Public Policy Holding Company, Inc

(“PPHC” or the “Group”)

Interim results for the six months ended 30 June 2022

Strong performance driven by organic revenue growth, high client retention, increased demand for new capabilities and expertise

Washington DC, US, 22 September 2022, Public Policy Holding Company (AIM: PPHC), a leading bi-partisan, full-service US government affairs business, today announces its interim results for the six months ended 30 June 2022, which show continued organic growth and strong trading momentum into the second half.

Financial highlights

* Strong financial performance, driven by increased activity levels from new and existing clients, with organic revenue growth of 9.6% to $51.7m

* Underlying EBITDA of $14.4m with underlying EBITDA margin of 27.9%

* High client retention during the period as PPHC continues to see a high level of mandate from its blue-chip client base for its offerings of public affairs, crisis management, lobbying and issue advocacy, research, and media management services

* Increased investment in notable new hires across the holding and operating companies following IPO, in line with management’s expectations

* Strong cash generation with an increase in net cash of 35.2% to $17.9m

* Interim dividend of $0.045 per Common Share, in line with the Group’s dividend policy stated at the time of IPO

	HY22	HY21	Change
Group revenue	$51.7m	$47.2	+9.6%
Underlying EBITDA[1]	$14.4m	$14.5m	-0.6%
Underlying EBITDA margin	27.9%	30.8%	-2.9ppts
Underlying profit before tax[1]	$14.4m	$14.4m	-0.5%
Net Cash[2]	$17.9m	$13.2m	+35.2%
Interim dividend per Common Share	$0.045	N/A	N/A

[1] *Underlying EBITDA and underlying profit before tax are stated prior to non-cash items of amortisation of customer intangibles, LTIP expense and ASC 718-10-S99-2 share-based accounting charge. For the prior period both measures are presented on a normalised, illustrative basis and calculated on the basis that 25% of pre-bonus EBITDA is paid as bonus in line with the Group’s policy post IPO. See the Financial Review below for further detail.*

[2] *Net cash excludes long term operating lease liability*

Operational highlights:

* Significant new client wins and increased cross-sales and referrals; continued emphasis on retained clients with greater than or equal to $100,000 annual spending (currently over 50% of clients at $50K or more at half-year point)

* Launched an ESG-specialty service and enhanced research capabilities within operating company Seven Letter

* The Group’s notable new hires include policy and regulatory experts across major corporate sectors including financial services, healthcare, energy, and technology, with deepened expertise with hires in areas including public health and renewable energy within operating company Forbes Tate Partners

* Strengthened Group management team with the appointment of a Chief Legal Officer and Deputy Chief Finance Officer to advance M&A capabilities

* Launched Omnibus Plan share-based incentive scheme for select employees, further aligning senior management and employee shareholders’ interests with PPHC’s long term objectives

* Launched Group-wide inaugural Summer Fellowship program, which invites college seniors and recent graduates from under-represented communities to pursue careers in public policy

* Bi-partisan teams within each operating company are well positioned to continue performance in lead up to and after federal midterm elections, irrespective of results

* Targeted market exposure from Initial Public Offering has enhanced M&A pipeline and awareness in key markets

Current trading and outlook:

The Group’s trading momentum continues into the second half of the financial year with client demand for its expertise and expanding suite of services remaining strong. With historic US federal government spending measures having recently been enacted (the CHIPS Act, the Inflation Reduction Act, the Infrastructure and Jobs Act), combined, total over $3T in new government spending in areas such as clean energy, defense, healthcare and pharmaceuticals, transportation and other infrastructure, the Group expects to maintain its strong organic growth as it helps clients navigate the dynamic policy environment. This growth will be driven by demand from new and existing clients, by providing additional offerings and expertise, and by expanding the Group’s geographic reach into key state capitals.

Furthermore, the Group’s strong balance sheet supports its continued investments in talent and capabilities across its five operating companies and with additional M&A activities.

The Board is confident in delivering full year results in line with stated expectations.

Stewart Hall, CEO, PPHC commented:

“In our first full reporting period since the IPO, our current organic business structure remains very resilient, with clients facing unprecedented public policy challenges and demanding even more support from our experts.

“The passage of significant funding measures and robust regulatory actions by the US federal government has created significant opportunities for our firms and the wider public policy consulting market, which, in turn supports our M&A efforts to enhance the Group’s capabilities and shareholder value. The outcome of the November election will present more opportunities as we plan to be well positioned to support our clients in both Washington and major state capitals.”

Enquiries

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About PPHC:

PPHC is a leading bi-partisan, full-service US government affairs business. It operates a portfolio of independent firms offering public affairs, crisis management, lobbying and advocacy services on behalf of corporate, trade association and non-profit client organisations. Clients engage the Group to enhance and defend their reputations, advance policy goals, manage regulatory risk, or otherwise engage with US federal and state-level policy makers, stakeholders, media, and directly to the public at large.

Since its inception in 2014, the Group has acquired and integrated eight businesses, now operating as five separate, independent companies, focused at the federal government level in the US and with expanding reach into key US states and metropolitan areas. The five operating entities which form the operating subsidiaries of the Group are Crossroads Strategies LLC, Forbes Tate Partners LLC, Seven Letter, O'Neill & Associates and Alpine Group Partners LLC.

For more information, see www.pphcompany.com

CEO's statement

In our first six months as a listed company, PPHC has exceeded key metrics, including revenue and net cash. It is no small feat given that the Group converted from a partnership to stock corporation just over six months ago. Our investments in client facing talent and our management team have positioned the Group to take advantage of the robust public policy risk management and opportunity market and to continue our drive to be the industry leader.

Having expanded our M&A capabilities in the Spring in combination with IPO proceeds and strong cash flow, the Group enjoys a robust pipeline of potential opportunities across a broad spectrum of capabilities and geographies which our clients desire – U.S. state capital reach, digital and data management, media and communications and direct federal advocacy. We intend to bring several of these opportunities to closure within the coming months.

Upon listing, I stated that in addition to M&A activities and strong organic growth, our intention was to have the equity instrument to provide strong income to our shareholders through a stated dividend policy of distributing up to 70% of profit after tax back to shareholders. I am pleased to announce our first half year dividend – and interim dividend total of $4.9m or $0.045 per share– in line with our stated and expected range.

PPHC has continued to deliver solid growth while taking on the challenge of being a listed company. We look forward to carrying this momentum through the second half of the year and bringing more news to PPHC shareholders in the coming months.

Stewart Hall
Chief Executive Officer

Operational review

The Group's lobbying position has grown, as evidenced by PPHC's three lobbying brands, when combined, maintaining the number one position in the listing of Federal lobbyists according to quarterly and annual disclosures (as required by U.S. federal law).

Following the completion of the Group's public listing, extensive M&A activities have recommenced, with the conclusion of some of those negotiations to be potentially realized in the coming months. Further M&A pipeline development has been aided by added corporate capacity and by the public profile raised as a result of our public listing.

