding
As of March 27, 2020

Special Note Regarding Forward-Looking Statements

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

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

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

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

Dear P10 Shareholder,

We author this letter during a period of historic uncertainty in our country and our financial markets. First and foremost, we pray for the safety of everyone, and that life can "get back to normal" as quickly as possible. In that regard, we know we are not alone. At P10 Holdings, Inc. ("P10"), we are taking every precaution to protect our employees, the capital our Investor Limited Partners ("LPs") have entrusted to us, and the investment each of our shareholders has made into P10. We aim to be excellent stewards of the human and financial assets entrusted to our organization.

Periods of volatility in many ways amplify the benefits we bring to LPs and shareholders alike. For LPs, our unique focus on lower middle market private equity primarily in the United States allows us to concentrate capital in "seams of growth" in this country that are able to perform even amidst global uncertainty. For the most part, our underlying holdings are well capitalized with far less leverage than large-scale buyouts. LPs also appreciate our asset class—marked quarterly—does not suffer the extraordinary intra-period volatility common in public markets. It is certainly possible that the latest public market antics drive even more institutional investors towards higher allocations to less volatile private markets.

For shareholders, our focus on long-term, locked up management fee income translates into P10 earnings are not materially impacted by market volatility. While fundraising may be more difficult or extended for future funds, our existing management fees and profits are as steady as they come. With recurring revenue, high margins, and no capital reinvestment requirements, our business is built to weather the storm.

In the fourth quarter of 2019, P10 Adjusted EBITDA came in at $6.6 million and cash earnings of $4.0 million or $.04 per share, achieving yet another quarter of solid growth for the business. During the quarter, we incurred significant one-time expenses related to M&A activity, which we expect to occur again in Q1 2020 (though not to the same degree). We continue to see attractive opportunities to grow the business, both organically and by acquisition. In fact, the majority of one-time expenses in Q4 were associated with a fully funded, transformative acquisition approaching $250 million in total size. While that deal was not consummated, we are pleased to have found capital partners available to pursue large scale, transformative acquisitions.

For the full year 2019, P10 continued its growth trajectory across all metrics- assets under management and advisory, revenues, adjusted EBITDA, and cash earnings. RCP Advisors 3, LLC and its affiliated management companies ("RCP") continued to provide outstanding investment performance for its LPs, who correspondingly entrusted RCP with nearly $800 million in additional AUM. At year-end 2019, RCP's assets under management and advisory totaled $6.7 billion. RCP expects to continue its growth as it closes its latest primary fund of funds, Fund XIV, in the coming weeks near its hard cap of $400 million. As the assets under management continue to grow so do our financial metrics. In 2019, P10 revenues reached $45 million representing 36% growth over the full year 2018. Even though they are non GAAP metrics, management also focuses on Adjusted EBITDA and Cash Earnings per share which both grew significantly in 2019. Adjusted EBITDA reached $24.5 million representing a 53% increase above 2018's $16.0 million. Cash Earnings per share of $.17 achieved a 55% growth over last year's $.11.

Additionally, 2019 brought the opportunity for P10 to materially expand its platform with the expected purchase of Five Points Capital, Inc. ("Five Points"). With Five Points, we are fortunate to not only acquire a profitable and growing franchise, but also partner with top tier investors and individuals alike. Like RCP, Five Points has been providing attractive risk-adjusted returns to its LPs for two decades. We see the potential for material revenue synergies between the two platforms, particularly in private credit. We intend to be thoughtful in launching new products, as we only intend to raise capital in areas where we believe we can provide unique and attractive risk-adjusted returns for our LPs. That said, we see significant opportunities in the quarters and years ahead.

Importantly, we believe the Five Points transaction illustrates the power of the P10 model and superior alignment with shareholders. Regarding the model, the owners of Five Points elected to receive convertible preferred equity ("convertible preferred") in a newly formed limited liability company owned by P10 ("Holdco") as material consideration for their franchise. They, like the P10 shareholders, stand to benefit from the many synergies we see on the horizon between the two businesses. Moreover, all of the partners at RCP elected to further increase alignment with P10 shareholders by converting a portion of their tax receivable agreement into additional convertible preferred. Including the investment from Keystone Capital, Inc., approximately $60 million of convertible preferred equity is being issued as part of the Five Points transaction. As described more fully in the press release announcing the transaction, while the convertible preferred converts into Holdco common equity—and not P10 common stock—the conversion ratio into Holdco common equity, relative to P10 ownership of Holdco common equity, equates to a conversion price of $3.00 per share at P10. We believe the terms of the convertible preferred provide P10 shareholders third party validation of the value within P10, while, more importantly, increasing alignment among all shareholders and welcoming terrific partners in Five Points and Keystone into the P10 family. Regarding timing, we expect the Five Points transaction will close on April 1, 2020. As such, our Q1 results will not include any contribution from the acquisition.

