RNS Number : 8486E
Public Policy Holding Company, Inc.
19 September 2024

The following amendment has been made to the 'Interim Results' announcement released on 18 September 2024 under RNS No 5944E:

- Due to a clerical error, the announcement contained a cash flow summary with the full cash flow statement omitted. The full cash flow statement is now shown in the amended version below.

All other details to the original announcement remain unchanged.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

Public Policy Holding Company, Inc.

("PPHC", the "Company" or the "Group")

Unaudited interim results for the six months ended 30 June 2024

Strategic execution delivers positive financial and operational progress; full year expectations affirmed

Public Policy Holding Company, Inc., the leading government relations and public affairs group of companies providing a comprehensive range of advisory services, today announces its unaudited interim results for the six months ended 30 June 2024 ("H1 2024" or the "Period").

Financial Highlights

- H1 revenue increased 8% to 71.1m (H1 2023: 65.7m), with organic growth contributing 1.2% and the balance driven by two earnings accretive acquisitions completed in the Period.
- Underlying EBITDA of 17.4m, up 3%, was achieved at a 24.5% margin. This margin performance was achieved after the Group invested 1.8m into M&A advisory costs and further incremental investment in Concordant.
- Underlying Profit after Tax of 13.2m is up 4% (H1 2023: 12.7m) with an increase in finance costs offset by a more favourable effective tax rate.
- EPS of0.113 was down 1%, primarily as a result of the average share count increasing by 5% (or 6% on a fully diluted basis).
- The Group's balance sheet remains robust with strong free cashflow of 6.0m (H1 2023: 1.8m), enabling strategic progress via organic investment and earnings enhancing M&A.
- Net Debt of 28.3m (H1 2023: 9.1m) reflects a prudent leverage ratio and the deployment of 23.7m to fund the H1 acquisitions.
- The Board retains strong confidence in the Group's outlook and has declared an Interim Dividend of0.047 per Common Outstanding Share, up 2% from last year's 0.046.

	H1 2024	H1 2023	Change
Group Revenue	71.1m	65.7m	+8%
Underlying EBITDA	17.4m	16.9m	+3%
Underlying EBITDA margin	24.5%	25.8%	-1.3pt
Underlying Profit after Tax	13.2m	12.7m	+4%
Underlying EPS basic	11.30c	11.40c	-1%
Underlying EPS fully diluted	10.81c	11.06c	-2%
Interim Dividend	4.70c	4.60c	+2%
Net Debt / (Cash) at period-end	28.3m	9.1m	19.2m

Operational Highlights

- The Period showcases the Group's ability to successfully execute its stated growth strategy, with ten operating companies providing an enhanced complementary range of services to a now global client base:
    - Acquisition of London-based Pagefield, broadening the Group's operational presence outside of the US for the first time and providing significant revenue opportunity via the referral to and from the pre-existing Group.
    - Acquisition of California-based Lucas Public Affairs ("LPA"), expanding the Group's presence in a state that is characterised by a highly regulatory environment and would register as the world's fifth largest economy.
    - Integration of LPA has completed and the integration of Pagefield is being delivered as expected, with both companies already benefitting from client referrals via the wider PPHC network.
- Revenue diversification further enhanced with the top 10 Group clients representing 7.6% of revenue in H1 2024 versus 8.4% at the end of FY23 and 10.0% for FY22.
- By segment:
    - Government Relations grew strongly at 8% (4% organically) while Public Affairs decreased by 6% (13% organically) as a consequence of a reduction in project-based work due to pending elections and economic concerns. Diversified Services (Research and Compliance) grew strongly at 97% (32% organically), albeit from a lower base.
    - The revenue share of Government Relations remained stable at 71% (H1 2023: 71%); Public Affairs decreased marginally to 22% (H1 2023: 25%); and Diversified Services grew to 7% (H1 2023: 4%).
- A broadening client base of c.1,200 Group clients is supported by sustained high retention rates, with the Group directly representing almost half of the Fortune 100 and a quarter of the Fortune 500, in addition to many more via trade associations.
- The quality of PPHC's operating companies continues to be reflected in the 2024 Lobbying Disclosure Act rankings, with Group agencies, when aggregated, topping the rankings as the US market leader in both Q1 and Q2 2024, as well as for the previous 14 consecutive quarters.

Current Trading and Outlook

- The performance delivered in H1 2024 has set the Group up well for the remainder of the year and it remains on track to meet full year market expectations, with Underlying EBITDA margin for H2 2024 expected to be at or slightly above the H1 2024 level.
- The focus continues to be on driving client retention rates, new business generation following the outcomes of elections in the US and UK, and the continued cross-selling of services across the Group's broad operating company base to support organic growth prospects.
- The market for public affairs and professional lobbying services in key geographies remains fragmented and the Board continues to view the Group as a natural consolidator with favourable bipartisan positioning.
- The pipeline of acquisition opportunities under development in the US, UK and Mainland Europe remains strong in an active market for the government relations and strategic communications sectors. The Group is actively seeking to expand its portfolio of operating companies internationally with strategically and financially attractive opportunities while adding complementary specialisations.
- The Board remains confident in the ongoing prospects for the Group and reiterates its medium-term guidance to achieve:
    - organic revenue growth between 5% and 10%;
    - incremental growth from future M&A; and
    - Underlying EBITDA margin between 25% and 30%.

Stewart Hall, CEO of PPHC, commented:

"I am pleased with the progress we have achieved in the first six months of the year as we continued to acquire excellent businesses complementing our wider growth strategy. We began our international expansion through the acquisition of Pagefield, giving us a foothold in the UK, while all ten of our operating companies are well positioned to benefit from increasing demand for their services as new governments and administrations are formed around the world, this year and next. Our ability to deliver organic growth in a period of impending elections is testament to the diversity of our revenue base and our high client retention rates.

"We have an exciting and robust M&A pipeline, both in the US and internationally, and are confident in our ability to deploy more capital to further accelerate our growth trajectory. I look forward to updating shareholders on our continued progress in the months ahead."

Enquiries

Public Policy Holding Company, Inc. Stewart Hall, CEO Roel Smits, CFO	+1 (202) 688 0020
Stifel (Nominated Adviser & Joint Broker) Fred Walsh, Ben Good, Sarah Wong	+44 (0) 20 7710 7600
Zeus (Joint Broker) David Foreman	+44 (0) 20 3829 5000
Canaccord Genuity (Joint Broker) Simon Bridges, Andrew Potts	+44 (0) 20 7523 8000
Buchanan Communications (Media Enquiries) Chris Lane, Toto Berger	+44 (0) 20 7466 5000 pphc@buchanan.uk.com

About PPHC

Incorporated in 2014, PPHC is a US-based government relations and public affairs group providing clients with a fully integrated and comprehensive range of services including government and public relations, research, and digital advocacy campaigns. Engaged by approximately 1,200 clients, including companies, trade associations and non-governmental organisations, the Group is active in all major sectors of the US economy, including healthcare and pharmaceuticals, financial services, energy, technology, telecoms and transportation. PPHC's services support clients to enhance and defend their reputations, advance policy goals, manage regulatory risk and engage with US federal and state-level policy makers, stakeholders, media and the public.

PPHC operates a holding company structure and currently has ten operating entities in the US and UK. Operating in the strategic communications market, the Group has a strong track record of organic and acquisitive growth, the latter focused on enhancing its capabilities and to establish new verticals, either within new geographies or new related offerings.

For more information, see www.pphcompany.com.

Operational Review

Introduction

The Group continued to make good progress in the first half of the year with organic growth supplemented by two earnings accretive acquisitions. With the Group's first international acquisition in Pagefield, we are closer to achieving our mission to provide effective government relations and advocacy services at a scale and sophistication level that has not previously been achieved, with professionalism and ever-broadening geographical reach.

Clients

PPHC provides a comprehensive range of government relations and public affairs services to its clients. As of 30 June 2024, the Group had c.1,200 clients. Every year around 75% of these clients renew their relationship with the Group, leading to revenue retention of c.85%. These numbers tend to be higher in our Government Relations and Diversified Services divisions, while lower in Public Affairs - where more work is done on a project basis.

In line with the trend we reported in 2023, we continued to see our operating divisions develop at different paces, with Government Relations - the largest of the Group's three divisions - increasing at 8%, of which 4% was organic, setting the Group up well for the remainder of the year. All three of the Group's lobbying firms, which sit within this division, maintained their consolidated number one position in the listing of Federal lobbyists, as according to quarterly and annual disclosures required by US Federal law and available to the public. Public Affairs decreased 6% (or 13% on an organic basis), primarily a result of reduced project work owing to uncertainty caused by impending elections as well as by sustained pressures on client budgets given the broader macro climate. The Group is extremely well positioned to capitalise on the uptake of client project work anticipated following the outcomes of elections and as macro pressures ease. Our newest division, Diversified Services, showed strong revenue growth of 97%, of which 32% was organic, albeit this does come from a low base and will moderate over time as the division grows.

A key focus of the Group remains on retained clients with greater than or equal to 100,000 annual spending. PPHC ended FY 2023 with 468 clients spending 100,000 or more and is on track to report growth in this KPI for FY 2024. This is supported by the internal referral awards and compensation programmes that are based on Group-wide performance. Other elements central to this growth strategy are (i) the start-up of Concordant which offers clients a single touchpoint to access a world-class strategic communications capability supported by a suite of PPHC services across all operating companies, and (ii) the leveraging of premium non-lobbying services - such as compliance services for Federal and state-level lobbying, policy and trade research, stakeholder research, and a wide range of grant writing and procurement-related expertise.

The Group now directly represents nearly half of the Fortune 100 and quarter of the Fortune 500, in addition to many more via their trade associations that the Group serves.

Investing to accelerate growth

In Q2 2024, PPHC successfully completed the acquisitions of LPA and Pagefield. These were the Group's third and fourth significant acquisitions since IPO, the first being Sacramento-based KP Associates, which completed in 2022, and the second being MultiState Associates, which completed in 2023. Pagefield is a leading strategic communications and cross-party public affairs advisory firm in the UK, which is measured as the sixth largest global economy and, along with the EU, is at the forefront of global policy issues. LPA is a leading public affairs agency in California, the largest state economy in the US and is measured as the fifth largest global economy.