The concerted Group-wide focus on clients with billings >$100,000 has been successful due in part to the cross-selling and referral incentives put in place. The Group is also seeing strong origination and client integration by new service offerings added in 2021, including public opinion research, data analytics, ESG advisory and other policy advisory services (non-lobbying).

In addition to several senior executive hires within the operating businesses, the Group hired Neal Strum as Chief Legal Officer, after having served as outside counsel to the Group since its inception, and Roel Smits as Deputy Chief Financial Officer, adding extensive experience in M&A and financial leadership from Kantar and WPP.

This period also included the inaugural class of PPHC summer fellows, which featured highly select individuals chosen from leading universities and graduate programs. This program was designed to create rich opportunities for students and graduates from underrepresented communities. The PPHC fellowship, along with the other internship programs and young professional outreach efforts by our operating companies, is a part of the Group's strategy for ensuring robust talent pipelines at all professional levels.

Given the strong performance of the businesses, the Group is using the period to accelerate investment in M&A, aligned with its previously stated strategy of pursuing acquisitions of:

- key state-based lobbying/government relations firms;
- strategic communications consultancies; and
- international and otherwise-specialised government relations expertise.

These investments are expected to help drive sustained long-term growth in 2023 and beyond.

Financial Review

PPHC's interim results for the six months ended 30 June 2022 represent its first full reporting period post the initial public offering on December 16, 2021. Strong levels of client engagement and activity have driven the Group's revenues up 9.6% to $51.7m (HY21: $47.2m) and underlying profit before tax maintained HY2021 levels despite the absorption of higher costs related to being a public company and the related increased investment in new hires, with an underlying PBT for the six months of $14.4m.

The positive revenue performance was achieved through organic revenue growth while negotiations have progressed on the M&A front which are anticipated to deliver results later this year and next. All areas of the Group's business, i.e. lobbying, public affairs advisory, and strategic research, realized incremental revenue when compared to the first half of 2021. Equally important, the Group's underlying EBITDA margin remained strong at 27.9%.

The Group's cash position remained in a strong position at $17.9m (HY21: $13.2m) following the proceeds from the IPO in December 2021, and in-line with its dividend policy, the Group has declared an interim dividend of $0.045 per share.

The Group is pleased to have delivered another enviable half, continuing its track record of consistent growth since inception in 2014. These growth rates are expected to be sustainable, particularly given the operating environment of historic levels of US federal stimulus, infrastructure funding and new areas of regulation and taxation.

Revenue

The Group's total revenue for the half grew 9.6% to $51.7m (HY21: $47.2m). This was all organic growth, as a result of the IPO in December 2021 requiring the full resources of senior management. As stated, it was driven by key new client wins and expanding scope with existing clients.

Client retention and growth remains strong, the Group has grown its total number of clients by 6% compared to HY2021. The focus on increasing the client base with higher billings is being realized, with the number of clients already realizing $100,000 or more in billings up 20.9% on the previous half.

Revenue also continues to diversify, with the top 10 clients representing 10.9% of revenue, which is a decrease from HY2021 13.1% . The Group's revenue segment makeup remains constant with lobbying representing just over 70% of the revenue and public affairs accounting for the remaining portion.

Underlying EBITDA

The underlying strength of the business is demonstrated by the underlying EBITDA. The Group has eliminated the impact of non-cash associated charges which cloud the true performance of the business. The Group is growing, employees are being compensated in line with high performing company standards and sufficient cash is being generated to compensate shareholders for their faith and investment in PPHC.

For detail on the non-cash charges, during 2021, all pre-admission employee shareholders entered into executive employee agreements with the Group or its subsidiaries. These employee shareholders sold approximately 14.6% of their shares in conjunction with the admission to AIM and retained the remaining 85.4% of their shares. The retained shares are subject to a vesting schedule under which the shares held by each employee shareholder will vest in equal instalments on the first five anniversaries of the effective date of admission, provided that the shareholder remains continuously employed by the employer. This vesting schedule applies to all employees holding shares at the time of admission. The employment agreements also contain certain provisions which enable cash derived from the sale of shares to be clawed back and forfeited on certain events of termination of employment.

The addition of the vesting provisions to previously issued shares creates a share-based accounting non-cash charge in accordance with accounting guidance under US GAAP (Accounting Standards Codification, 718-10-S99-2, compensation-stock compensation). Based on the value of the Group at the time of admission ($197m), and taking into account the 14.6% of pre-admission employee shares sold in 2021, this HY2022 non-cash charge is $15.6m.

This share-based accounting non-cash charge has no impact on either tax or Group operations. Additional similar non-cash charges recorded relate to the amortization of customer relationships per ASC 805 and the expense recorded for the period's portion of the Long Term Incentive Plan (LTIP) stock option awards.

The Group had 192 full time employees at 30 June 2022, up from 186 on 1 January 2022. As a listed entity, the Group has additional expenses for HY2022 that were not incurred during HY2021 totaling over $2.7m; including an increased investment in senior management since IPO, additional legal and accounting, and expense items required of a listed company.

Reconcilation of reported to underlying profit before tax and underlying EBITDA

	HY22	HY21
Reported Profit Before Tax	**(2,206,477)**	**(114,507)**
Add:		
Share-based accounting (ASC 718-10-S99-2) charge (non-cash)	15,575,773	N/A
Amortization expense – customer relationship (non-cash)	942,406	942,406
LTIP expense (non-cash)	61,494	N/A
Add:		
Actual prior period bonus distributions (HY21)	N/A	18,786,722
Less:		
Prior period normalised bonus payments (HY21)	N/A	(5,173,139)
Underlying Profit Before Tax	**14,373,196**	**14,441,482**
Add:		
Interest Expense	8,150	21,773
Depreciation	57,962	70,803
Underlying EBITDA	**14,439,308**	**14,534,058**
Underlying EBITDA Margin	**27.9%**	**30.8%**

Balance sheet and cash flow

The Group's cash position and Balance Sheet remains extremely strong. Net cash increased by $4.7m (35.2%) to $17.9m and with working capital (incl. Cash) at $15.5m, the Group is in a good position to fulfill its dividend policy and actively pursue its ongoing M&A program and growing pipeline of potential opportunities.

Dividend

The Group has declared an interim cash dividend related to the full year 2022, in line with its IPO Admission Document, which stated that the Group will adopt a pay-out ratio of up to 70% of its adjusted net profit after tax, payable half yearly. The Directors intend that for the 2022 financial year the Group will pay this interim dividend and a final dividend in approximate proportions of one third and two thirds respectively, of the total annual dividend.

The dividend is payable to the holders of record of all of the issued and outstanding shares of the Group's Common Stock as of the close of business on the record date, 30 September 2022. The aggregate amount of the dividend is $4.9m, which equates to $0.045 per share of Common Stock issued and outstanding on the record date. The ex-dividend date is 29 September 2022. The dividend will be paid no later than 28 October 2022.