In summary, our immediate focus remains on being good stewards of the human and financial capital that has been entrusted to P10. We continue to see significant opportunity on both fronts. While global events may delay the realization of those opportunities, we do not believe they serve as a permanent hindrance. As mentioned above, the volatility of the public markets may, in time, serve as another catalyst for our business.

We thank all our shareholders for their continued confidence in P10,

Robert Alpert   Clark Webb

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors and Shareholders
P10 Holdings, Inc.:

We have audited the accompanying consolidated financial statements of P10 Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P10 Holdings, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, in 2019 the Company adopted new accounting guidance, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2016-02 *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

KPMG LLP

Chicago, Illinois
March 27, 2020

P10 Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 18,710	$ 8,195
Restricted cash	756	756
Accounts receivable	2,421	1,009
Prepaid expenses and other	1,040	200
Property and equipment, net	46	46
Right-of-use assets	5,733	-
Deferred tax assets	21,577	10,846
Intangibles, net	53,803	64,184
Goodwill	98,680	98,680
Total assets	$ 202,766	$ 183,916
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 105	$ 80
Accrued expenses	6,078	4,100
Post-closing payment	250	875
Deferred revenues	7,204	6,145
Long-term lease obligation	6,576	-
Credit and guaranty facility, net	104,963	90,129
Notes payable to sellers, net	40,883	58,677
Total liabilities	166,059	160,006
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	324,089	323,309
Accumulated deficit	(287,198)	(299,215)
Total stockholders' equity	36,707	23,910
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 202,766	$ 183,916

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

P10 Holdings, Inc.

Consolidated Statements of Operations

(in thousands, except share and per share amounts)

	For the Year Ended December 31,	
	2019	2018
REVENUES		
Management fees	$ 38,821	$ 29,546
Other revenue	6,210	3,512
Total revenues	45,031	33,058
OPERATING EXPENSES		
Compensation and benefits	12,269	9,395
Professional fees	4,349	821
General, administrative and other	4,931	4,307
Amortization of intangibles	10,383	10,858
Other expense	-	747
Total operating expenses	31,932	26,128
INCOME FROM OPERATIONS	13,099	6,930
OTHER INCOME (EXPENSE)		
Interest expense implied on notes payable to sellers	(1,957)	(3,515)
Interest expense, net	(9,415)	(6,362)
Total other expense	(11,372)	(9,877)
Net income (loss) before income taxes	1,727	(2,947)
Income tax benefit	10,290	8,935
NET INCOME	$ 12,017	$ 5,988
Earnings per share		
Diluted earnings per share	$ 0.13	$ 0.06
Basic earnings per share	$ 0.13	$ 0.07
Weighted average shares outstanding, basic	89,235	89,235
Weighted average shares outstanding, diluted	94,761	92,367

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

P10 Holdings, Inc.

Consolidated Statements of Changes in Shareholders' Equity
(in thousands)

	Common Stock		Treasury stock		Additional	Accumulated	Total Stockholders'
	Units	Amount	Units	Amount	Paid-in-capital	Deficit	Equity
Balance at December 31, 2017	89,235	89	176	(273)	322,950	(305,203)	17,563
Stock-based compensation	-	-	-	-	359	-	359
Net income	-	-	-	-	-	5,988	5,988
Balance at December 31, 2018	89,235	$ 89	176	$ (273)	$ 323,309	$ (299,215)	$ 23,910
Stock-based compensation	-	-	-	-	780	-	780
Net income	-	-	-	-	-	12,017	12,017
Balance at December 31, 2019	89,235	$ 89	176	$ (273)	$ 324,089	$ (287,198)	$ 36,707

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

P10 Holdings, Inc.