The acquisition of LPA strengthens the Group's position in a key US state and increases our expertise in critical sectors including technology, green energy, and healthcare, and the acquisition of Pagefield delivers on the Group's ambition to enter into international political capitals. LPA has now been fully integrated and the integration of Pagefield is progressing in line with our expectations. Both companies are successfully utilising the newly expanded PPHC network and have registered new business wins via intra-group client referrals.

The government relations and strategic communications markets remain active around the world and the Group is seeking to capitalise on the current pipeline of opportunities as it aims to further broaden its geographic base into key political geographies while adding complementary specialisations. The pipeline of M&A opportunities remains strong in the US, UK and Mainland Europe.

Current Trading and Outlook

- The performance delivered in H1 2024 has set the Group up well for the remainder of the year and the Group is on track to meet full year market expectations, with the Underlying EBITDA margin for H2 2024 expected to be at or slightly above the H1 2024 level.
- The Board retains its confidence in the ongoing prospects for the Group and reiterates its medium-term guidance to achieve:
    - organic revenue growth between 5% and 10%;
    - incremental growth from future M&A; and
    - an Underlying EBITDA margin between 25% and 30%.

Financial Review

In the first half of 2024, revenue grew 8% to 71.1m, demonstrating the stability of the Group's core business operations, the dedication of our management teams across our operating companies, the success of our acquisitions and the critical importance of our work to our clients.

Underlying EBITDA for the period of 17.4m, up 3% over H1 2023 (16.9m), was achieved at a margin of 24.5% (H1 2023: 25.8%). As a result of the Group including all cash expenses in the underlying profit metrics, this Underlying EBITDA margin was impacted by an increase in M&A advisory expenses as well as the start-up investment into Concordant, totalling a 1.8m investment or 250bps of margin.

The Group's debt position at Period end of 33.8m, offset by cash of 5.5m, resulted in a Net Debt position of 28.3m (H1 2023: net debt 9.1m). The increase in debt related to the acquisitions of Lucas Public Affairs and Pagefield Communications in Q2 2024.

Underlying Profit & Loss Statement

All in '000, unless otherwise noted	H1 2024	H1 2023	change
Revenue	**71.1**	**65.7**	**8%**
EBITDA (Underlying)	**17.4**	**16.9**	**3%**
EBITDA margin (Underlying)	*24.5%*	*25.8%*	*-1.3pts*
Depreciation	(0.1)	(0.1)	8%
EBIT (Underlying)	**17.4**	**16.9**	**3%**
Interest	(0.5)	(0.4)	30%
EBT (Underlying)	**16.9**	**16.5**	**2%**
Taxes	(3.7)	(3.8)	-2%
Effective tax rate	*-22.0%*	*-23.0%*	*1.0pts*
Net Income (Underlying)	**13.2**	**12.7**	**4%**
Net income margin (Underlying)	*18.5%*	*19.3%*	*-0.8pts*
EPS - Underlying ( ) (basic)	**0.1130**	**0.1140**	**-1%**
EPS - Underlying ( ) (fully diluted)	**0.1081**	**0.1106**	**-2%**

EPS - Underlying ( ) (fully diluted)	**0.1081**	**0.1106**	**-2%**
DPS	**0.0470**	**0.0460**	**2%**

Bridge from Underlying to Reported Results

All in '000, unless otherwise noted	H1 2024	H1 2023	change
Net Income (Underlying)	**13.2**	**12.7**	**4%**
Share-based accounting charge	(15.2)	(15.4)	-2%
M&A: Post-combination comp	(4.7)	(3.0)	56%
M&A: bargain purchase	2.4	4.8	-51%
M&A: change in contingent consideration	(2.3)		
Long Term Incentive Program charges	(1.4)	(0.7)	108%
Amortization intangibles	(2.1)	(1.9)	8%
Net Income (Reported)	**(10.1)**	**(3.5)**	**188%**

Please refer to the section 'basis of preparation' for an explanation of the non-cash items excluded from Underlying Net Income.

Revenue

The Group's total revenue for H1 2024 increased by 8.0% to71.1m (H1 2023: 65.7m). The organic growth rate was 1.2% and the remainder was driven by the acquisitions of Lucas Public Affairs and Pagefield Communications, as well as MultiState which completed in 2023.

Organic growth of 1.2% was the outcome of strong continued organic growth in Government Relations at 4% and Diversified Services at 32%, offset by a reduction in Public Affairs of 13%. The segments showing growthprimarily contract through retainers and subscriptions, while the decline in Public Affairs stems from a reduction in project work, which is inherently more one-off in nature as described above.

In H1 2024, 71% of the Group's revenues stemmed from Government relations (H1 2023: 71%), 22% came from Public Affairs (H1 2023: 25%), and 7% from Diversified Services (H1 2023: 4%).

Profit

Underlying EBITDA of17.4m was achieved at a margin of 24.5%, close to the Group's historic performance and ongoing guidance that margins will typically range between 25% and 30%. It should be noted that this half year's profit was impacted by 1.8m in incremental expenses with a one-off character, stemming from an increase in M&A advisory costs and also from start-up losses of Concordant. If adjusting for this, as has been done in the table below, the margin would have been 27.0%.

Long term Underlying EBITDA	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*H1 2023*	*H1 2024*	*H1 2024 adj*
Underlying EBITDA (m)	9.3	*13.5*	*21.5*	*32.0*	*31.2*	*35.1*	*16.9*	*17.4*	*19.2*
Underlying EBITDA as % of Revenue	27.4%	*24.4%*	*27.8%*	*32.2%*	*28.7%*	*26%*	*25.8%*	*24.5%*	*27.0%*

After interest and taxes, the Group's Underlying Net Income for H1 2024 amounted to 13.2m, up 4% from 12.7m in H1 2023.

Other

The Group's net finance costs for H1 2024 were0.5m (H1 2023:0.4m), illustrating the inclusion of additional debt on the Group's balance sheet at the time of the LPA and Pagefield acquisitions in Q2 2024.

The tax accrual for H1 2024 amounted to3.7m (H1 2023:3.8m), which represents a blended charge of 22% to Underlying Profit before Tax. This rate represents a slight improvement over the 23% effective rate in H1 2023 and is in line with the rate we recorded for FY 2023.

The Group ended 2023 with 333 employees and at 30 June 2024 this had increased to 367, primarily as a result of the acquisitions of LPA and Pagefield. The Group's average employee count during H1 was 330 (H1 2023: 294).

Cash flow

Adjustment to Presentation of Cash Flow

GAAP

During the Company's preparation of its consolidated financial statements for the six months ended 30 June 2024, management determined that certain cash flow items relating to payments made in respect of its acquisitions had been incorrectly classified within the consolidated statements of cash flows for the six months ended 30 June 2023 (unaudited) and the year ended 31 December 2023 (audited). As a result, the Company has adjusted the GAAP statement of cash flow for its consolidated financial statements for the same periods in this interim filing. The Group anticipates that this will also be formally restated in its next Annual Report. Management emphasizes that these changes did not impact the Company's total assets, liabilities, equity or net profit or Earnings Per Share as of 30 June 2023 or 31 December 2023 or during the period or year then ended.

The adjustments all relate to the fact that, as part of the acquisitions that have been completed since PPHC's IPO in 2021, and in order to protect the interests of the Group, the shares and cash payable as part of these transactions can be clawed back and forfeited on certain events of termination of employment. In the P&L, the addition of these provisions to purchase price paid creates a post-combination compensation charge in accordance with accounting guidance under US GAAP (Accounting Standards Codification, ASC 805-10-55-25). In examining the accounting guidance in ASC 230, Classification of Certain Cash Receipts and Cash Payments, from this interim filing onwards, the Group will classify the cash flow impact of the post-combination compensation charges as cash used for operational purposes and in certain cases as cash used for financing purposes, as appropriate.

In addition, with respect to contingent consideration paid not within three months of the acquisition date, after examining the accounting guidance of ASC 230, Classification of Certain Cash Receipts and Cash Payments, from this interim filing onwards the Group will classify these payments as cash flow from financing activities (for the portion up to the acquisition date fair value of the contingent consideration liability) and cash flow from operating activities (for the portion in excess of the acquisition date fair value of that liability).

Non-GAAP

Notwithstanding the abovementioned adjusted GAAP presentation, as part of this Management commentary the Group will also continue to provide a non-GAAP summary of Cash Flows. In this non-GAAP summary, all acquisition-related payments will be clustered and reported under 'Cash Flow from Investments'. In addition, the Group now also presents, as part of Management commentary, the often used measure 'Free Cash Flow'.

Cash Flow summary

The Group recorded strong (non-GAAP) Cash Flow from Operations of 6.0m (H1 2023:1.9m). The generation of Cash Flow from Operations in the first half of the year tends to be muted as a result of the payment of annual bonuses across the Group in Q1 and seasonal working capital trends. Similar to prior years, management continues to expect the majority of Cash Flow from Operations to be generated in the second half of the year.

	GAAP		**Centralize Acquisition Payments**		**Adjusted (non-GAAP)**		
All in '000, unless otherwise noted	H1 2024	H1 2023*	H1 2024	H1 2023	H1 2024	H1 2023	change
EBITDA (Underlying)	17.4	16.9			17.4	16.9	3%
Interest	(0.5)	(0.4)			(0.5)	(0.4)	-30%
Taxes	(3.7)	(3.8)			(3.7)	(3.8)	2%
Changes in working capital	(12.9)	(22.2)	5.7	11.4	(7.2)	(10.8)	33%
Cash flow from Operations	**0.3**	**(9.4)**	**5.7**	**11.4**	**6.0**	**1.9**	**210%**
Capital expenditure	(0.0)	(0.1)			(0.0)	(0.1)	96%
Cash paid for acquisitions, net of cash acquired	(19.9)	(8.1)	(6.4)	(13.1)	(26.4)	(21.2)	-24%
Cash flow from Investments	**(19.9)**	**(8.2)**	**(6.4)**	**(13.1)**	**(26.4)**	**(21.4)**	**-24%**
Change in Debt balance	23.5	13.8			23.5	13.8	70%
Debt issuance costs	(0.8)	(0.5)			(0.8)	(0.5)	-74%
Dividend payment	(11.2)	(10.6)			(11.2)	(10.6)	-5%
Cash paid for acquisitions, financing	(0.7)	(1.8)	0.7	1.8			
Cash flow from Financing	**10.8**	**0.9**	**0.7**	**1.8**	**11.5**	**2.7**	**323%**
FX impact on cash	(0.0)	0.0					
Cash generated	**(8.9)**	**(16.7)**	**0.0**	**0.0**	**(8.9)**	**(16.7)**	**47%**

*See footnote 2 in footnotes to financials

Conversion Cash flow from Operations to Free Cash Flow

All in '000, unless otherwise noted	H1 2024	H1 2023	change
Cash flow from Operations (Adjusted)	**6.0**	**1.9**	**210%**
Capex	0.0	(0.1)	-96%
Free Cash Flow	**6.0**	**1.8**	**228%**

Balances end of period

The Group's debt position at the end of the Period was 33.8m, offset by cash of 5.5m, resulting in a Net Debt position of 28.3m (H1 2023: net debt 9.1m). The increase in debt relates to the acquisitions of Lucas Public Affairs and Pagefield Communications in Q2 2024.