Basis of preparation

The Group was admitted to trading on the AIM market of the London Stock Exchange on 16 December 2021 (the "IPO"), having been incorporated on 4 February 2021. The comparative figures for the consolidated financial statements, presented in this half-year results for the HY ended 30 June 2021 are for Public Policy Holding Company LLC and its subsidiary companies, the businesses of which were contributed to the Group immediately prior to the IPO. For the half-year ended 30 June 2022, the consolidated figures represent the underlying business after the IPO. The financial statements have been prepared in accordance with US GAAP.

Note to Investors:
In accordance with a letter provided to shareholders by Link, certain IRS forms are required to be completed.

- Form W-8BEN – titled 'Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)'. This is usually for individuals not resident in the US.

  Form W-8BEN and instructions can be found at:

https://www.irs.gov/pub/irs-pdf/fw8ben.pdf	W-8BEN Form
https://www.irs.gov/pub/irs-pdf/iw8ben.pdf	W-8BEN Instructions

Or,

- Form W-9 – titled 'Request for Taxpayer Identification Number and Certification'. This is for 'US Persons', such as US citizens or residents.

  Form W-9 and instructions can be found at:

https://www.irs.gov/pub/irs-pdf/fw9.pdf	W-9 Form
http://www.irs.gov/pub/irs-pdf/iw9.pdf	W-9 Form Instructions

Response and the form(s) can be scanned and sent to: **tptadvices@linkgroup.co.uk**

Or by post to: **Post Room, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom.**

Financial Statements

Consolidated Balance Sheets
Half Year Ended 30 June 2022

	Unaudited at June 30, 2022	Audited at June 30, 2021	Audited at December 31, 2021
Assets			
Current assets:			
Cash	$18,057,698	$13,419,170	$18,035,641
Accounts receivable, net	11,737,244	9,338,998	8,214,002
Note receivable - related party - short term	513,000	208,250	263,850
Prepaid expenses and other current assets	1,060,909	332,699	490,712
Total current assets	31,368,851	23,299,117	27,004,205
Note receivable - related party - long-term	-	104,125	-
Property and equipment, net	730,636	992,850	788,598
Operating lease right of use asset	14,474,803	17,417,520	15,907,571
Goodwill	44,893,532	44,893,532	44,893,532
Other intangible assets, net	11,935,161	13,819,973	12,877,567
Syndication costs	-	2,166,515	-
Other long-term assets	732,289	249,900	553,957
Total assets	$104,135,272	$102,943,532	$102,025,430

	Unaudited at June 30, 2022	Audited at June 30, 2021	Audited at December 31, 2021
Current liabilities:			
Accounts payable and accrued expenses	$8,418,970	$11,463,707	$8,329,355
Income taxes payable	113,119	-	522,500
Amounts owed to related parties	1,539,397	9,194,840	6,696,795
Deferred revenue	2,500,738	2,481,485	1,942,536
Operating lease liability due within one year	3,489,218	3,178,680	3,374,724
Notes payable, current portion	19,590	31,362	20,664
Total current liabilities	15,881,032	26,350,074	20,886,574
Line of credit	-	1,361,875	-
Notes payable, long term	203,797	216,048	216,048
Deferred income tax liability	2,613,400	-	2,914,600
Operating lease liability, long term	13,599,017	16,846,374	15,262,878
Total liabilities	32,297,246	44,774,371	39,280,100
Stockholders' equity			
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 108,199,105 and 108,240,250 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	108,199	-	108,240
Additional paid-in capital	102,530,075	-	86,892,903
Accumulated deficit	(30,800,248)	-	(24,255,813)
Members' equity	-	58,169,161	-
Total stockholders' equity	71,838,026	58,169,161	62,745,330
Total liabilities and stockholders' equity	$104,135,272	$102,943,532	$102,025,430

Consolidated Statements of Operations
Half Year Ended 30 June 2022

	Unaudited six months ended June 30, 2022	Audited six months ended June 30, 2021	Audited year ended December 31, 2021
Revenue	$51,738,804	$47,202,560	$99,336,460
Expenses:			
Personnel cost	25,272,856	22,011,610	44,070,612
Employee bonuses	5,144,896	7,866,593	17,626,133
General and administrative expenses	5,122,475	3,766,116	8,184,253
Occupancy expense	1,820,763	1,717,637	3,650,562
Depreciation and amortization expense	1,000,368	1,013,209	2,012,645
Profit bonuses	-	10,920,129	19,892,634
Total expenses before share-based accounting (ASC 718-10-S99-2) charge	38,361,358	47,295,294	95,436,839
Income (loss) from operations before share-based accounting (ASC 718-10-S99-2) charge	13,377,446	(92,734)	3,899,621
Share-based accounting (ASC 718-10-S99-2) charge	15,575,773	-	27,609,214
Loss from operations	(2,198,327)	(92,734)	(23,709,593)
Interest expense	8,150	21,773	51,520
Net loss before income taxes	(2,206,477)	(114,507)	(23,761,113)
Income tax expense	3,634,800	-	494,700
Net loss	$(5,841,277)	$(114,507)	$(24,255,813)
Net loss per share attributable to common stockholders, basic and diluted	$(0.05)	$-	$(0.24)
Weighted average common shares outstanding, basic and diluted	108,228,513	-	100,338,632

Consolidated Statements of Stockholders' Equity
Half Year Ended 30 June 2022

	Common Stock		Additional Paid-In	Members'	Retained	Total Stockholders'
	Shares	Amount	Capital	Equity	Earnings	Equity
Balance as of December 31, 2020	-	-	-	58,672,734	-	58,672,734
Distributions to members	-	-	-	(444,235)	-	(444,235)
Shares issued due to conversion from LLC to C-Corporation	100,000,000	100,000	58,128,499	(58,228,499)	-	-
Issuance of common shares, net of commissions and fees of $1,634,554	8,240,050	8,240	13,357,206	-	-	13,365,446
Syndication costs	-	-	(4,797,076)	-	-	(4,797,076)
Income tax effect of conversion from LLC to C-Corporation	-	-	(2,942,400)	-	-	(2,942,400)
Holdings Distribution Discount	-	-	(4,462,540)	-	-	(4,462,540)
Share-based accounting (ASC 718-10-S99-2) charge	-	-	27,609,214	-	-	27,609,214
Net loss	-	-	-	-	(24,255,813)	(24,255,813)
Balance as of December 31, 2021	108,240,050	$108,240	$86,892,903	$-	$(24,255,813)	$62,745,330