Consolidated Statements of Cash Flows
(in thousands)

	For the Year Ended December 31,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 12,017	$ 5,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	780	359
Depreciation expense	29	36
Amortization of intangibles	10,383	10,858
Amortization of debt issuance costs and debt discount	2,684	4,353
Provision for deferred tax	(10,731)	(8,935)
Change in operating assets and liabilities		
Accounts receivable	(1,412)	(331)
Prepaid expenses and other	(840)	742
Right-of-use assets	810	-
Accounts payable	25	(111)
Accrued expenses	2,534	1,410
Deferred revenues	1,059	1,651
Long-term lease obligation	(523)	-
Net cash provided by operating activities	16,815	16,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of RCP Advisors 3	-	(12,888)
Post-closing payments for Columbia Partners assets	(625)	(125)
Loss on disposal of property and equipment	-	253
Purchase of property and equipment	(29)	(33)
Net cash used in investing activities	(654)	(12,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable to sellers	(19,751)	(72,250)
Repayment of loans payable	-	(16,710)
Borrowings on credit and guaranty facility	19,750	100,000
Repayments on credit and guaranty facility	(5,645)	(7,137)
Debt issuance costs	-	(288)
Net cash (used in) provided by financing activities	(5,646)	3,615
Net change in cash and cash equivalents	10,515	6,842
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	8,951	2,109
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 19,466 [2]	$ 8,951 [1]
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 5,754	$ 4,862
Cash paid for income taxes	$ -	$ -

[1] As of December 31, 2018, cash and cash equivalents and restricted cash totaled $8,195 and $756 respectively.
[2] As of December 31, 2019, cash and cash equivalents and restricted cash totaled $18,710 and $756 respectively.

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

P10 Holdings, Inc.

Notes to Consolidated Financial Statements

Note 1. Description of Business and Basis of Presentation

Description of Business

As of November 19, 2016, P10 Holdings, Inc., formerly Active Power Inc. (collectively, "we", "us", "P10 Holdings" or "Company"), became a non-operating company focused on monetizing its retained intellectual property and acquiring profitable businesses. For the period 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 balance sheet by more than $5.0 million at closing. We also retained our net operating losses and other tax benefits and certain intellectual property rights related to our patents that are not related to the purchased assets.

On March 22, 2017 we filed for re-organization under Chapter 11 of the Federal Bankruptcy Code, using a prepackaged plan of reorganization. In connection with the filing, the Company entered into a Restructuring Support Agreement with 210/P10 Investment LLC, as well as a Restructuring Support Agreement with Langley. The Company emerged from bankruptcy on May 3, 2017. The key features of the plan included: 210/P10 Investment LLC acquiring 21,650,000 shares of the Company's common stock in exchange for a cash investment of $4.65 million; and satisfied all liabilities 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 Advisors 2, LLC ("RCP 2") and entered into a purchase agreement to acquire RCP Advisors 3, LLC ("RCP 3") in January 2018. RCP 2 provides investment advisory services to affiliated private equity funds and fund-of-funds (collectively the "Funds"). RCP 2 was formed on June 15, 2012 and serves as sub-adviser to funds managed by RCP Advisors, LLC. Prior to the formation of RCP 2, RCP Advisors, LLC served as the sole investment advisor of the Funds. RCP 2's business is limited to collecting the management fees on the Funds which commenced operations between 2011 and 2016. The management fees will be earned through 2026 with a declining rate of income each year as the Funds mature. P10 Holdings did not acquire the general partners' interest or the carried interest in the Funds (except for a 5% carried interest in RCP FF Small Buyout Co-Investment Fund, LP). These interests are owned individually by other parties, including certain employees of RCP 3.

On January 3, 2018 we closed on the acquisition of RCP 3.

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 consolidated subsidiaries include P10 RCP Holdco, LLC which is the entity holding the acquisition financing debt and owns the subsidiaries RCP 2 and RCP 3 which closed on January 3, 2018. All intercompany transactions and balances have been eliminated upon consolidation. The Funds, including the general partners or managing members of such funds are not consolidated. The Company has no economic interest, ownership in or beneficiary interest in the performance of the Funds (except for a 5% carried interest in RCP FF Small Buyout Co-Investment Fund, LP). RCP 2 and RCP 3 serve as the advisors of the Funds and receive management fees for the services performed.