All in '000, unless otherwise noted	H1 2024	H1 2023	change
Cash balance	5.5	4.5	21%
Debt balance	(33.8)	(13.6)	148%
Net cash / (debt) balance	**(28.3)**	**(9.1)**	**210%**

Earnout obligations

As part of the typical structure applied for the acquisitions that were completed post-IPO, the Group also committed to making certain earnout payments. These earnout payments are based on a profit-driven formula and only materialise if the acquired company realises profit growth after the date of completion. Payments are typically made in a mix of cash and shares. In turn, each of these components of earnout payments may be subject to further vesting requirements and employment conditions, which keeps the recipients financially committed to the Group.

In relation to these earnout payments, the Group has liabilities recorded of 14.5m on its balance sheet, spread across the line items 'Contingent Consideration' and 'Other Liabilities'. This number is a reflection not only of the estimated foreseen nominal payments, but also of discount factors and fair value estimates.

In nominal terms, over the period 2025-2029, based on expected performance of each of the acquired companies, we anticipate having to make earnout payments of 43.6m, of which 24.5m payable in cash and the remainder in shares. The maximum earnout liability over that same period, which would only be reached if each acquisition meets very aggressive profit growth targets, would be 95.5m, of which 55.9m payable in cash and the remainder in shares. Generally, in order for an acquisition to reach maximum earnout payments, it would need to grow its profit by 25-30% annually over the earnout period.

Expected earnout liabilities - in nominal terms

All in m, unless otherwise noted	2025	2026	2027	2028	2029	Total
Expected earnout payments in Cash	2.1	3.3	4.5	11.9	2.7	24.5
Expected earnout payments in PPHC stock	0.5	3.3	1.9	11.9	1.6	19.1
Expected earnout payments - total	**2.7**	**6.5**	**6.4**	**23.8**	**4.3**	**43.6**
Maximum earnout payments in Cash	2.8	8.5	12.4	18.8	13.5	55.9
Maximum earnout payments in PPHC stock	0.7	6.0	6.1	18.8	8.0	39.6
Maximum earnout payments - total	**3.5**	**14.5**	**18.5**	**37.5**	**21.5**	**95.5**

Dividend

The Board of Directors of the Company has declared an Interim Dividend for 2024 of 0.047 per Common Share, which equates to an aggregate amount, based on the current number of outstanding Common Shares, of approximately 5.6m, payable to the holders of record of all of the issued and outstanding shares of the Company's Common Stock as of the close of business on the record date, 27 September 2024. The ex-dividend date is 26 September 2024. The dividend will be paid no later than 25 October 2024.

This interim payment is in line with the Company's intention to pay approximately one third of the expected total dividend

This interim payment is in line with the Company's intention to pay approximately one third of the expected total dividend for the year as an Interim Dividend. Going forward, the Group will continue to weigh the dividend payout against the need to preserve cash for M&A purposes and debt repayment.

Information per share

		H1 2024	H1 2023	change
# weighted avg shares - GAAP - basic and fully diluted	'000	110,741	108,484	2%
# weighted avg shares - Legally outstanding - basic	'000	116,440	111,324	5%
# weighted avg shares - Legally outstanding - fully diluted	'000	121,767	114,729	6%
EPS - GAAP reported (basic and fully diluted)		0.1188	0.1170	2%
EPS - Underlying (basic)		0.1130	0.1140	-1%
EPS - Underlying (fully diluted)		0.1081	0.1106	-2%
DPS - Interim		0.0470	0.0460	2%
Operating Cash Flow (GAAP) per share - Underlying (basic)		0.0024	-0.0811	n/m
Free Cash Flow per share - Underlying (basic)		0.0512	0.0163	214%

For the purpose of giving investors a useful view on Earnings Per Share, the Group computed EPS not only on a GAAP Reported Profit basis, but also on an Underlying Profit basis. As explained in the section below, for the latter calculation the Group includes in the denominator those shares that have been issued in relation to post-IPO acquisitions. While those shares are still subject to vesting rules, and therefore not part of the Common Outstanding share count per GAAP definition, they entitle the recipients to dividends and voting rights.

Note that the growth in weighted of average number of shares in H1 2024 (5% basic, 6% fully diluted) was not only driven by customary drivers such as LTIP issuance and M&A related issuances, but also by the one-off issue of 2.1m shares in the fourth quarter of 2023 in relation to the Alpine remediation plan.

Basis of preparation

The financial statements have been prepared in accordance with US GAAP (Generally Accepted Accounting Principles).

When the Company purchases services or goods on behalf of its clients (for example in the case of media purchases), the Group does not recognise the purchased goods as net revenue, but only the net fees earned on the purchases. Therefore, purchases on behalf of clients do not materially impact the top-line or the margins.

Management believes that Underlying EBITDA and Underlying Net Income are more useful performance indicators than the reported Net Income. Six elements distinguish our Underlying Net Income from our Reported Net Income:

(1) Share-based accounting charge: As already mentioned in the previous reports, shares issued to employee shareholders at the time of the IPO are subject to a vesting schedule; Also, their employment agreements contain certain provisions which enable cash derived from the sale of shares at the time of the IPO to be clawed back and forfeited on certain events of termination of employment. These items create a share-based accounting noncash 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 Company at the time of admission (197m) and taking into account the 14.6% of pre-admission employee shares sold in 2021, the H1 2024 non-cash charge is 15.2m (H1 2023: 15.4m). This share-based accounting non-cash charge has no impact on either tax or Company operations.

(2) Post-combination compensation charge : In the acquisitions that have been completed since the IPO in 2021, the Group makes payments in cash and shares. In order to protect the interests of the Group, the shares issued as part of these transactions were made subject to vesting schedules. To a certain degree, the cash paid as part of these transactions can be clawed back and forfeited on certain events of termination of employment.

The addition of these provisions to purchase price paid creates a post-combination compensation charge in accordance with accounting guidance under US GAAP (Accounting Standards Codification, ASC 805-10-55-25). The H1 2024 charge was 4.7m (H1 2023: 3.0m). Again, this is a non-cash charge and has no impact on either tax or Company operations.

(3) LTIP charges. In 2022 the Group issued the first stock-based compensation units under the Omnibus Plan. This plan was introduced at the time of the IPO and allows the Group to issue up to a certain number of stock-related units (e.g. options, restricted stock). In H1 2024, PPHC issued 0.3 million (H1 2023: 0.6 million) stock options at a premium exercise price (market price at time of grant plus 20%), exercisable at the 3rd anniversary of the grant. Also, the Group issued 2.9 million restricted stock units (H1 2023: 1.5m), 0.7 million restricted stock awards (H1 2023: 0.8m). No restricted stock appreciation awards were awarded (H1 2023: 1.9 million) as they are getting phased out. The charges relating to these issuances, 1.4m

in H1 2024 (H1 2023: 0.7m), as reflected in our P&L were computed using the Black Scholes method.

(4) Amortization of intangibles: The non-cash amortization charge of 2.1m (H1 2023: 1.9m) relates to the amortization of customer relationships, developed technology, and noncompete agreements per ASC 805.

(5) Bargain purchase: As laid out in point 2, because a significant part of the purchase price of our acquisitions is tied to continued employment, this part has been accounted for as post-combination compensation in the Group's P&L. As a consequence, for certain acquisitions, the remaining book purchase price is lower than the tax purchase price. The reason for the bargain purchase gain is tied directly to the tax purchase price significantly exceeding the book purchase price and is not a reflection of a true bargain purchase of the actual intangible and tangible assets of these acquisitions. The income recorded relating to the bargain purchase was 2.4m in H1 2024 (H1 2023: 4.8m).

(6) Change in Contingent Consideration: The contingent consideration liability recorded as part of the acquisitions is adjusted at each reporting period for the change in the estimated fair value of that liability. The fair value changes over time based on management assumptions, the passage of time, payments made, and other external inputs, such as discount rates and volatility. The change in the estimated fair value of the contingent consideration is recorded as a non-operating expense of 2.3m in H1 2024. There was no change in the fair value of the contingent consideration in H1 2023.

For the calculation of Earnings per Share (EPS) based on GAAP Profit, as a denominator, the Group uses the weighted average number of Common Outstanding shares during the period. For the calculation of Earnings per Share (EPS) based on Underlying Profit, as a denominator, the Group uses the weighted average number of Legally Issued shares during the period. This comprises all the Common Outstanding shares, as well as those shares that were yet unvested but entitled the owner to dividends and voting rights (e.g. shares issued in relation to one of our post-IPO acquisitions). Consequently, the weighted average number of legally issued shares in H1 2024 was 116,439,545 (H1 2023: 111,323,766) and on a fully diluted basis (taking into account any issued stock instrument, regardless of exercise price), this number was 121,766,698 (H1 2023: 114,728,537).