	Common Stock		Additional Paid-In	Members'	Retained	Total Stockholders'
	Shares	Amount	Capital	Equity	Earnings	Equity
June 30, 2021						
Balance as of December 31, 2020	-	-	-	58,672,734	-	58,672,734
Distributions to members	-	-	-	(389,066)	-	(389,066)
Net loss	-	-	-	(114,507)	-	(114,507)
Balance as of June 30, 2021	-	$-	$-	$58,169,161	$-	$58,169,161
June 30, 2022						
Balance as of December 31, 2021	108,240,050	$108,240	$86,892,903	$-	$(24,255,813)	$62,745,330
Share-based accounting (ASC 718-10-S99-2) charge	95,202	95	15,575,678	-	-	15,575,773
Stock option expense	-	-	61,494	-	-	61,494
Dividends	-	-	-	-	(703,294)	(703,294)
Forfeiture of unvested restricted stock	(136,147)	(136)	-	-	136	-
Net loss	-	-	-	-	(5,887,954)	(5,887,954)
Balance as of June 30, 2022 (unaudited)	108,199,105	$108,199	$102,530,075	$-	$(30,800,248)	$71,838,026

Consolidated Statements of Cash Flows
Half Year Ended 30 June 2022

	Unaudited six months ended June 30, 2022	Audited six months ended June 30, 2021	Audited year ended December 31, 2021
Cash flows from operating activities			
Net loss	$(5,841,277)	$(114,507)	$(24,255,813)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	57,962	70,803	127,833
Amortization expense - customer relationship	942,406	942,406	1,884,812
Amortization of right of use assets	1,432,768	1,433,451	2,943,400
Provision for deferred income taxes	(301,200)	-	(27,800)
Share-based accounting (ASC 718-10-S99-2) charge	15,575,773	-	27,609,214
Stock option expense	61,494	-	-
(Increase) decrease in			
Accounts receivable, net	(3,523,242)	(2,716,427)	(3,267,547)
Other assets	(748,529)	84,058	(378,012)
Increase (decrease) in			
Accounts payable and accrued expenses	(110,385)	5,443,272	2,546,171
Income taxes payable	(409,381)	-	522,500
Deferred revenue	558,202	979,309	1,879,225
Operating lease liability	(1,549,367)	(1,281,334)	(2,668,786)
Transactions with members/related parties	(5,406,548)	4,635,086	(2,276,974)
Net cash provided by operating activities	738,676	9,476,117	4,638,223
Cash flows from investing activities			
Purchases of property and equipment	-	(183,852)	(36,630)
Net cash used in investing activities	-	(183,852)	(36,630)

	Unaudited six months ended June 30, 2022	Audited six months ended June 30, 2021	Audited year ended December 31, 2021
Cash flows from financing activities			
Syndication costs and other stock issuance costs	-	(1,617,491)	(4,638,271)
Issuance of common stock	-	-	13,755,665
Net proceeds (payments) from line of credit and notes payable	(13,325)	(9,457)	(1,382,030)
Dividends and distributions	(703,294)	(389,066)	(444,235)
Net cash provided by financing activities	(716,619)	(2,016,014)	7,291,129
Net increase in cash and cash equivalents	22,057	7,276,251	11,892,722
Cash and cash equivalents as of beginning of period	18,035,641	6,142,919	6,142,919
Cash and cash equivalents as of end of period	$18,057,698	$13,419,170	$18,035,641
Supplemental disclosure of cash flow information			
Cash paid for interest	$8,150	$21,773	$51,520
Cash paid for income taxes	$4,345,381	$-	$-
Right of use assets obtained with lease liabilities	$-	$3,057,555	$3,057,555
Income tax effect of conversion of LLC to C-Corporation	$-	$-	$2,942,400
Holdings Distribution Discount	$-	$-	$4,462,540
Commissions and fees paid through issuance of common stock	$-	$-	$1,244,335

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation:

Public Policy Holding Company, Inc. ("PPHC-Inc.") was incorporated on February 4, 2021. From PPHC-Inc.'s incorporation until December 10, 2021 (the "Conversion Date"), all of the issued and outstanding shares of stock of PPHC-Inc. were owned by Public Policy Holding Company, LLC ("PPHC-LLC"), which (i) was organized as a Delaware limited liability company on July 1, 2014, and (ii) owned certain wholly-owned operating subsidiaries, all organized as Delaware limited liability companies (the "Subsidiaries," and collectively with PPHC-Inc., the "Company"). On the Conversion Date, PPHC-LLC contributed and assigned substantially all of its assets and liabilities (including all of the Subsidiaries, but excluding certain specified assets and liabilities) to PPHC-Inc. in exchange for the issuance by PPHC-Inc. of 100,000,000 shares (the "Contribution Shares") of Common Stock, par value $0.001 per share ("Common Stock") of PPHC-Inc. Pursuant to a formula approved by the Executive Board and General Board of PPHC-LLC (the "Waterfall"), PPHC LLC then liquidated and distributed the Contribution Shares to each of PPHC-LLC's owners who (other than The Alpine Group, Inc.), in turn, distributed such shares to their respective owners in accordance with the Waterfall (collectively, the "Company Conversion").

The Company provides governmental and public affairs consulting services exclusively in the United States of America ("U.S.").

These unaudited interim condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with the accounting policies set out in the Annual Report and Financial statements of the Company for the year ended December 31, 2021 using the recognition and measurement principles in conformity with generally accepted accounting principles in the United States of America ("GAAP"). Such consolidated financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the Company's financial position, results of operations and cash flows, and are presented in U.S. Dollars. All material intercompany transactions and balances have been eliminated in consolidation.

Principles of Consolidation:

The consolidated financial statements include all of the accounts of the entities listed below:

Parent company:
Public Policy Holding Company, Inc.

Wholly owned operating subsidiaries:
Crossroads Strategies, LLC
Forbes Tate Partners, LLC
Blue Engine Message & Media, LLC, doing business as Seven Letter
O'Neill & Partners LLC, doing business as O'Neill & Associates
Alpine Group Partners, LLC

Initial Public Offering:

On December 16, 2021, PPHC-Inc. completed an initial public offering and placement ("IPO") of its shares of Common Stock, and the admission of Common Stock to trading on the AIM market of the London Stock Exchange.

The PPHC-LLC Limited Liability Company Agreement ("LLC Agreement") provided for the payment of a "Holdings Distribution Discount" in connection with a sale or IPO of the Company, amounting to $4,462,540 (excluding an interest accrual which is being waived). The Holdings Distribution Discount represents the difference between an operating subsidiary paying three percent of its revenues annually to PPHC-LLC (which has historically been paid by all operating subsidiaries other than Crossroads Strategies, LLC and Forbes Tate Partners, LLC), and each of Crossroads Strategies, LLC and Forbes Tate, LLC, which, as the founding businesses acquired by PPHC-LLC, have paid approximately five percent of their respective revenues annually to PPHC-LLC. Historically, PPHC-LLC and its members viewed this obligation of PPHC-LLC (triggered by the IPO) as an obligation to refund Crossroads Strategies, LLC and Forbes Tate, LLC, their relative overpayments (compared to the other operating subsidiaries) because had those overpayments not been made to PPHC-LLC, those amounts could have been paid as additional bonuses or distributions to the owners of Crossroads Strategies, LLC and Forbes Tate, LLC. This obligation of PPHC-LLC has been contributed and assigned to and assumed by the Company as part of the Contribution Agreement entered into in connection with the Company Conversion. Upon the Company's payment of the Holdings Distribution Discount to Crossroads Strategies, LLC and Forbes Tate, LLC, it is anticipated that Crossroads Strategies, LLC and Forbes Tate, LLC will, in turn, distribute such amounts to their respective owners including but not limited to Stewart Hall and Zachary Williams. As of June 30, 2022 and December 31, 2021, the Holdings Distribution Discount of approximately $1,539,000 and $4,463,000 is included in the amounts owed to related parties in the Company's Consolidated Balance Sheets.