Note 2. Acquisitions

RCP Advisors 2 and RCP Advisors 3

Effective October 5, 2017 and January 3, 2018, P10 Holdings, Inc. finalized acquisitions for 100% of the outstanding membership interests of RCP Advisors 2, LLC (RCP 2) and RCP Advisors 3, LLC (RCP 3), respectively, under a Contribution and Exchange Agreement and a Membership Interest Purchase Agreement. The acquisitions were accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The total purchase price consideration was $171.4 million, which was funded by cash, the issuance of common stock, subordinated seller notes payable, tax amortization benefits ("TAB"), and assumed bank loans.

The owners of RCP 2 received 44,171,234 of newly issued shares of the Company with a fair value of $11.3 million and non-interest-bearing seller's notes of $81.3 million which were recorded at their fair value of $78.7 million on the date of acquisition. The seller's notes will be paid from borrowings under a $130.0 million Credit and Guaranty facility described in Note 6.

The owners of RCP 3 received non-interest-bearing seller's notes of $22.1 million which were recorded at their fair value of $21.2 million on the date of acquisition. The seller's notes will be paid from borrowings under a $130 million Credit and Guaranty facility described in Note 6.

The total purchase consideration was $171.4 million. The fair value of net assets at the time of acquisition was determined to be $72.7 million, resulting in goodwill of $98.7 million.

Working capital assets were valued by management based on their carrying amounts due to the short-term nature of these financial instruments. The fair value of property and equipment was estimated by management. Acquisition related costs were expensed during the period.

Columbia Partners

Effective October 9, 2018, RCP Advisors 2, LLC finalized an acquisition for 100% of the assets held by Columbia Partners, LLC, Investment Management ("Columbia"), under an Assignment and Purchase Agreement ("Columbia Purchase Agreement"). The total purchase price consideration was $1.0 million, which was funded by cash and additional consideration payable.

Note 3. Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. As of December 31, 2019 and 2018, cash equivalents include money market funds of $17.5 million and $0, 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 December 31, 2019 and 2018, the Company had $0.8 million and $0.8 million, respectively, of compensating balances recorded in restricted cash in the 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.

Property and Equipment

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

Computers and purchased software	3 years

Debt Issuance Costs

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

Revenue Recognition of Management Fees and Management Fees Received in Advance

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

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

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

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

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

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

	For the Years Ended December 31,	
	2019	2018
Management fee contracts	$ 38,821	$ 29,546
Subscriptions	788	805
Consulting agreements and referral fees	1,479	795
Advisory services fees	2,884	1,912
Other revenue	1,059	-
	$ 45,031	$ 33,058

Leases

On January 1, 2019, the Company adopted Accounting Standards Updated (ASU) 2016-2, Leases (Topic 842) using the optional transition method allowed under ASU 2018-11, Leases: Targeted Improvements. Consequently, financial information and disclosures for the reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting policies under Topic 840. Topic 842 provides a number of optional practical expedients as part of the transition from Topic 840. The Company elected the 'package of practical expedients', which permits it to not reassess, under Topic 842, its prior conclusions about lease identification, lease classification and initial direct costs. On adoption, the Company recognized $5.1 million in its assets and liabilities related to the right-of-use asset and lease liability for its current operating leases and did not have a material impact on its results of the Consolidated Statements of Operations.

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

The Company does not recognize a lease liability or right-of-use asset on the balance sheet 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 December 31, 2019 and 2018, goodwill recorded on the Consolidated Balance Sheets relates to the acquisitions of RCP 2 and RCP 3. As of December 31, 2019 and 2018, the intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets related to the acquisitions of RCP 2 and RCP 3.

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

Goodwill and intangible assets are tested for impairment at least annually and whenever certain triggering events are met. In assessing the recoverability of the identifiable intangible assets for 2019 and 2018, projections regarding estimated future cash flows and other factors are made to determine the fair value of those assets. As of September 30, 2019 and 2018 we performed a qualitative assessment of whether it was more likely than not that an impairment had occurred and concluded that a quantitative analysis was not required. No impairment was recorded during the years ended December 31, 2019 and 2018.