Consolidated Balance Sheets

	Unaudited at June 30, 2024	Unaudited at June 30, 2023	Audited at December 31, 2023
Assets			
Current assets:			
Cash	5,467,586	4,504,950	14,341,376
Contract receivables, net	19,326,454	17,637,146	14,063,469
Amounts due from related parties	-	1,038,569	1,054,231
Notes receivable - related parties, current portion	863,000	-	350,000
Income taxes receivable	1,163,953	-	975,050
Prepaid post-combination compensation, current portion	5,862,153	3,293,838	3,426,318
Prepaid expenses and other current assets	3,441,434	1,701,453	2,694,149
Total current assets	36,124,580	28,175,956	36,904,593
Property and equipment, net	773,714	738,870	801,355
Notes receivable - related parties, long term	1,400,000	513,000	1,913,000
Operating lease right of use asset	20,484,336	23,324,777	21,434,360
Goodwill	65,662,137	47,909,832	47,909,832
Other intangible assets, net	34,715,584	28,824,164	26,869,331
Deferred income tax asset	10,356,400	7,706,000	7,737,200
Prepaid post-combination compensation, long term	4,379,081	5,761,506	3,954,034
Other long-term assets	397,661	221,918	162,473
	174,293,493	143,176,023	147,686,178

Liabilities

Current liabilities:

Accounts payable and accrued expenses	15,780,656	13,282,751	18,593,014
Income taxes payable	-	522,017	-
Amounts owed to related parties	780,943	-	-
Deferred revenue	5,629,184	3,117,997	2,197,220
Operating lease liability, current portion	4,797,062	3,515,876	4,181,155
Contingent consideration, current portion	516,480	592,000	1,444,110
Other liability, current portion	666,740	-	534,540
Notes payable, current portion, net	5,673,940	3,370,421	3,370,421
Total current liabilities	33,845,005	24,401,062	30,320,460
Notes payable, long term, net	28,087,768	9,259,637	7,570,951
Line of credit	-	1,000,000	-
Contingent consideration, long term	10,694,952	4,616,390	5,475,515
Other liability, long term	2,665,483	1,356,252	1,585,294
Operating lease liability, long term	19,144,887	22,761,705	20,665,349
Total liabilities	94,438,095	63,395,046	65,617,569
Common stock, 0.001 par value, 1,000,000,000 shares authorized, 119,771,310, 113,083,017 and 115,271,961 shares issued and outstanding, respectively	112,503	108,721	109,542
Additional paid-in capital	176,420,047	138,646,823	156,884,144
Accumulated deficit	(96,208,461)	(58,974,567)	(74,925,077)
Accumulated other comprehensive loss	(468,691)	-	-
Total stockholders' equity	79,855,398	79,780,977	82,068,609
Total liabilities and stockholders' equity	174,293,493	143,176,023	147,686,178

Consolidated Statements of Operations

	Unaudited six months ended June 30, 2024	Unaudited six months ended June 30, 2023	Audited year ended December 31, 2023
Revenue	71,125,819	65,711,955	134,985,822
Expenses:			
Personnel cost	39,906,494	34,398,546	70,782,459
Employee bonuses	3,433,224	5,999,863	13,178,302
General and administrative expenses	7,629,569	5,921,584	10,929,617
Occupancy expense	2,729,479	2,469,262	5,027,501
Depreciation and amortization expense	2,137,678	1,981,485	3,998,073
Long term incentive program charges	1,363,000	654,000	2,796,000
Total expenses before share-based accounting (ASC 718-10-S99-2) charge and post-combination compensation (ASC 805-10-55-25) charge	57,199,444	51,424,740	106,711,952
Income from operations before share-based accounting (ASC 718-10-S99-2) charge and post-combination compensation (ASC 805-10-55-25) charge	13,926,375	14,287,215	28,273,870
Share-based accounting (ASC 718-10-S99-2) charge	15,194,000	15,430,500	30,904,000
Post-combination compensation (ASC 805-10-55-25) charge	4,697,657	3,016,024	6,295,060

Loss from operations	(5,965,282)	(4,159,309)	(8,925,190)
Change in fair value of contingent consideration	(2,263,577)	-	(1,711,235)
Gain on bargain purchase, net of deferred taxes	2,355,927	4,835,777	4,835,777
Interest income	97,880	-	17,955
Interest expense	(597,900)	(384,469)	(958,779)
Net income (loss) before income taxes	(6,372,952)	291,999	(6,741,472)
Income tax expense	3,706,800	3,788,400	7,502,800
Net loss	(10,079,752)	(3,496,401)	(14,244,272)
Net loss per share attributable to common stockholders, basic and diluted	(0.09)	(0.03)	(0.13)
Weighted average common shares outstanding, basic and diluted	110,740,866	108,483,598	108,606,133
Comprehensive loss:			
Net loss	(10,079,752)	(3,496,401)	(14,244,272)
Foreign currency translation loss	(468,691)	-	-
Total comprehensive loss	(10,548,443)	(3,496,401)	(14,244,272)

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Accumulated	Accumulate Other Comprehens
	Shares	Amount	Capital	Deficit	Income (Los
Balance as of December 31, 2022	108,024,388	108,024	120,713,626	(44,836,562)	
Issuance of common stock for acquisition	767,401	768	1,231,232	-	
Forfeiture of unvested restricted stock	(69,576)	(70)	-	70	
Vesting of restricted stock awards	820,007	820	-	(820)	
Dividends	-	-	-	(15,843,493)	
Long term incentive program charges	-	-	2,506,000	-	
Share-based accounting (ASC 718-10-S99-2) charge	-	-	30,904,000	-	
Post-combination compensation (ASC 805-10-55-25) charge-shares	-	-	1,529,286	-	
Net loss	-	-	-	(14,244,272)	
Balance as of December 31, 2023	109,542,220	109,542	156,884,144	(74,925,077)	

	Common Stock		Additional Paid-In	Accumulated	Accumulat Other Comprehens
	Shares	Amount	Capital	Deficit	Income (Lo
June 30, 2023					
Balance as of December 31, 2022	108,024,388	108,024	120,713,626	(44,836,562)	
Long term incentive program charges	-	-	583,000	-	
Dividends	-	-	-	(10,641,674)	
Forfeiture of unvested restricted stock	(69,576)	(70)	-	70	
Issuance of common stock for acquisition	767,401	767	1,231,233	-	
Post-combination compensation (ASC 805-10-55-25) charge-shares	-	-	688,464	-	
Share-based accounting (ASC 718-10-S99-2) charge	-	-	15,430,500	-	
Net loss	-	-	-	(3,496,401)	
Balance as of June 30, 2023	108,722,213	108,721	138,646,823	(58,974,567)	

	Shares	Amount	Capital	Deficit	Income (Lo
June 30, 2024					
Balance as of December 31, 2023	109,542,220	109,542	156,884,144	(74,925,077)	
Long term incentive program charges	-	-	1,287,000	-	
Dividends	-	-	-	(11,202,010)	
Vesting of stock issued from Multistate acquisition	657,772	658	-	(658)	
Vesting of stock issued from KP Public Affairs acquisition	246,244	246	-	(246)	
Vesting of stock issued from Engage acquisition	162,434	163	-	(163)	
Vesting of stock issued to consultant	63,468	63	-	(63)	
Vesting of restricted stock units	491,678	492	-	(492)	
Common stock issued to Multistate as settlement of contingent consideration	441,432	441	690,559	-	
Issuance of common stock for acquisition	897,640	898	1,439,946	-	
Post-combination compensation (ASC 805-10-55-25) charge-shares	-	-	924,398	-	
Share-based accounting (ASC 718-10-S99-2) charge	-	-	15,194,000	-	
Foreign currency translation gain (loss)	-	-	-	-	(468,
Net loss	-	-	-	(10,079,752)	
Balance as of June 30, 2024	112,502,888	112,503	176,420,047	(96,208,461)	(468,

Consolidated Statements of Cash Flows

	Unaudited six months ended June 30, 2024	Unaudited six months ended June 30, 2023*	Adjusted year ended ended December 31, 2023*
Cash flows from operating activities			
Net loss	(10,079,752)	(3,496,401)	(14,244,272)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	62,519	57,932	119,688
Amortization expense - intangibles	2,075,160	1,923,553	3,878,386
Amortization of right of use assets	1,981,766	1,834,971	3,725,388
Amortization of prepaid post-combination compensation (ASC 805-10-55-25)	1,579,118	1,406,008	3,081,000
Accretion of other liability (ASC 805-10-55-25)	2,194,139	921,192	1,684,774
Amortization of debt discount	78,975	50,081	125,203
Provision for deferred income taxes	(506,900)	(336,200)	(367,400)
Share-based accounting (ASC 718-10-S99-2) charge	15,194,000	15,430,500	30,904,000
Long-term incentive program charges	1,363,000	654,000	2,648,000
Post-combination compensation (ASC 805-10-55-25) charge-shares	924,398	688,464	1,529,286
Change in fair value of contingent consideration	2,263,577	-	1,711,235
Gain on bargain purchase	(2,355,927)	(4,835,777)	(4,835,777)
(Increase) decrease in			
Accounts receivable, net	(4,192,952)	(5,023,678)	(2,478,202)
Prepaid post-combination expense	(4,440,000)	(9,504,000)	(9,504,000)
Prepaid expenses and other assets	(503,841)	(201,886)	(570,601)
Increase (decrease) in			
Accounts payable and accrued expenses	(7,249,349)	875,427	6,114,690
Income taxes payable/receivable	(188,927)	(3,695,693)	(5,192,760)
Deferred revenue	3,432,568	(4,424,296)	(5,345,073)
Contingent consideration	(268,563)	(42,600)	(42,600)
Operating lease liability	(1,936,297)	(1,613,192)	(3,044,269)
Other liability	(981,750)	(1,821,600)	(1,821,600)
Transactions with members/related parties	1,835,174	1,711,514	2,159,517
Net cash provided by operating activities	280,136	(9,441,681)	10,234,613
Cash flows from investing activities			
Purchases of property and equipment	(4,691)	(108,489)	(232,730)
Proceeds issued for notes receivable - related parties	-	-	(1,750,000)
Cash paid for acquisitions, net of cash acquired	(19,926,049)	(8,096,000)	(8,096,000)
Net cash used in investing activities	(19,930,740)	(8,204,489)	(10,078,730)
Cash flows from financing activities			
Proceeds from notes payable	25,000,000	14,000,000	14,000,000
Payment of debt issuance costs	(785,937)	(450,729)	(450,729)
Proceeds from line of credit	-	1,000,000	1,000,000
Payment of line of credit	-	-	(1,000,000)
Principal payment of notes payable	(1,472,702)	(1,179,933)	(2,943,741)
Payment of contingent consideration	(749,687)	(1,779,000)	(1,779,000)
Distributions	(11,202,010)	(10,641,674)	(15,843,493)
Net cash provided by (used in) financing activities	10,789,664	948,664	(7,016,963)
Effect of exchange rate changes on cash and cash equivalents	(12,850)	-	-
Net decrease in cash and cash equivalents	(8,873,790)	(16,697,506)	(6,861,080)

Cash and cash equivalents as of beginning of period	14,341,376	21,202,456	21,202,456
Cash and cash equivalents as of end of period	5,467,586	4,504,950	14,341,376
Supplemental disclosure of cash flow information			
Cash paid for interest	518,925	334,388	833,576
Cash paid for income taxes	4,402,627	7,822,459	12,427,539
Right of use assets obtained with lease liabilities	1,031,742	8,858,106	8,858,106
Contingent consideration issued for acquisitions	3,775,544	2,784,990	2,784,990
Common stock issued for acquisitions	1,440,844	1,232,000	1,232,000
Increase in deferred revenue and other assets from acquisition of Multistate, Inc.	-	4,681,404	4,681,404
Stock issued for settlement of contingent consideration	691,000	-	-

*See Note 2

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 consulting services in the areas of Governmental Relations, Public Affairs and other ancillary areas, primarily in the United States of America ("U.S."). With the acquisition of Pagefield Communications Limited ("Pagefield"), the Company has expanded its capabilities to the United Kingdom and parts of Europe.