In addition, certain assets and liabilities were not contributed by PPHC-LLC to the Company as part of the Company Conversion. As of December 31, 2021, the net amount owed to the PPHC-LLC members approximates $2,234,000 and is included in amounts owed to related parties in the Company's Consolidated Balance Sheets.

During 2021, all of the ultimate owners of PPHC-LLC ("Group Executives") entered into Executive Employment Agreements. The Group Executives sold some of their Common Stock in conjunction with the IPO ("Liquidated Pre-IPO Shares") but retained the majority of their shares ("Retained Pre-IPO Shares"). The Retained Pre-IPO Shares are subject to a vesting schedule under which the Common Stock held by each Group Executive will vest in equal installments on the first five anniversaries of the effective date of the IPO, provided that the Group Executive remains continuously employed by the employer; this vesting schedule applies to all the Company's employees holding Common Stock at the time of the IPO. In the event that a Group Executive's employment terminates (other than on death or "disability", or by the employer without "cause", or by the Group Executive for what is deemed to be for a "good reason") then the unvested proportion of the Retained Pre-IPO Shares which have not vested, will not vest and will be automatically forfeited and clawed back as of the date of such termination. In the event a Group Executive's employment terminates on death or "disability," or by the employer without "cause," or by the Group Executive for what is deemed to be "good reason," then all unvested shares will vest automatically as of the date of such termination. The Executive Employment Agreements also contain certain provisions which enable cash derived from the sale of Liquidated Pre-IPO Shares and Retained Pre-IPO Shares that have vested to be clawed back and forfeited on certain events of termination of employment or breaches of certain provisions of the Executive Employment Agreements. Pursuant to the Executive Employment Agreements for Group Executives employed by Alpine Group Partners, a pro-rata portion of the Retained Pre-IPO Shares held by (and the Liquidated Pre-IPO Shares sold by) The Alpine Group Inc. are subject to vesting, forfeiture and claw back based on the employment of certain of those Group Executives.

The addition of the vesting provisions to previously issued shares creates a share-based accounting charge in accordance with the accounting guidance in Accounting Standards Codification ("ASC") 718-10-S99-2, *Compensation-Stock Compensation*. See Note 5.

Revenue Recognition:

The Company generates the majority of its revenue by providing consulting services related to lobbying and public affairs. In determining the method and amount of revenue to recognize, the Company has to make judgments and estimates. Specifically, complex arrangements with nonstandard terms and conditions may require management's judgment in interpreting the contract to determine the appropriate accounting, including whether the promised services specified in an arrangement are distinct performance obligations and should be accounted for separately, and how to allocate the transaction price, including any variable consideration, to the separate performance obligations. When a contract contains multiple performance obligations, the Company allocates the transaction price to each performance obligation based on its estimate of the stand-alone selling price. Other judgments include determining whether performance obligations are satisfied over-time or at a point-in-time and the selection of the method to measure progress towards completion.

The Company's general practice is to establish an agreement with a client with a fixed monthly payment at the beginning of each month for the month's service to be performed. Most of the consulting service contracts are based on one of the following types of contract arrangements:

- Fixed-fee arrangements require the client to pay a fixed fee in exchange for a predetermined set of professional services. The Company recognizes revenue at the beginning of the month for that month's services.

- Additional services include items such as 1) advertisement placement and management, 2) video production, and 3) website development, in which third-party companies may be engaged to achieve specific business objectives. These services are either in a separate contract or within the fixed-fee consulting contract, in which the Company usually receives a fixed 15% markup on the cost incurred by the Company. The Company recognizes revenues earned to date in an amount that is probable or unlikely to reverse and by applying the proportional performance method when the criteria for revenue recognition is met. Any out-of-pocket administrative expenses incurred are billed at cost.

Certain services provided by the Company include the utilization of a third-party in the delivery of those services. These services are primarily related to the production of an advertising campaign or media buying services. The Company has determined that it acts as an agent and is solely arranging for the third-parties to provide services to the customer. Specifically, the Company does not control the specified services before transferring those services to the customer, and is not primarily responsible for the performance of the third-party services, nor can the Company redirect those services to fulfill any other contracts. The Company does not have discretion in establishing the third-party pricing in its contracts with customers. For these performance obligations for which the Company acts as an agent, the Company records revenue as the net amount of the gross billings less amounts remitted to the third-party.

The following table provides disaggregated revenue by revenue type for the periods ended:

	Six months ended June 30, 2022	Six months ended June 30, 2021	12 months ended December 31, 2021
Lobbying revenue	$37,549,700	$33,586,390	$ 64,039,856
Public affairs revenue	14,189,104	13,616,169	35,296,604
Total revenue	$51,738,804	$47,202,559	$ 99,336,460

See the Segment Reporting Note 8 for a description of the principal activities, by reportable segment, from which the Company generates revenue.

As of January 1, 2022 and 2021, the accounts receivable, net and deferred revenue was $8,214,002 and $1,942,536 and $6,622,571 and $1,502,176, respectively. The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of:

	June 30, 2022	June 30, 2021	December 31, 2021
Accounts receivable, net	$11,119,762	$ 8,975,116	$ 8,109,353
Other receivables	617,482	363,882	104,649
Contract liabilities (deferred revenue)	2,500,738	2,481,485	1,942,536

Contract liabilities relate to advance consideration received from customers under the terms of the Company's contracts primarily related to retainer fees and reimbursements of third-party expenses, both of which are generally recognized shortly after billing.

Accounts Receivable:

The Company provides for an allowance for doubtful accounts based on management's best estimate of possible losses determined principally on the basis of historical experience and specific allowances for known troubled accounts, if needed. Accounts are generally considered past due after the contracted payment terms, which are generally net 30 day terms. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. As of June 30, 2022 and 2021, the balance of allowance for doubtful accounts approximated $250,000 and $62,000, respectively. The Company determined that no allowance for doubtful accounts was necessary as of December 31, 2021.

Leases:

A lease is defined as a contract that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company accounts for its leases in accordance with the guidance in Accounting Standards Codification ("ASC") 842 ("ASC 842"). Substantially all of the leases in which the Company is the lessee are comprised of real estate property for remote office spaces and corporate office space. Substantially all of the leases are classified as operating leases.