Income Taxes

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

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

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

Treasury Stock

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

Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share data):

	For the Years Ended December 31, 2019	2018
Net income	$ 12,017	$ 5,988
Basic and diluted:		
Weighted-average shares of common stock outstanding used in computing basic net income per share	89,235	89,235
Weighted-average shares of common stock outstanding used in computing diluted net income per share	94,761	92,367
Basic net income per share	$ 0.13	$ 0.07
Diluted net income per share	$ 0.13	$ 0.06

Stock-Based Compensation Expense

We account for our stock-based compensation using the Black Scholes option valuation model. Stock-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense ratably over the requisite service period of the award, generally five years. We develop our estimates of expected life and forfeitures based on historical data. We estimate stock price volatility based on historical volatilities. The risk-free rates are based on the U.S. Treasury yield in effect at the time of grant. Details of our stock-based compensation include the following (in thousands):

	For the Years Ended December 31, 2019	2018
Stock-based compensation expense by caption:		
Compensation and benefits	$ 780	$ 359
	$ 780	$ 359
Stock-based compensation expense by type of award:		
Stock options	$ 780	$ 359
Restricted stock awards	-	-
	$ 780	$ 359

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

	2019	2018
Weighted average expected life in years	7.5 years	7.5 years
Weighted average expected volatility	133.63%	98.57%
Volatility	133.63%	98.57%
Risk-free interest rate	2.49%	2.78%
Weighted average forfeiture rate	0%	0%

Segment Reporting

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

Business Acquisitions

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

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 provides amendments to ASC 326, Financial Instruments - Credit Losses, which replaces the incurred loss impairment model with a current expected credit loss (CECL) model. CECL requires a company to estimate lifetime expected credit losses based on relevant information about historical events, current conditions and reasonable and supportable forecasts. The guidance must be applied using the modified retrospective adoption method and was effective January 1, 2020. The adoption of the new guidance is not expected to have a material effect on the consolidated financial statements and related disclosures.

Note 4. Property and Equipment

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

	As of December 31, 2019	As of December 31, 2018
Computers and purchased software	$ 151	$ 121
Less: accumulated depreciation	(105)	(75)
	$ 46	$ 46

Note 5. Intangibles

Intangibles consists of the following (in thousands):

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

	As of December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Tradenames	$ 17,350	$ -	$ 17,350
Total indefinite-lived intangible assets	17,350	-	17,350
Finite-lived intangible assets:			
Management fund contracts	53,626	(11,262)	42,364
Technology	5,950	(1,480)	4,470
Total finite-lived intangible assets	59,576	(12,742)	46,834
Total intangible assets	$ 76,926	$ (12,742)	$ 64,184

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

Note 6. Debt

Debt consists of the following (in thousands):

	As of December 31, 2019	As of December 31, 2018
Gross notes payable to sellers	$ 57,813	$ 77,564
Less debt discount	(16,930)	(18,887)
Net notes payable to sellers	$ 40,883	$ 58,677
Gross credit and guaranty facility	$ 106,971	$ 92,864
Debt Issuance Costs	(2,008)	(2,735)
Net credit and guaranty facility	$ 104,963	$ 90,129
Total Debt	$ 145,846	$ 148,806

Notes Payable to Sellers

On October 5, 2017, the Company issued Secured Promissory Notes Payable ("2017 Seller Notes") in the amount of $81.3 million to the owners of RCP 2 in connection with the acquisition of that entity. The 2017 Seller Notes mature on January 15, 2025. The 2017 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the Credit and Guaranty Agreement described below. The 2017 Seller Notes were recorded at their discounted fair value in the amount of $78.7 million. Non-cash interest expense was recorded on a periodic basis increasing the 2017 Seller Notes to their gross value. As of December 31, 2019 and 2018, the gross value of the 2017 Seller Notes was $6.4 million and $19.8 million respectively.

On January 3, 2018, the Company issued Secured Promissory Notes Payable ("2018 Seller Notes") in the amount of $22.1 million to the owners of RCP 3 in connection with the acquisition of that entity. The 2018 Seller Notes mature on January 15, 2025. The 2018 Seller Notes are non-interest bearing and will be paid using cash generated from the business operations and borrowings under the Credit and Guaranty Agreement described below. The 2018 Seller Notes were recorded at their discounted fair value in the amount of $21.2 million. Noncash interest expense was recorded on a periodic basis increasing the 2018 Seller Notes to their gross value. As of December 31, 2019 and 2018, the gross value of the 2018 Seller Notes was $3.0 million and $9.3 million respectively.