These unaudited interim consolidated financial statements for the six months ended June 30, 2024 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, 2023 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 United States Dollars ("USD"). All intercompany transactions and balances have been eliminated in consolidation.

The functional currency of Pagefield is the British pound sterling ("GBP"). The assets and liabilities of Pagefield are translated to USD at period end exchange rates, while statements of operations accounts are translated at the average exchange rate during the period. Stockholders' equity accounts are translated at their historical exchange rate. The effects of foreign currency translation adjustments are included in other comprehensive loss, which is a component of other comprehensive loss in stockholders' equity.

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 holding company:
PPHC International Ltd

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
KP Public Affairs, LLC
MultiState Associates, Inc.
Concordant LLC
Lucas Public Affairs, LLC
Pagefield Communications Limited

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. The Holdings Distribution Discount of approximately 4,463,000 was paid in full during 2022.

During 2021, all 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 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 7.

Revenue Recognition:

The Company generates the majority of its revenue by providing consulting services related to Government Relations, Public Affairs and Diversified Services. 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 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 December 31:

	Six months ended June 30, 2024	Six months ended June 30, 2023	12 months ended December 31, 2023
Lobbying Revenue	50,321,378	46,529,662	95,476,619
Public affairs Revenue	15,538,588	16,507,022	32,256,518
Diversified Services	5,265,853	2,675,271	7,252,685
Total revenue	71,125,819	65,711,955	134,985,822

See the Segment Reporting Note 11 for a description of the principal activities, by reportable segment, from which the Company generates revenue.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of:

with customers as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Accounts receivable	19,380,584	16,633,566	14,248,444
Unbilled receivables	820,479	1,430,768	609,163
Allowance for credit losses	(874,609)	(427,188)	(794,138)
Contract liabilities (deferred revenue)	5,629,184	3,117,997	2,197,220

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. Deferred revenue of approximately 2,197,000 and 2,861,000 from December 31, 2023 and 2022 is expected to be recognized as revenue in 2024 and 2023, respectively.

Cash and Cash Equivalents:

The Company considers all cash investments with original maturities of three months or less to be cash equivalents. At times, the Company maintains cash accounts that exceed federally insured limits, but management does not believe that this results in any significant credit risk.

Accounts Receivable:

The Company provides for an allowance for credit losses 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, 2024, June 30, 2023 and December 31, 2023 the balance of allowance for credit losses approximated 875,000, 427,000 and 794,000.

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, 2024, June 30, 2023 and December 31, 2023 the Company had approximately 20,484,000, 23,325,000, and 21,434,000, respectively, of operating lease ROU assets and 23,942,000, 26,278,000 and 24,847,000, 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. Variable lease payment amounts that cannot be determined at the commencement of the lease, such as common area maintenance expenses and increases in lease payments based on changes in index rates, are not included in the ROU assets or liabilities. These variable lease payments are expensed as incurred.

As of June 30, 2024, 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 lease costs, future minimum lease payments and other lease information as of June 30, 2024:

July 1, 2024 to June 30, 2025…………………………………………………………	5,839,589
July 1, 2025 to June 30, 2026…………………………………………………………	5,723,214
July 1 2026 to June 30, 2027…………………………………………………………..	5,193,923
July 1, 2027 to June 30, 2028…………………………………………………………	4,656,280
July 1, 2028 to June 30, 2029…………………………………………………………	3,406,429
Thereafter…………………………………………………………………………….....	2,504,992
Total future minimum lease payments	27,324,427
Amount representing interest	(3,382,478)
Present value of net future minimum lease payments	23,941,949

Lease Cost

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Operating lease cost (cost resulting from lease payments)	2,613,905	2,381,525	4,898,528
Variable lease cost (cost excluded from lease payments)	234,629	247,867	428,064
Sublease income	(169,562)	(224,653)	(410,879)
Net lease cost	2,678,972	2,404,739	4,915,713
Operating lease - operating cash flows (fixed payments)	2,568,103	2,050,685	3,968,498
Weighted average lease term - operating leases	4.9 years	5.8 years	5.4 years
Weighted average discount rate - operating leases	5.30%	5.20%	5.30%

The Company subleases office space to third parties under separate sublease agreements, which are generally month-to-month leases.

Property and equipment:

Property and equipment consist of furniture, equipment and leasehold improvements and is carried at cost less accumulated depreciation. Depreciation is provided generally on a straight-line method over the estimated useful lives of the related assets ranging from 5 to 15 years.

Business Combination

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are generally recognized at fair value. If fair value cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Transaction costs are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of acquisition.

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, 2024, the Company's reporting units consisted of Government Relations Consulting, Public Affairs Consulting and Diversified Services. 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 annual evaluation for the year ended December 31, 2023 and determined the fair value of each reporting unit is greater than the carrying amount. Management has determined that no triggering event or other change in circumstances have occurred during the six months ended June 30, 2024 and 2023. Accordingly, the Company has not recorded any impairment charges related to goodwill for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023.

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 annual evaluation for the year ended December 31, 2023 and determined the fair value of the trademarks is greater than the carrying amount. Management has determined that no triggering event or other change in circumstances have occurred during the six months ended June 30, 2024 and 2023. Accordingly, the Company has not recorded any impairment charges related to trademarks for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023.

Other intangible assets:

The Company's definite-lived intangible assets consists of customer relationships, developed technology and noncompete agreements that have been acquired through various acquisitions. The Company amortizes 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, 2024 and 2023 and the year ended December 31, 2023.

Deferred revenue:

Deferred revenue represents prepayment by the customers for services that have yet to be performed. As of June 30, 2024, June 30, 2023 and December 31, 2023, deferred revenue was approximately 5,629,000, 3,118,000, and 2,197,000, respectively. Deferred revenue is expected to be recognized as revenue within a year.

Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Accounts payable	6,462,980	5,733,663	4,348,493
Bonus payable	3,138,821	5,559,928	12,389,037
Other accrued expenses	6,178,855	1,989,160	1,855,484
Total	15,780,656	13,282,751	18,593,014

Marketing and advertising costs:

The Company expenses marketing and advertising costs as incurred. Marketing and advertising expense for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023 was approximately 206,000, 81,000 and 216,000 respectively.

Income taxes:

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.

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. For stock appreciation rights ("SARs") recorded as a liability, the Company adjusts the value of the SARs based on the fair value at each reporting date, which is calculated 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 three reportable segments. These segments consist of Government Relations Consulting, Public Affairs Consulting and Diversified Services.

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. Due to their anti-dilutive effect, the calculation of diluted net loss per share for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023 does not include the common stock equivalent shares below:

	June 30, 2024	June 30, 2023	December 31, 2023
Common shares outstanding	112,502,888	108,722,213	109,542,220
Nonvested shares outstanding	7,268,422	4,360,804	5,729,741
Legally outstanding shares	119,771,310	113,083,017	115,271,961
Stock options and RSUs outstanding	8,013,868	4,774,445	5,314,056
Total fully diluted shares	127,785,178	117,857,462	120,586,017

The following table includes the weighted average shares outstanding for each respective period:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Common shares, weighted average	110,740,866	108,483,598	108,606,133
Nonvested shares, weighted average	5,698,679	2,840,168	3,990,578
Legally outstanding shares, weighted average	116,439,545	111,323,766	112,596,711
Stock options and RSUs, weighted average	5,327,154	3,404,771	4,096,048
Total fully diluted, weighted average	121,766,699	114,728,537	116,692,759

Fair value of financial instruments:

As a basis for determining the fair value of certain of the Company's financial instruments, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the level of input that is significant to the fair value measurement. The Company's assessment of the significant of a particular input to the entire fair value measurement requires management to make judgments and consider the factors specific to the asset or liability.

The carrying values of cash, accounts receivable, and accounts payable and accrued expenses at June 30, 2024 and 2023 and the year ended December 31, 2023 approximated their fair value due to the short maturity of these instruments.

The Company's financial instruments that are measured on a recurring basis consist of contingent consideration from the acquisition of KP Public Affairs LLC, Multistate Inc., Lucas Public Affairs, Inc., and Pagefield. The fair value of the contingent consideration was measured using Level 3 inputs.

The following table summarized the change in fair value, as determined by Level 3 inputs, for the contingent consideration using the unobservable Level 3 inputs:

Balance at December 31, 2022	4,245,000
Fair value at issuance	2,784,990

Fair value at issuance	[illegible]
Payout of contingent consideration	(1,821,600)
Change in fair value	-
Balance at June 30, 2023	5,208,390
Fair value at issuance	-
Change in fair value	1,711,235
Balance at December 31, 2023	6,919,625
Fair value at issuance	3,775,544
Cash and stock payout of contingent consideration	(1,709,250)
Change in fair value	2,263,577
Effect of currency translation adjustment	(38,064)
Balance at June 30, 2024	11,211,432

The change in fair value of the contingent consideration of approximately 2,264,000 for the six months ended June 30, 2024 and 1,711,000 for the year ended December 31, 2023, consisted of changes in the fair value of the contingent consideration for MultiState Inc and KP LLC. The change in fair value was primarily due to the effect of the change in the forecasted growth rate of each entity.

