

**Unaudited Quarterly Report to Stockholders for
The Three Months Ended
June 30, 2018**



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 July 31st, 2018

Special Note Regarding Forward-Looking Statements

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

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

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

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

Dear P10 Holdings Stockholders:

P10 Holdings continued with business as usual in the second quarter.

Our efforts to monetize our patent portfolio continue to yield very little fruit. We have hired a consultant to help with that effort; however, the recent Supreme Court ruling upholding the constitutionality of the *interparts* review (a.k.a. “the IPR process”) has created a business climate unfavorable to patent owners. Consequently, we do not expect any monetization events in the near term and therefore will only refer to this line of business if a meaningful event occurs.

RCP Advisors continues execute on its core business of raising funds to invest in the private equity lower middle market. In the second quarter, we generated initial closes for RCP Fund XIII with \$84 million, and RCP Direct III with \$177 million. Note that most of the revenue from these new funds is deferred and will be recognized in Q3 and thereafter. Further, we raised an additional \$90 million in RCP Secondary Opportunities Fund (SOF) III which brings the total fund size to \$206 million. We are anticipating additional closes on all three of these funds during Q3.

Our efforts to expand our offerings continue. We are in discussions with other managers to acquire either the whole or part of their management companies. We obviously cannot guarantee consummating transactions; however, we believe our unique structure and operating paradigm makes P10/RCP an ideal partner. In our credit effort (mentioned last quarter), we have slowly made progress but are approaching this opportunity cautiously as the market is currently crowded and terms appear to be aggressive. In all these efforts, it is a slow and methodical process which will take time to bear fruit.

Below is a reconciliation of our (nonGAAP) Adjusted EBITDA for the quarter and the Adjusted Cash Earnings figure we discussed in our last report as a measure we monitor (Adjusted EBITDA less Cash Interest Expense):

	Q1	Q2	YTD
<i>Net Loss</i>	(2,470)	(1,434)	\$(3,904)
Add back:			
<i>Depreciation</i>	15	\$7	22
<i>Asset impairment</i>	138	-	138
<i>Amortization of intangibles</i>	2,683	2,698	5,381
<i>Interest expense, net</i>	2,337	2,365	4,702
EBITDA	\$2,703	\$3,636	\$6,339
<i>Provision for idle facility expense</i>	854	-	854
<i>Severance – Jay Powers</i>	-	316	316
Adjusted EBITDA	\$3,557	\$3,952	\$7,509

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

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

	June 30, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 2,905	\$ 2,109
Restricted cash	756	-
Accounts receivable third party, net	254	-
Accounts receivable from affiliates	118	339
Accounts receivable from funds	166	-
Prepaid expenses and other	147	307
Debt issuance costs, net	3,137	3,284
Property and equipment, net	47	1
Purchase consideration paid in advance	-	61,296
Intangibles, net	68,662	40,192
Goodwill	98,680	-
Deferred tax	1,911	1,911
Deposits and other	47	-
Total assets	<u>\$ 176,830</u>	<u>\$ 109,439</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ -	\$ 191
Accrued idle facility costs	923	-
Accrued interest	1,144	-
Accrued expenses, other	1,854	148
Deferred revenue	5,016	2,511
Loan payable to affiliate	-	-
Loan payable	55,675	11,700
Notes payable, net of discount	98,452	77,326
Commitments and contingencies	-	-
Common stock - \$0.001 par value; 110,000 and 40,000 shares authorized at March 31, 2018 and December 31, 2017; 89,411 and 23,598 issued and 89,235 and 23,414 outstanding at March 31, 2018 and December 31, 2017	89	89
Treasury stock	(273)	(273)
Additional paid-in capital	323,059	322,950
Accumulated deficit	(309,109)	(305,203)
Total stockholders' equity	<u>13,766</u>	<u>17,563</u>
Total liabilities and stockholders' equity	<u>\$ 176,830</u>	<u>\$ 109,439</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Management fees	\$ 6,931	\$ -	\$ 13,235	\$ -
Other revenue	335	-	1,094	-
Total revenue	<u>7,266</u>	<u>-</u>	<u>14,329</u>	<u>-</u>
Operating expenses:				
Compensation and benefits	2,595	-	4,926	-
Professional fees	181	-	476	-
General, administrative and other	966	327	1,861	1,118
Amortization of intangibles	2,698	-	5,381	-
Idle facility expense	-	-	992	-
Total operating expenses	<u>6,440</u>	<u>327</u>	<u>13,636</u>	<u>1,118</u>
Gain (Loss) from operations	826	(327)	693	-
Interest expense implied on notes payable	(874)	-	(1,690)	-
Interest expense, net	<u>(1,388)</u>	<u>-</u>	<u>(2,909)</u>	<u>-</u>
Gain (Loss) before income taxes	<u>(1,436)</u>	<u>(327)</u>	<u>(3,906)</u>	<u>(1,118)</u>
Income tax benefit	-	-	-	-
Profit (Loss) from continuing operations	<u>(1,436)</u>	<u>(327)</u>	<u>(3,906)</u>	<u>(1,118)</u>
Income (loss) from discontinued operations	-	(1,510)	-	633
Net income (loss) from discontinued operations	<u>-</u>	<u>(1,510)</u>	<u>-</u>	<u>633</u>
Net loss	<u>\$ (1,436)</u>	<u>\$ (1,837)</u>	<u>\$ (3,906)</u>	<u>\$ (485)</u>
Net loss per share from continuing operations, basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.01)
Shares used in computing net loss per share, basic and diluted	89,235	45,064	89,235	45,064

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

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net income (loss)	\$ (3,906)	\$ (485)
Adjustment for net income (loss) from discontinued operations	-	(633)
Net loss from continuing operations	(3,906)	(1,118)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Stock-based compensation	109	302
Depreciation expense	22	-
Impairment of idle facility	138	-
Amortization of intangibles	5,381	-
Non-cash interest expense	2,126	-
Changes in operating assets and liabilities:	-	-
Accounts receivable	565	41
Prepaid expenses and other assets	322	26
Deferred revenue	599	-
Accounts payable	(191)	(15)
Accrued expenses	1,279	(4)
Net cash provided by (used in) operating activities in continuing operations	6,443	(768)
Net cash used in operating activities from discontinued operations	-	(821)
Net cash provided by (used in) operating activities	6,443	(1,589)
Investing activities		
Acquisition of business, net of cash acquired	531	-
Purchase of property and equipment	(29)	-
Net cash used in investing activities from continuing operations	502	-
Net cash used in investing activities from discontinued operations	-	-
Net cash used in investing activities	502	-
Financing activities		
Proceeds from issuance of common stock	-	4,655
Principal payments on loans	(21,025)	-
Principal payments on notes	(44,368)	-
Proceeds from borrowing	60,000	-
Net cash provided by (used in) financing activities from continuing operations	(5,393)	4,655
Net cash provided by (used in) financing activities	(5,393)	4,655
Change in cash and cash equivalents	1,552	3,066
Cash and cash equivalents, beginning of period	2,109	1,569
Cash and cash equivalents, end of period	<u>\$ 3,661</u>	<u>\$ 4,635</u>