As of June 30, 2022, June 30, 2021 and December 31, 2021, the Company had approximately $14,475,000, $17,418,000 and $15,908,000, respectively, of operating lease ROU assets and $17,088,000, $20,025,000 and $18,638,000, respectively of operating lease liabilities on the Company's Consolidated Balance Sheets. The Company has elected not to recognize right-of-use ("ROU") assets and lease liabilities arising from short-term leases, leases with initial terms of twelve months or less, or equipment leases (deemed immaterial) on the Consolidated Balance Sheets.

These leases may contain terms and conditions of options to extend or terminate the lease, which are recognized as part of the ROU assets and lease liabilities when an economic benefit to exercise the option exists and there is a significant probability that the Company will exercise the option. If these criteria are not met, the options are not included in the Company's ROU assets and lease liabilities.

As of June 30, 2022, these leases do not contain material residual value guarantees or impose restrictions or covenants related to dividends or the Company's ability to incur additional financial obligations.

The discount rate for operating leases was based on market rates from a bank for obligations with comparable terms effective at the lease inception date. The following table presents the future minimum lease payments as of June 30, 2022:

July 1, 2022 to June 30, 2023	$ 4,269,012
July 1, 2023 to June 30, 2024	3,288,567
July 1, 2024 to June 30, 2025	3,011,467
July 1, 2025 to June 30, 2026	3,084,369
July 1, 2026 to June 30, 2027	2,492,591
Thereafter	3,397,181
Total future minimum lease payments	19,543,187
Amount representing interest	(2,454,952)
Present value of net future minimum lease payments	$ 17,088,235

Goodwill and indefinite-lived intangible assets:

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in business combinations and is allocated to the appropriate reporting unit when acquired. Acquired intangible assets are recorded at fair value.

Goodwill is evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs, or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is typically assigned to the reporting unit, which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of June 30, 2022, the Company's reporting units consisted of Lobbying Consulting and Public Affairs Consulting. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative approach is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipated future cash flows and discount rates. Management has performed its evaluation and determined the fair value of each reporting unit is greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill for the six months ended June 30, 2022 and 2021 and the year ended December 31, 2021.

Indefinite-lived intangible assets are tested for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value below its carrying value. The Company's indefinite-lived intangible assets consist of trademarks acquired through various business acquisitions. The Company has the option to first assess qualitative factors to determine whether events or circumstances indicate it is more likely than not that the fair value of the trademarks is greater than the carrying amount, in which case a quantitative impairment test is not required. Management has performed its evaluation and determined that the trademarks are not impaired for the six months ended June 30, 2022 and 2021 and the year ended December 31, 2021.

Customer relationship asset:

The Company's definite-lived intangible asset consists of customer relationships that have been acquired through various acquisitions. The Company amortized these assets over their estimated useful lives.

Impairment of long-lived assets:

Long-lived assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company has not recorded any impairment charges related to long-lived assets for the six months ended June 30, 2022 and 2021 and for the year ended December 31, 2021.

Syndication costs:

Deferred offering costs consist primarily of consulting fees related to the initial public offering (IPO). Prior to the IPO, all deferred offering costs were capitalized and included in the consolidated balance sheets and totaled approximately $2,167,000 as of June 30, 2021. During December 2021, total syndication costs of approximately $4,797,000 were recorded as a reduction to stockholders' equity.

Deferred revenue:

Deferred revenue represents prepayment by the customers for services that have yet to be performed. As of June 30, 2022, June 30, 2021 and December 31, 2021, deferred revenue was approximately $2,501,000, $2,481,000 and $1,943,000, respectively. Deferred revenue is expected to be recognized as revenue within a year.

Income taxes:

Prior to the Conversion Date, PPHC-LLC was a limited liability company whereby the tax attributes were passed through to and reported on the members of PPHC-LLC's tax returns.

After the Conversion Date, the Company utilizes the asset and liability method in the Company's accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets when realization of the tax benefit is uncertain.

A valuation allowance is recorded, if necessary, to reduce net deferred taxes to their realizable values if management believes it is more likely than not that the net deferred tax assets will not be realized.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Profit bonuses:

Prior to the IPO, annual bonus payments were paid as compensation for services to senior executives and employees based on the profits of the Company.

Estimates:

The preparation of consolidated financial statements in conformity with 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 date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Share-based accounting charge and stock option expense:

The Company accounts for its share-based accounting (ASC 718-10-S99-2) charge using the fair value method. The fair value method requires the Company to estimate the grant-date fair value of its share-based awards and amortize this fair value to expense over the requisite service period or vesting term. For restricted and nonvested stock awards, the grant-date fair value is based upon the market price of the Company's common stock on the date of the grant. For stock options, the grant-date fair value is based on the Black-Scholes Option Pricing Model. The Company records forfeitures as they occur.

Segment information:

GAAP requires segmentation based on an entity's internal organization and reporting of revenue and operating income based upon internal accounting methods commonly referred to as the "management approach." Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company's operations are conducted in two reportable segments. These segments consist of Lobbying Consulting and Public Affairs Consulting.

Reclassification:

Certain balances as of June 30, 2021 and for the six month period then ended have been reclassified to conform to the current presentation. These reclassifications had no impact on total net assets.

Basic and diluted earnings (loss) per share:

The Company computes earnings (loss) per share in accordance with ASC 260, *Earnings per Share*, which requires presentation of both basic and diluted earnings per share on the face of the consolidated statements of operations. Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of outstanding shares during the period. Diluted earnings (loss) per share gives effect to all dilutive potential common shares outstanding during the period. The Company's dilutive instruments consist of 2,644,859 stock options issued in 2022. However, due to their anti-dilutive effect, the calculation of diluted net loss per share does not include these options, and accordingly, basic and dilutive earnings (loss) per share are equal.

Subsequent events:

Management has evaluated the subsequent events for disclosure in these consolidated financial statements.

NOTE 2 RELATED PARTY TRANSACTIONS

On November 1, 2018, PPHC-LLC advanced $833,000 to the original members of Blue Engine Message & Media, LLC for the purchase of the ownership interest of JDA Frontline Partners, LLC in the form of a promissory note. The note was scheduled to mature on October 31, 2022, and required the borrowers to make 16 quarterly installment payments of $52,063 commencing on February 15, 2019. Interest on the note is the London Interbank Offered Rate ("LIBOR") daily floating rate plus 2.4%. The note receivable was repaid in full in April 2022. The note receivable and accrued interest balance as of June 30, 2021 and December 31, 2021, was approximately $312,000 and $264,000, respectively, which are recorded in note receivable - related party.