The Company performed Monte Carlo simulations to estimate the achievement and amount of certain future operating results. The Monte Carlo simulations utilize estimates including; expected volatility of future operating results, discount rates applicable to future results, and expected growth rates. The tables below document the Monte Carlo assumptions and inputs (which are Level 3 inputs) each balance sheet date:

	As of June 30, 2024		
	Valuation Methodology	**Significant Unobservable Input**	**Range**
Contingent Consideration	Monte Carlo Simulation Method	Discount rate for credit risk and time value	5.5% to 6.5%
		Discount rate for future profit after tax	15.2% to 21.7%
		Expected volatility of future annual profit after tax	28.0% to 34.5%
		Forecasted growth rate	4.9% to 19.5%

	As of June 30, 2023		
	Valuation Methodology	**Significant Unobservable Input**	**Range**
Contingent Consideration	Monte Carlo Simulation Method	Discount rate for credit risk and time value	5.7% to 7.0%
		Discount rate for future profit after tax	15.9% to 22.2%
		Expected volatility of future annual profit after tax	35.0% to 38.0%
		Forecasted growth rate	3.0% to 14.4%

	As of December 31, 2023		
	Valuation Methodology	**Significant Unobservable Input**	**Range**
Contingent Consideration	Monte Carlo Simulation Method	Discount rate for credit risk and time value	4.8% to 6.5%
		Discount rate for future profit after tax	14.6% to 21.0%
		Expected volatility of future annual profit after tax	33.0% to 37.0%
		Forecasted growth rate	4.9% to 30.3%

Assumptions related to future operating performance are based on management's annual and ongoing budgeting, forecasting and planning processes and represent management's best estimate of the future results of the Company's operations at a point in time. These estimates are subject to many assumptions, such as the economic environments in which the Company operates, demand for services and competitor actions. Estimated calculations of the future annual profit after tax amounts are discounted to present value using a market participant, weighted average cost of capital, which considers the risk inherent in the probability adjusted future annual profit after tax amounts from services provided. The financial and credit market volatility directly impacts certain inputs and assumptions used to develop the weighted average cost of capital such as the risk-free interest rate, industry beta, debt interest rate, and our market capital structure. These assumptions are based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value hierarchy. The use of different inputs and assumptions could increase or decrease our estimated fair value calculations of the contingent consideration.

Contingent Consideration:

The Company estimates and records the acquisition date fair value of contingent consideration as part of purchase price consideration for acquisitions. Additionally, each reporting period, the Company estimates changes in the fair value of contingent consideration and recognizes any change in fair value in the consolidated statements of operations. The estimate of the fair value of contingent consideration requires very subjective assumptions to be made of future operating results, discount rates and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and, therefore, materially affect the Company's future financial results. The contingent consideration liability is to be settled through a combination of cash and shares of common stock based on each respective purchase agreement and the amount ultimately paid is dependent on the achievement of certain future operating results.

Other Liability:

Other liability consists of certain future payments that the Company could be required to make if various operating targets are achieved from the acquisitions of KP LLC, MultiState Inc, LPA, and Pagefield (See Note 3). The Company records post-combination business expense over the vesting or claw-back period applicable for these future payments on a straight-line basis with the amount accrued recorded as Other liability. The future earn-out payments that have vesting or claw-back rights tied to employment will reduce the amount of the Other liability when paid.

Adoption of New Accounting Pronouncement:

During 2023, the Company adopted Accounting Standards Update No. 2016-13 ("ASU 2016-13"), *Financial Instruments-Credit Losses*. ASU 2016-13 requires organizations to measure all expected credit losses for instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This guidance is applicable for the Company's accounts receivable. However, the adoption of ASU 2016-13 did not have a material impact to the Company's valuation of its accounts receivable.

Reclassification:

Categorization of the June 30, 2023 goodwill segment disclosures have been reclassified to conform to the June 30, 2024 and December 31, 2023 presentation. These reclassifications had no impact on the total results or net assets of the Company.

Subsequent events:

Management has evaluated the subsequent events for disclosure in these consolidated financial statements through September 17, 2024, the date these consolidated financial statements were available for issuance, and determined that no events have occurred that would require adjustment to or disclosure in these consolidated financial statements.

NOTE 2 ADJUSTMENT TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the Company's preparation of its consolidated financial statements for the six months ended June 30, 2024, management determined that certain cash flow items had been incorrectly classified within the consolidated statements of cash flows for the six months ended June 30, 2023 and the year ended December 31, 2023. These errors did not impact the Company's total assets, liabilities, equity or net loss as of June 30, 2023 or December 31, 2023 or during the period or year then ended.

During 2023, the Company made a cash payment of 17,600,000 for the acquisition of MultiState Associates, Inc. (see Note 3). The Company classified this payment as a cash flow from investing activities in its consolidated financial statements for the six months ended June 30, 2023 and the year ended December 31, 2023. However, 9,504,000 of this payment was recorded as prepaid post-combination expense due to the vesting and claw-back provisions tied to continuing employment for this payment amount. In examining the accounting guidance in ASC 230, *Classification of Certain Cash Receipts and Cash Payments,* management determined that the 9,504,000 payment should have been classified as a cash flow from operating activities. As a result, the Company has adjusted the cash flow presentation for its consolidated financial statements for the six months ended June 30, 2023 and the year ended December 31, 2023 in this interim filing for this item.

During 2023, the Company made a cash payment of 3,643,200 for an earn-out payment related to the acquisition of KP Public Affairs LLC (see Note 3). The Company classified this payment as a cash flow from investing activities

KP Public Affairs LLC (See Note 3). The Company classified this payment as a cash flow from investing activities in its consolidated financial statements for the six months ended June 30, 2023 and the year ended December 31, 2023. However, 1,821,600 of this payment was for amounts owed that are tied to vesting or claw-back provisions requiring continued employment. The liability recorded for this amount is an operating liability that is recorded as Other Liability on the Company's consolidated balance sheet. Therefore, the cash settlement payment for this liability requires classification as a cash flow from operating activities.

In addition, the other 1,821,600 of this payment was settlement of the contingent consideration liability recorded in the Company's consolidated balance sheet. However, this payment was not made within three months of the acquisition date of KP Public Affairs LLC. As such, in accordance with the accounting guidance of ASC 230, *Classification of Certain Cash Receipts and Cash Payments,* the portion of the cash payment up to the acquisition date fair value of the contingent consideration liability of 1,779,000 should be classified as a cash flow from financing activities and the amounts paid in excess of the acquisition date fair value of that liability of 42,600 should be classified as a cash flow from operating activities. As a result, the Company has adjusted the cash flow presentation for its consolidated financial statements for the six months ended June 30, 2023 and the year ended December 31, 2023 in this interim filing for these items.

The total impact to the Company's consolidated financial statements for the six months ended June 30, 2023 and the year ended December 31, 2023 is as follows:

	Unaudited six months ended June 30, 2023	**Adjustment**	**Unaudited June 30, 2023 As Adjusted**	**Audited year ended December 31, 2023**	**Adjustment**	**Unaudited December 31, 2023 As Adjusted**
Accretion of other liability	-	921,192	921,192	-	1,684,774	1,684,774
Prepaid post-combination compensation	-	(9,504,000)	(9,504,000)	-	(9,504,000)	(9,504,000)
Contingent consideration	-	(42,600)	(42,600)	-	(42,600)	(42,600)
Other liability	921,192	(2,742,792)	(1,821,600)	1,684,774	(3,506,374)	(1,821,600)
Net cash provided by operating activities	1,926,519	(11,368,200)	(9,441,681)	21,602,813	(11,368,200)	10,234,613
Payment of contingent consideration and other liability	(3,643,200)	3,643,200	-	(3,643,200)	3,643,200	-
Cash paid for acquisitions and prepaid post combination expense, net of cash acquired	(17,600,000)	9,504,000	(8,096,000)	(17,600,000)	9,504,000	(8,096,000)
Net cash used in investing activities	(21,351,689)	13,147,200	(8,204,489)	(23,225,930)	13,147,200	(10,078,730)
Payment of contingent consideration	-	(1,779,000)	(1,779,000)	-	(1,779,000)	(1,779,000)
Net cash provided by (used in) financing activities	2,727,664	(1,779,000)	948,664	(5,237,963)	(1,779,000)	(7,016,963)
Net decrease in cash and cash equivalents	**(16,697,506)**	**-**	**(16,697,506)**	**(6,861,080)**	**-**	**(6,861,080)**

NOTE 3 ACQUISITIONS

KP Public Affairs LLC

On October 1, 2022, the Company entered into an Asset Purchase Agreement ("KP Agreement") and acquired certain assets and assumed certain liabilities of KP Public Affairs LLC ("Seller" or "KP LLC") through the creation of a wholly-owned subsidiary, KP Public Affairs, LLC ("KP"). At the closing of the transaction, the Company paid the Seller cash in the amount of 10,306,800 ("Closing Cash Payment") and issued 739,589 shares of the Company's common stock ("Closing Share Payment") to Seller at an aggregate fair value of 1,145,200.

During the year ended December 31, 2023, the Company paid the Seller an additional amount of consideration totaling 4,048,000 ("KP Closing True-Up Payment") based on the specific operating results of KP through December 31, 2022. The payment of the KP Closing True-Up Payment was pro-rated as 3,643,200 in cash ("KP

True-Up Cash Payment") and 245,389 shares of common stock ("KP True-Up Share Payment") at an aggregate fair value of 404,800. Approximately 1,822,000 of the cash paid was applied against the contingent liability, 1,822,000 of the cash was applied against the other liability and the remaining 404,800 worth of common stock issued will be recorded as post-combination expense and equity over the required vesting terms for the shares issued.There are additional contingent payments that the Seller can earn in the future depending on certain operating results that are achieved. The total amount of consideration that the Company could be required to pay to the Seller in the amount of cash and stock ("Seller Shares") is 35,000,000. The equity component of the contingent payments ranges between 20% and 35%.

The KP Agreement provides certain forfeiture provisions applicable to any future cash or share payments owed, which generally require the owners of KP LLC ("Owner" or "Owners") to remain employed by the Company for a certain period of time to receive the full amount of those future payments. There are certain exceptions to the forfeiture provisions if termination of employment occurs under certain permitted events ("Acceleration Event") as defined in the KP Agreement.

In addition, under certain circumstances outlined in the KP Agreement, the Company can claw back a portion of certain payments previously paid if an Owner is not employed by the Company as of December 31, 2026.

If an Owner's employment is terminated as a result of an Acceleration Event, a percentage of the unvested Seller Shares (representing such Owner's ownership percentage in Seller) shall become fully vested. The Seller Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company. In addition, the KP Agreement contains certain provisions requiring the forfeiture of a percentage of all cash and shares received by Seller if certain restrictive covenants are breached by an Owner.

Reasons for the Acquisition

The Company acquired KP LLC to expand its governmental and public affairs consulting services provided to state and local governments. Specifically, KP LLC provides significant services to companies and organizations doing business in the state of California.