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

During the years ended December 31, 2019 and 2018, we recorded combined interest expense on the 2018 Seller Notes and 2017 Seller Notes in the amount of $0.6 million and $2.4 million, respectively. During the years ended December 31, 2019 and 2018, we recorded $1.3 million and $1.3 million in interest expense related to the TAB Payments, respectively. During 2019 and 2018, payments in the amount of $19.8 million and $72.2 million, respectively, were made on the 2017 Seller Notes and 2018 Seller Notes.

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

Credit and Guaranty Agreement

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

Subject to certain EBITDA levels and conditions, Holdco was permitted to draw up to $125 million in aggregate on the term loan in tranches through July 31, 2019. Interest is calculated upon each tranche at the LIBO Rate 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 the 3-month LIBO Rate at the time of each draw and each subsequent repricing at the end of the chosen LIBO 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 December 31, 2019, Holdco was in compliance with all the financial covenants required under the Facility. The outstanding balance of the Facility was $107.0 million and $92.9 million as of December 31, 2019 and 2018, respectively.

Loans Payable

The Company assumed outstanding term loans with balances of $12.6 million when it acquired RCP 2. During 2018, the term loans were paid by drawing on the term loan under the Credit and Guaranty Agreement.

The Company assumed an outstanding revolving line of credit with a balance of $5.0 million when it acquired RCP 3. During 2018, the revolving line of credit was paid by drawing on the one-year line of credit under the Credit and Guaranty Agreement described above.

Future principal maturities of debt as of December 31, 2019 are as follows (in thousands):

2020	$	3,443
2021		3,443
2022		100,086
2023 and thereafter		57,812
	$	164,784

Debt Issuance Costs

Debt issuance costs are offset against the Credit and Guaranty Agreement. Unamortized debt issuance costs for this facility as of December 31, 2019 and 2018 were $2.0 million and $2.7 million, respectively.

Amortization expense related to debt issuance costs totaled $726 thousand and $839 thousand for the years ended December 31, 2019 and 2018, respectively, and are included within interest expense implied on notes payable to sellers on the accompanying consolidated statements of operations and comprehensive (loss) income. There were $0 and $289 thousand debt issuance costs incurred in 2019 and 2018 respectively.

Note 7. Related Party Transactions

Effective May 1, 2018, P10 Holdings pays a monthly services fee of $31.7 thousand for administration and consulting services along with a monthly fee of $18.8 thousand for certain reimbursable expenses to 210/P10 Acquisition Partners, LLC, which owns approximately 24.9% of P10 Holding. In addition, P10 Holdings paid 210/P10 Acquisition Partners, LLC a one-time retainer for $46.9 thousand in 2018, plus $129.9 thousand in retroactive expenses. In total, P10 paid 210/P10 Acquisition Partners $606 thousand and $581 thousand in 2019 and 2018, respectively.

As described in Note 1, RCP 2 and RCP 3 serve as the investment managers to the RCP Funds. Certain expenses incurred by the RCP Funds are paid upfront by RCP 2 and RCP 3 and are reimbursed from the RCP Funds as permissible per fund agreements. As of December 31, 2019, the total accounts receivable from RCP Funds totaled $221.1 thousand. In certain instances, RCP 3 may incur expenses related to specific products that never materialize.

Note 8. Commitments and Contingencies

Operating Leases

The Company leases office space and various equipment under non-cancelable operating leases, with the latest expiring in 2027. These lease agreements provide for various renewal options. The information in the table below does not include any renewal options unless those options have been exercised. Rent expense for the various leased office space and equipment was approximately $1.3 million and $1.3 million for the years ended December 31, 2019 and 2018.

The following table presents information regarding the Company's operating leases as of December 31, 2019 (in thousands, except weighted-average data):

Operating lease right-of-use assets	$	5,733
Operating lease liabilities	$	6,576
Weighted-average remaining lease term (in years)		5.65
Weighted-average discount rate		8.81%

The yearly estimated lease payments as of December 31, 2019 are as follows (in thousands):

2020	$	1,377
2021		1,413
2022		1,462
2023		1,636
2024		1,462
Thereafter		1,176
Total undiscounted lease payments		8,526
Less discount		(1,950)
Total lease liabilities	$	6,576

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.