During December 2021, the Company entered into a term note agreement ("2021 Note") with The Alpine Group, Inc. ("Alpine Inc"). The 2021 Note provided Alpine Inc with the ability to request a one-time borrowing of up to $750,000 from the Company at any time prior to December 31, 2022. The purpose of the 2021 Note was to provide Alpine Inc with funds to cover certain federal and state income taxes to be owed by Alpine Inc in connection with the sale of shares of the Company's common stock in the IPO. During April 2022, the Company advanced $513,000 to Alpine Inc in accordance with the terms of the 2021 Note. The interest rate on the 2021 Note is equal to the Prime Rate as published in the Wall Street Journal. The 2021 Note requires an annual payment of accrued and unpaid interest on the last business day of December each year and through the maturity date of January 16, 2025. The note receivable and accrued interest balance as of June 30, 2022 was approximately $517,000, which are recorded in note receivable - related party.

As of June 30, 2022, the amounts owed to related parties consisted of the Holding Distribution Discount of approximately $1,539,000. See Note 1.

As of June 30, 2021, the amounts owed to related parties includes accrued bonuses owed to operating subsidiary members of approximately $9,101,000 as well as funds advanced from the owners of contributing subsidiaries of approximately $93,000. These amounts were paid in 2021.

As of December 31, 2021, the amounts owed to related parties include the Holding Distribution Discount of approximately $4,463,000 and the amount owed to PPHC-LLC members as part of the Company Conversion of approximately $2,234,000. See Note 1.

NOTE 3 GOODWILL AND INTANGIBLE ASSETS

Goodwill and Tradenames

The Company's indefinite-lived assets consist of goodwill and tradenames as of:

	June 30, 2022	June 30, 2021	December 31, 2021
Goodwill	$ 44,893,532	$ 44,893,532	$ 44,893,532
Tradenames	3,813,000	3,813,000	3,813,000
Total	$ 48,706,532	$ 48,706,532	$ 48,706,532

As of June 30, 2022, June 30, 2021 and December, 31, 2021, there have been no impairments to goodwill or tradenames.

Goodwill is allocated to each segment as follows, as of:

	June 30, 2022	June 30, 2021	December 31, 2021
Goodwill			
Lobbying consulting	$ 26,859,782	$ 26,859,782	$ 26,859,782
Public affairs consulting	18,033,750	18,033,750	18,033,750
Total	$ 44,893,532	$ 44,893,532	$ 44,893,532

Intangible Assets

The Company's definite lived intangible assets consist of customer relationship assets acquired through various acquisitions. The estimated useful lives for these assets range from 7 to 9 years. The cost and accumulated amortization of the Company's customer relationships is as follows as of:

	June 30, 2022	June 30, 2021	December 31, 2021
Cost	$ 15,320,800	$15,320,800	$ 15,320,800
Accumulated Amortization	(7,198,639)	(5,313,827)	(6,256,233)
Total, net	$ 8,122,161	$10,006,973	$ 9,064,567

Amortization expense for customer relationship assets approximated $942,000 for the six months ended June 30, 2022 and 2021 and $1,885,000 for the twelve months ended December 31, 2021.

The approximate estimated future amortization expense for the next five years is as follows:

		Amortization
July 1, 2022 to June 30, 2023	$	1,885,000
July 1, 2023 to June 30, 2024		1,463,000
July 1, 2024 to June 30, 2025		1,463,000
July 1, 2025 to June 30, 2026		1,363,000
July 1, 2026 to June 30, 2027		1,301,000

NOTE 4 LINE OF CREDIT AND NOTES PAYABLE

A) Line of credit

The Company had a $2,000,000 revolving line of credit, which was secured by all business assets. As a sub-facility under the line, standby letters of credit could be issued up to $750,000 to secure office leases. During 2021, the Company repaid the outstanding balance on the line of credit and closed the line of credit. As of June 30, 2021, the outstanding balance on the line of credit was approximately $1,362,000. Interest on the line of credit was at LIBOR's daily floating rate plus 2.5%.

B) Note payable - landlord

The Company executed a lease amendment on March 23, 2018, and received a loan of approximately $316,000 to fund certain tenant improvements. The Company shall repay the loan in equal monthly principal and interest installments over the lease term at an interest rate of 8%, with the final payment due on March 1, 2029. Notwithstanding the foregoing, the Company may submit a notice to the landlord to prepay the outstanding balance upon terms to be agreed upon by the landlord and the Company. The balance on the loan as of June 30, 2022, June 30, 2021 and December 31, 2021, was approximately $223,000, $247,000 and $237,000, respectively.

NOTE 5 STOCKHOLDERS' EQUITY AND SHARE-BASED ACCOUNTING CHARGE

As of June 30, 2022, the authorized capital of the Company consists of 1,100,000,000 shares of capital stock, $0.001 par value per share, of which 1,000,000,000 shares are designated as common stock and 100,000,000 shares are designated as preferred stock. There are no shares of preferred stock outstanding.

As discussed in Note 1, during 2021 the Company entered into Executive Employment Agreements with Group Executives. As a result, the addition of the vesting provisions to previously issued shares created a share-based accounting charge in accordance with the accounting guidance in ASC 718-10-S99-2, *Compensation-Stock Compensation*. As a result, the Company recorded a share-based accounting (ASC 718-10-S99-2) charge of approximately $15,576,000 for the six months ended June 30, 2022 and $27,609,000 for the year ended December 31, 2021.

As of June 30, 2022, the total number of Liquidated Pre-IPO Shares subject to the clawback provisions totaled 14,463,713. During the six months ended June 30, 2022, there were 136,147 Retained Pre-IPO Shares that were forfeited. As of June 30, 2022, there were 85,400,140 Retained Pre-IPO Shares subject to vesting requirements and none of these shares were fully vested. The weighted-average grant date fair value of these shares was $1.82 as of June 30, 2022 and December 31, 2021. As of June 30, 2022, the unrecognized compensation cost from these restricted shares was approximately $139,000,000, which is expected to be recognized over a weighted-average period of 4.5 years.

NOTE 6 OMNIBUS INCENTIVE PLAN

During 2021, the Company adopted the Public Policy Holding Company, Inc. 2021 Omnibus Incentive Plan (the "Omnibus Plan"), under which Options (both nonqualified options, and incentive stock options subject to favorable U.S. income tax treatment), stock appreciation rights, restricted stock units, restricted stock, unrestricted stock, cash-based awards and dividend equivalent rights may be issued. An award may not be granted if the number of common shares committed to be issued under that award exceeds ten percent of the ordinary shares of the Company in issue immediately before that day, when added to the number of common shares which have been issued, or committed to be issued, to satisfy awards under the Omnibus Plan, or options or awards under any other employee share plan operated by the Company, granted in the five previous years.

As of December 31, 2021, no awards were outstanding under the Omnibus Plan. As of June 30, 2022, the total amount of shares authorized under the Omnibus Plan was 2,705,852. During the six months ended June 30, 2022 the Company granted 2,644,859 stock options to employees.