Accounting for the Acquisition

The acquisition of Seller was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill.

Purchase Consideration

The Company determined that certain consideration provided to Sellers in the KP Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the purchase consideration consists of the amount of cash payments owed to Sellers that are not subject to a vesting or claw back provision that is directly linked to the continued employment of Sellers. The total purchase consideration consisted of the following amounts:

Closing Cash Payment	10,306,800
Contingent consideration	4,245,000
Total purchase consideration	14,551,800

The contingent consideration consists of the estimated fair value of the Closing True-Up Cash Payment, Interim Earnout Cash Payment, and Final Earnout Cash Payment that are not subject to a vesting requirement or claw back provision directly linked to the future employment of Owners.

Purchase Price Allocation

The allocation of the purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of October 1, 2022 based on their respective estimated fair values summarized below:

Cash	139,547
Other current assets	69,000
Right of use assets	3,273,766
Tradename	1,091,000
Noncompete agreements	306,000
Customer relationship	5,861,000
Deferred income tax asset	4,277,500
Goodwill	3,016,300
Other current liabilities	(208,547)
Lease liability	(3,273,766)
Total estimated purchase price	14,551,800

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationship	7	5,861,000
Noncompete agreements	5	306,000

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of KP LLC and the potential impact and probability of competition, assuming such noncompete agreements were not in place. The primary factors that contributed to the goodwill recognized from the KP LLC acquisition include the key employees of KP LLC combined with additional synergies expected from increasing the Company's service capabilities.

The fair value of the contingent consideration was performed using Monte Carlo simulations to estimate the achievement and amount of certain future operating results. The Monte Carlo simulations utilize estimates including; expected volatility of future operating results, discount rates applicable to future results, and expected growth rates. The table below provides the significant inputs to the calculation of the contingent consideration as of the acquisition date:

Significant Unobservable Input	**Range**
Discount rate for credit risk and time value	5.9 % to 6.2 %
Discount rate for future profit after tax	20.0% to 22.2%
Expected volatility of future annual profit after tax	30.0% to 35.0%
Forecasted growth rate	3.0% to 17.8%

Engage LLC

On November 1, 2022, the Company (through its wholly-owned subsidiary, Forbes Tate Partners, LLC) entered into an Asset Purchase Agreement ("Engage Agreement") and acquired certain assets and assumed certain liabilities of Engage LLC ("Engage"). At the closing of the transaction, the Company paid Engage cash in the amount of 1,925,000 ("Engage Cash Payment") and issued 487,301 shares of the Company's common stock ("Engage Restricted Shares") at an aggregate fair value of 825,000.

A portion of the Engage Cash Payment was designated to certain owners ("Junior Principal(s)") of Engage and the remaining of the Engage Cash Payment was designated to the other owners ("Senior Principal(s)") of Engage. In addition, all of the Engage Restricted Shares were issued to the Senior Principals. There are no vesting requirements or claw back provisions linked to continuing employment for the Engage Cash Payment paid to the Junior Principals. There are vesting requirements and claw back provisions linked to continuing employment of the Senior Principals for the Engage Cash Payment paid and Engage Restricted Shares issued to the Senior Principals.

Each of the Senior Principals will vest in the Engage Restricted Shares as long as they remain continuously employed through each applicable vesting date, except if the termination occurs under certain permitted events ("Engage Acceleration Event") as defined in the Engage Agreement. If one of the Senior Principals is terminated as a result of an Engage Acceleration Event, all of such Senior Principal's unvested Engage Restricted Shares shall become fully vested.

The Engage Restricted Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company.

With respect to the Engage Cash Payment, each of the Senior Principals have a vesting requirement related to their respective cash payment. If any of the Senior Principals is terminated as a result of an Engage Acceleration Event, all of such Senior Principal's unvested Engage Cash Payment shall become fully vested,

In addition, the Engage Agreement contains certain provisions requiring the forfeiture of a respective Senior Principal's Engage Restricted Shares and a portion of the Engage Cash Payment made to both the Junior Principals and Senior Principals if certain restrictive covenants are breached by the respective Junior Principal or Senior Principal.

Reasons for the Acquisition

The Company acquired Engage to expand its governmental and public affairs consulting services provided within the U.S.

Accounting for the Acquisition

The acquisition of Engage was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill.

Purchase Consideration

The Company determined that certain consideration provided to Engage in the Engage Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the purchase consideration consists of the amount of Engage Cash Payment paid to the Junior Principals and the Engage Cash Payment to the Senior Principals that is not subject to vesting or claw back linked to continuing employment, which totaled 894,000. The value of the Engage Restricted Shares of 825,000 and the remaining Engage Cash Payment amount of 1,031,000 ("Prepaid Post-Combination Compensation") will be recognized as a charge to expense in accordance with ASC 805-10-55-25 (See Note 7).

Purchase Price Allocation

The allocation of the purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of November 1, 2022 based on their respective estimated fair values summarized below:

Cash	179,793
Other current assets	48,571
Right of use assets	173,579
Tradename	14,000
Noncompete agreements	140,000
Customer relationship	414,461
Deferred income tax asset	325,539
Other current liabilities	(228,364)
Lease liability	(173,579)
Total estimated purchase price	894,000

In 2023, during the measurement period, the Company determined that an adjustment to increase the Company's deferred tax asset of 281,000 was necessary and a corresponding gain on bargain purchase was recorded.

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationship	7	414,461
Noncompete agreements	4	140,000

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of Engage and the potential impact and probability of competition, assuming such noncompete agreements were not in place.

MultiState Associates, Inc.

On March 1, 2023, the Company entered into an Asset Purchase Agreement ("MultiState Agreement") and acquired certain assets and assumed certain liabilities of MultiState Associates, Inc. ("MS Seller" or "MultiState Inc") through the creation of a wholly-owned subsidiary, MultiState Associates, LLC ("MS LLC"). At the closing of the transaction, the Company paid the Seller cash in the amount of 17,600,000 ("MS Closing Cash Payment") and issued 2,740,717 shares of the Company's common stock ("MS Closing Share Payment") to Seller at an aggregate fair value of 4,400,000, of which, 1,973,316 shares have vesting requirements ("MS Closing Vesting Shares").

In addition, there are additional contingent payments that the MS Seller can earn in the future depending on certain operating results that are achieved. The total amount of consideration that the Company could be required to pay to the MS Seller in the amount of cash and stock ("MS Seller Shares") is 70,000,000. The equity component of the contingent payments is 50%. During the six months ended June 30, 2024, the Company paid the MS Seller 2,000,000 of cash ("MS First Interim Cash Payment") and 2,000,000 of common stock ("MS First Interim Share Payment"). Approximately 1,709,000 of the cash and stock paid was applied against the contingent liability, 982,000 of the cash was applied against the other liability and prepaid post-combination expense and the remaining 1,309,000 worth of common stock issued ("MS First Interim Vesting Shares") will be recorded as post-combination expense and equity over the required vesting terms for the shares issued.

combination expense and equity over the required vesting terms for the shares issued.

The MultiState Agreement provides certain forfeiture provisions applicable to any future cash or share payments owed, which generally require certain owners of MS LLC ("MS Owner" or "MS Owners") to remain employed by the Company for a certain period of time to receive the full amount of those future payments. There are certain exceptions to the forfeiture provisions if termination of employment occurs under certain permitted events ("MS Acceleration Event") as defined in the MultiState Agreement.

In addition, under certain circumstances outlined in the MultiState Agreement, the Company can claw back a portion of certain payments previously paid if an MS Owner is not employed by the Company as of certain future dates.

If an MS Owner's employment is terminated as a result of an MS Acceleration Event, a percentage of the unvested MS Seller Shares (representing such MS Owner's ownership percentage in MS Seller) shall become fully vested. The MS Seller Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company. In addition, the MultiState Agreement contains certain provisions requiring the forfeiture of a percentage of all cash and shares received by MS Seller if certain restrictive covenants are breached by an MS Owner.

Reasons for the Acquisition

The Company acquired MultiState Inc to expand the scope of its consulting services provided in respect of federal, state and local governments. Specifically, MultiState Inc provides lobbying compliance, legislative activity tracking, lobbying brokerage and other consulting services to Fortune 500 companies, non-profit organizations, elected officials and leading advocacy and trade associations throughout the United States.

Accounting for the Acquisition

The acquisition of MS Seller was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values.

Purchase Consideration

The Company determined that certain consideration provided to MS Sellers in the MultiState Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the purchase consideration consists of the amount of cash and share payments owed to MS Sellers that are not subject to a vesting or claw back provision that is directly linked to the continued employment of MS Sellers. The total purchase consideration consisted of the following amounts:

MS Closing Cash Payment	8,096,000
MS Closing Share Payment	1,232,000
Contingent consideration	2,784,990
Total purchase consideration	12,112,990

The contingent consideration consists of the estimated fair value of future payments that are not subject to vesting or claw back provisions tied to continued employment.

Purchase Price Allocation

The provisional allocation of the purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of March 1, 2023 based on their respective estimated fair values is summarized below:

Receivable from MS Sellers	4,490,227
Other current assets	191,177
Right of use assets	61,976
Tradename	2,202,000
Noncompete agreements	525,000
Customer relationships	5,507,600
Developed technology	3,938,000
Deferred income tax asset	4,743,079
Deferred revenue	(4,681,404)

Lease liability	(309,888)
Net assets acquired	16,667,767
Less estimated purchase price	(12,112,990)
Gain on bargain purchase	4,554,777

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationships	7	5,507,600
Developed technology	7	3,938,000
Noncompete agreements	5	525,000

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of the developed technology was determined using the relief from royalty method, which requires management to estimate a number of factors, including the estimated future revenues expected to be generated from the technology and a hypothetical royalty rate attributable to the technology. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of MS LLC and the potential impact and probability of competition, assuming such noncompete agreements were not in place. The primary factors that contributed to the gain on bargain purchase recognized from the MS LLC acquisition include the requirement for the key employees of MS LLC to stay employees of the Company for a significant period of time.