Note 9. Income Taxes

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

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

	As of December 31, 2019		As of December 31, 2018	
Current state income tax expense	$	441	$	-
Current federal income tax expense		-		-
Deferred state income tax expense (benefit)		3,545		(2,486)
Deferred federal income tax benefit		(14,276)		(6,449)
	$	(10,290)	$	(8,935)

As of December 31, 2019, we had federal and apportioned state net operating loss carryforwards, or NOLs, of approximately $260.4 million and $9.2 million, respectively, and research and development credit carryforwards of approximately $4.1 million. A portion of the net operating loss and credit carryforwards will expire beginning in 2020, if not utilized. Utilization of the net operating losses and tax credits may be subject to substantial annual limitations due to the “change of ownership” provisions under the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and credit carryforwards before utilization.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes as of December 31, 2019 and 2018 are as follows (in thousands):

	As of December 31, 2019		As of December 31, 2018	
Deferred tax assets:				
Stock compensation	$	514	$	284
Net operating loss and tax credit carryforwards		59,029		60,262
Acquired intangibles		3,556		2,006
Deferred rent		18		296
Deferred operating lease assets		1,914		-
Capitalized transaction costs		437		-
Interest expense		1,969		922
Other		-		35
Total Deferred Tax Assets		67,437		63,805
Valuation allowance for deferred tax assets		(40,285)		(51,103)
Deferred tax asset net of valuation allowance		27,152		12,702
Deferred tax liabilities:				
Capital expenses		(12)		(13)
Goodwill		(3,895)		(1,843)
Leases		(1,668)		-
		(5,575)		(1,856)
Net deferred tax asset (liability)	$	21,577	$	10,846

Due to the uncertainty surrounding the timing of realizing the benefits of our favorable tax attributes in future tax returns the Company has placed a valuation allowance against our net deferred tax asset, exclusive of goodwill, other than $27.2 million we expect to realize during the next ten years. During the years ended December 31, 2019 and 2018, the valuation allowance decreased by approximately $10.8 million and $10.2 million, respectively, due primarily to operations, acquisitions and the impact of changes in tax law.

Our provision for income taxes differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 21% to income before taxes due to the following:

	2019	2018
Federal statutory rate	21.0%	-21.0%
State statutory rate	230.4%	-8.7%
Expiration and adjustment of net operating losses	0.0%	25.3%
Permanent items and other	2.8%	1.0%
Provision to return adjustment	-15.1%	47.3%
Valuation allowance	-834.8%	-346.9%
	-595.7%	-303.0%

We recognized no material adjustment in the liability for unrecognized income tax benefits under ASC 740-10. As of December 31, 2019 and 2018 unrecognized tax benefits equaled $1.9 million and $1.9 million, respectively.

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

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2019, we had no accrued interest or penalties related to uncertain tax positions. The tax years 2015 through 2019 remain open to examination by the major taxing jurisdictions to which we are subject.

Note 10. Stockholders' Equity

Common Stock

Common stock reserved for future issuance as of December 31, 2019 consisted of 5,628,781 and 8,000,000 shares under our 2010 Stock Incentive Plan and 2018 Stock Incentive Plan, respectively, of which 93,000 and 4,000,000 shares, respectively, were subject to outstanding options and 5,535,781 and 4,000,000 shares, respectively, were available for future grants of awards.

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

Stock Option Plans

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

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

A summary of common stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contriactual Life (in years)	Aggregate Intrinsic Value (whole dollars)
Outsanding as of December 31, 2016	1,206,000	$ 2.44		
Granted	1,600,000	0.30		
Exercised	-	-		
Canceled	(1,113,000)	2.33		
Outsanding as of December 31, 2017	1,693,000	0.49		
Granted	2,000,000	1.42		
Exercised	-	-	-	
Forfeitures	-	-	-	
Outsanding as of December 31, 2018	3,693,000	$ 0.99	8.73	
Granted	2,000,000	0.82		
Exercised	-	-		
Forfeitures	(20,000)	-		
Outsanding as of December 31, 2019	5,673,000	$ 0.94	8.21	$ 2,349,200
Vested as of December 31, 2019	1,693,000	0.49	7.08	$ 1,456,200
Exercisable as of December 31, 2019	1,693,000	0.49	7.08	$ 1,456,200

Note 11. Subsequent Events

COVID-19

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

In accordance with ASC 855, Subsequent Events, the Company evaluated all material events or transactions that occurred after December 31, 2019, the Consolidated Balance Sheets date, through March 27, 2020, the date the consolidated financial statements were issued, and determined no additional events or transactions which would materially impact the Consolidated Financial Statements.