Determining the appropriate fair value model and the related assumptions requires judgment. The fair value of each option granted is estimated using a Black-Scholes option-pricing model on the date of grant as follows:

	For the six Months ended June 30, 2022
Estimated dividend yield	6.00%
Expected stock price volatility	60.00%
Risk-free interest rate	3.01%
Expected life of option (in years)	6.50
Weighted-average fair value per share	$ 0.58

The expected volatility rates are estimated based on the actual volatility of comparable public companies over the expected term. The expected term represents the average time that options that vest are expected to be outstanding. Due to limited historical data, the Company calculates the expected life based on the midpoint between the vesting date and the contractual term, which is in accordance with the simplified method. The risk-free rate is based on the United States Treasury yield curve during the expected life of the option.

NOTE 6 OMNIBUS INCENTIVE PLAN (concluded)

The following summarizes the stock option activity for the six months ended June 30, 2022:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	-	$-		
Granted	2,644,859	$2.20		
Exercised	-	$-		
Cancelled	-	$-		
Outstanding as of June 30, 2022	2,644,859	$2.20	9.9	$-
Exercisable as of June 30, 2022	-	$-	-	$-
Vested and expected to vest as of June 30, 2022	2,644,859	$2.20	9.9	$-

The following table summarizes certain information about the stock options outstanding and exercisable as of June 30, 2022:

Exercise Price	Number of Options Outstanding	Weighted-Average Remaining Life	Number of Options Exercisable
$2.20	2,635,004	9.9	-
2.21	9,855	9.9	-
	2,644,859		-

Stock option expense for the six months ended June 30, 2022 was approximately $61,000. As of June 30, 2022, there was approximately $1,473,000 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, which is expected to be recognized over a weighted-average period of 2.9 years.

NOTE 7 INCOME TAXES

Prior to December 10, 2021, the net income (loss) related to the Company's operations were reported as part of a partnership income tax return for federal and state income tax purposes. Because the partnership entity was not subject to income tax at the Company level, no provision for income taxes was required for periods prior to December 10, 2021.

Due to the Company Conversion that occurred on December 10, 2021, an initial net deferred tax liability was recorded in conjunction with the Company's operations that would be taxable at the corporate entity level. An initial deferred tax liability in the amount of $2,942,400 was recorded, with a corresponding adjustment to stockholders' equity.

The Company recorded the following income tax expense (benefit) for the six month period ended June 30, 2022.

Current tax expense:	
Federal	$ 2,822,400
State	1,113,600
	3,936,000
Deferred tax expense (benefit):	
Federal	$ (235,800)
State	(65,400)
	(301,200)
Total Provision for Income Taxes:	$ 3,634,900

The Company recorded the following income tax expense (benefit) for the period December 10, 2021 through December 31, 2021.

Current tax expense:	
Federal	$ 375,100
State	147,400
	522,500
Deferred tax expense (benefit):	
Federal	$ (21,600)
State	(6,200)
	(27,800)
Total Provision for Income Taxes:	$ 494,700

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. None of the goodwill that is reported on the Consolidated Balance Sheets is deductible for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Deferred income tax assets:		
Other assets	$ 104,900	$ 40,600
ASC 842 Lease liability	4,622,000	5,036,200
Total deferred income tax assets	4,726,900	5,076,800
Deferred income tax liabilities:		
Property and equipment	(198,000)	(213,100)
Intangible assets	(3,228,000)	(3,479,800)
Right of use asset	(3,914,300)	(4,298,500)
Total deferred income tax liabilities	(7,340,300)	(7,991,400)
Total Net Deferred Tax Liability:	$ (2,613,400)	$ (2,914,600)

A reconciliation for the difference between actual income tax expense (benefit) compared to the amount computed by applying the statutory federal income tax rate to net loss before income tax of ($2,206,477) for the six month period ended June 30, 2022, is as follows:

	Amount	% of Pretax Earnings
Federal income tax benefit at statutory rate	$ (473,200)	21.0
State income taxes, net of federal income tax benefit	(136,200)	6.0
Nondeductible share-based accounting charge	4,241,800	(192.2)
Other	2,400	0.5
Total Provision for Income Taxes	$ 3,634,800	(164.7)

A reconciliation for the difference between actual income tax expense (benefit) compared to the amount computed by applying the statutory federal income tax rate to net loss before income tax of ($25,778,400) for the period between December 10, 2021 and December 31, 2021, is as follows:

	Amount	% of Pretax Earnings
Federal income tax benefit at statutory rate	$ (5,413,500)	21.0
State income taxes, net of federal income tax benefit	(1,552,300)	6.0
Nondeductible share-based accounting charge	7,460,500	(28.9)
Total Provision for Income Taxes	$ 494,700	(1.9)

As of June 30, 2022 and December 31, 2021, there are no known items that would result in a material liability related to uncertain tax positions, as such, there are no unrecognized tax benefits. The Company's policy is to recognize interest and penalties related to uncertain tax positions in the provision for income taxes. As of June 30, 2022 and December 31, 2021, the Company had no accrued interest or penalties related to uncertain tax positions. The Company's 2021 tax year is open under the statute of limitations for examination by the taxing authorities.

NOTE 8 SEGMENT REPORTING

As of December 31, 2021, the Company has two reportable segments; Lobbying Consulting and Public Affairs Consulting. Lobbying Consulting services include federal and state advocacy, strategic guidance, political intelligence and issue monitoring. Public Affairs Consulting services include crisis communications, community relations, social and digital podcasting, public opinion research, branding and messaging, relationship marketing and litigation support.

Corporate is primarily comprised of selling, general and administrative expenses. These expenses include corporate office expenses and certain other centrally managed expenses that are not fully allocated to operating divisions, salaries, annual bonuses and other miscellaneous benefits for corporate office employees, financial statement audits and legal, information technology and other consulting services that are engaged and managed through the corporate office, and rental expense for properties occupied by corporate office employees.

NOTE 8 SEGMENT REPORTING (concluded)

The Company measures the results of its segments using, among other measures, each segment's net revenue and operating income, which includes certain corporate overhead allocations. Information for the Company's segments, as well as for corporate and support, including the reconciliation to income (loss) from operations is provided in the following tables:

	Six months ended June 30, 2022	Six months ended June 30, 2021	12 months ended December 31, 2021
Revenue			
Lobbying Consulting	$37,549,700	$33,586,391	$64,039,856
Public Relations Consulting	14,189,104	13,616,169	35,296,604
Total	$51,738,804	$47,202,560	$99,336,460
Income (loss) from operations			
Lobbying Consulting	$14,935,965	$1,295,870	$4,808,030
Public Relations Consulting	2,784,189	149,352	878,878
Share-based accounting	(15,575,773)	-	(27,609,214)
Corporate	(4,342,708)	(1,537,956)	(1,787,287)
Total income (loss) from operations	(2,198,327)	(92,734)	(23,709,593)
Depreciation and amortization			
Lobbying Consulting	$868,557	$854,614	$1,728,875
Public Relations Consulting	91,141	117,925	202,432
Corporate	40,670	40,670	81,338
Total depreciation and amortization	$1,000,368	$1,013,209	$2,012,645