The fair value of the contingent consideration was performed using Monte Carlo simulations to estimate the achievement and amount of certain future operating results. The Monte Carlo simulations utilize estimates including; expected volatility of future operating results, discount rates applicable to future results, and expected growth rates. The table below provides the significant inputs to the calculation of the contingent consideration as of the acquisition date:

Significant Unobservable Input	Range
Discount rate for credit risk and time value	5.7 % to 7.0 %
Discount rate for future profit after tax	15.9% to 16.6%
Expected volatility of future annual profit after tax	36.0% to 38.0%
Forecasted growth rate	3.0% to 14.4%

Lucas Public Affairs, Inc. ("LPA")

On May 1, 2024, the Company entered into an Asset Purchase Agreement ("LPA Agreement") and acquired certain assets and assumed certain liabilities of Lucas Public Affairs, Inc. ("Seller" or "LPA") through the creation of a wholly-owned subsidiary, Lucas Public Affairs, LLC ("LPA LLC"). At the closing of the transaction, the Company paid the Seller cash in the amount of 6,000,000 ("LPA Closing Cash Payment") and issued 958,371 shares of the Company's common stock ("LPA Closing Share Payment") to Seller at an aggregate fair value of approximately 1,500,000, of which, all the shares have vesting requirements ("LPA Vesting Shares").

In addition, there are additional contingent payments that the Seller can earn in the future depending on certain operating results that are achieved. The total additional amount of consideration that the Company could be required to pay to the Seller is 9,800,000 of cash and 4,700,000 of stock ("LPA Seller Shares") for total additional consideration of up to 14,500,000. This combined with the closing payments already made could require total payments of up to 22,000,000 to the Seller.

The LPA Agreement provides certain forfeiture provisions applicable to any future cash or share payments owed, which generally require the owners of the Seller ("LPA Owner") to remain employed by the Company for a certain period of time to receive the full amount of those future payments. There are certain exceptions to the forfeiture provisions if termination of employment occurs under certain permitted events ("LPA Acceleration Event") as defined in the LPA Agreement.

In addition, under certain circumstances outlined in the LPA Agreement, the Company can claw back a portion of certain payments previously paid if a LPA Owner is not employed by the Company as of certain future dates.

If a LPA Owner's employment is terminated as a result of a LPA Acceleration Event, a percentage of the unvested LPA Owner Shares (representing such LPA Owner's ownership percentage in Seller) shall become fully vested. The LPA Seller Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company. In addition, the LPA Agreement contains certain provisions requiring the forfeiture of a percentage of all cash and shares received by LPA Owner if certain restrictive covenants are breached by a LPA Owner.

Reasons for the Acquisition

The Company acquired LPA to expand the scope of its consulting services provided in respect of federal, state and local governments. Specifically, LPA provides significant complementary services to companies and organizations doing business in the state of California.

Accounting for the Acquisition

The acquisition of LPA was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values.

Preliminary Purchase Consideration

The Company determined that certain consideration provided to LPA in the LPA Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the preliminary purchase consideration consists of the amount of cash and share payments owed to LPA that are not subject to a vesting or claw back provision that is directly linked to the continued employment of LPA Owners. The total preliminary purchase consideration consisted of the following amounts:

LPA Closing Cash Payment	1,560,000
Contingent consideration	377,073
Total preliminary purchase consideration	1,937,073

The LPA Closing Cash Payment and contingent consideration allocated as preliminary purchase consideration consists of the amount of the LPA Closing Cash Payment and estimated fair value of future payments that are not subject to vesting or claw back provisions tied to continued employment.

Preliminary Purchase Price Allocation

The provisional allocation of the preliminary purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of May 1, 2024 based on their respective estimated fair values is summarized below:

Customer relationships	1,150,900
Right of use assets	283,656
Tradename	1,021,400
Noncompete agreements	158,700
Deferred income tax asset	1,962,000
Lease liability	(283,656)
Net assets acquired	4,293,000
Less estimated purchase price	(1,937,073)
Gain on bargain purchase	2,355,927

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationships	7	1,150,900
Noncompete agreements	5	158,700

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of LPA LLC and the potential impact and probability of competition, assuming such noncompete agreements were not in place. The primary factors that contributed to the gain on bargain purchase recognized from the LPA acquisition include the requirement for the key employees of LPA to stay employees of the Company for a significant period of time.

The fair value of the contingent consideration was performed using Monte Carlo simulations to estimate the achievement and amount of certain future operating results. The Monte Carlo simulations utilize estimates including; expected volatility of future operating results, discount rates applicable to future results, and expected growth rates. The table below provides the significant inputs to the calculation of the contingent consideration as of the acquisition date:

Significant Unobservable Input	Range
Discount rate for credit risk and time value	5.2 % to 5.4 %
Discount rate for future profit after tax	15.7% to 16.4%
Expected volatility of future annual profit after tax	35.0% to 38.0%
Forecasted growth rate	9.5% to 13.4%

Pagefield Communications Limited ("Pagefield")

On June 7, 2024, the Company entered into an Asset Purchase Agreement ("Pagefield Agreement") and acquired the stock of Pagefield Communications Limited ("Seller" or "Pagefield") through the creation of a wholly-owned subsidiary, PPHC International Ltd. ("PPHC LTD"). At the closing of the transaction, the Company paid the Seller cash in the amount of 14,992,868 GBP, which was approximately 19,420,000 USD ("Pagefield Closing Cash Payment") and issued 897,640 shares of the Company's common stock ("Pagefield Closing Share Payment") to Seller at an aggregate fair value of approximately 1,441,000.

In addition, there are additional contingent payments that the Seller can earn in the future depending on certain operating results that are achieved. The total additional amount of consideration that the Company could be required to pay to the Seller is up to 13,800,000 GBP, which includes up to 8,800,000 GBP subject to future vesting and clawback provisions. The additional contingent consideration combined with the closing payments already made could require total payments of up to 30,000,000 GBP to the Seller.

The Pagefield Agreement provides certain vesting and forfeiture provisions applicable to a portion of the future cash or share payments owed. These provisions are specifically designated toward the continued employment of one of the owners of the Seller ("Restricted Owner"). The Restricted Owner is required to remain employed by the Company for a certain period of time to receive the full amount of those future payments. There are certain exceptions to the forfeiture provisions if termination of employment occurs under certain permitted events ("Pagefield Acceleration Event") as defined in the Pagefield Agreement.

If the Restricted Owner's employment is terminated as a result of a Pagefield Acceleration Event, a percentage of the unvested Restricted Owner Shares shall become fully vested. The LPA Seller Shares issued have some restrictions but they also have certain legal rights consistent with the Company's other shares of Common Stock outstanding, including certain voting rights and the rights to dividends paid by the Company. In addition, the LPA Agreement contains certain provisions requiring the forfeiture of a percentage of all cash and shares received by Seller if certain restrictive covenants are breached by an owner of Seller.

Reasons for the Acquisition

The Company acquired Pagefield to expand the geographic scope of its consulting services. Specifically, Pagefield provides services to companies and organizations doing business in the United Kingdom ("UK") while interacting with the UK government.

Accounting for the Acquisition

The acquisition of Pagefield was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805, *Business Combinations* ("ASC 805"). The acquired assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values.

Preliminary Purchase Consideration

The Company determined that certain consideration provided to Pagefield in the Pagefield Agreement does not qualify as purchase consideration in accordance with the guidance of ASC 805. The Company determined that the preliminary purchase consideration consists of the amount of cash and share payments owed to Pagefield that are not subject to a vesting or claw back provision that is directly linked to the continued employment of the sellers. The total preliminary purchase consideration consisted of the following amounts:

Pagefield Closing Cash Payment	19,419,549
Pagefield Closing Share Payment	1,440,844
Contingent consideration	3,398,471
Total preliminary purchase consideration	24,258,864

The contingent consideration allocated as preliminary purchase consideration consists of the amount of the estimated fair value of the projected future payments that are not subject to vesting or claw back provisions tied to continued employment.

Purchase Price Allocation

The provisional allocation of the preliminary purchase consideration resulted in the following amounts being allocated to the assets acquired and liabilities assumed as of the purchase date of June 7, 2024 based on their respective estimated fair values is summarized below:

Cash acquired	1,053,771
Accounts receivable	1,082,062
Other current assets	2,332,885
Property and equipment	30,539
Customer relationships	5,176,165
Tradename	1,546,709
Noncompete agreements	953,100

Noncompete agreements	953,100
Accounts payable and accrued expenses	(3,907,000)
Other current liabilities	(502,561)
Deferred income tax liability	(1,698,565)
Net assets acquired	6,067,105
Less estimated purchase price	(24,258,864)
Goodwill*	18,191,759

*Based on the exchange rate in effect at the acquisition date

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount
Customer relationships	7	5,176,165
Noncompete agreements	3	953,100

The fair value of customer relationships was determined using the income approach, which requires management to estimate a number of factors for each reporting unit, including projected future operating results, anticipating future cash flows and discount rates. The fair value of noncompete agreements was determined using an income approach method, which requires management to estimate a number of factors related to the expected future cash flows of Pagefield and the potential impact and probability of competition, assuming such noncompete agreements were not in place.

The fair value of the contingent consideration was performed using Monte Carlo simulations to estimate the achievement and amount of certain future operating results. The Monte Carlo simulations utilize estimates including; expected volatility of future operating results, discount rates applicable to future results, and expected growth rates. The table below provides the significant inputs to the calculation of the contingent consideration as of the acquisition date:

Significant Unobservable Input	Range
Discount rate for credit risk and time value	5.3% to 5.9%
Discount rate for future profit after tax	12.0% to 12.4%
Expected volatility of future annual profit after tax	34.0% to 37.0%
Forecasted growth rate	9.1% to 9.5%

Acquisition Payments

The cash payments made for the acquisitions at their respective closing date and subsequent earn-out payments made are as follows:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
MS Closing Cash Payment	-	17,600,000	17,600,000
KP True-Up Cash Payment	-	3,643,200	3,643,200
LPA Closing Cash Payment	6,000,000	-	-
Pagefield Closing Cash Payment	19,419,549	-	-
MS First Interim Cash Payment	2,000,000	-	-
Total acquisition payments	27,419,549	21,243,200	21,243,200
Pagefield cash acquired	(1,053,500)	-	-
Total cash acquisition payments, net of cash acquired	26,366,049	21,243,200	21,243,200

These cash payments are included in the statements of cash flows as follows:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Cash flows from operating activities	1,250,313	-	-
Cash flows from investing activities	24,366,049	21,243,200	21,243,200
Cash flows from financing activities	749,687	-	-
Total cash acquisition payments, net of cash acquired	26,366,049	21,243,200	21,243,200

The stock payments made for the acquisitions at their closing date and subsequent earn-out payments made consisted of the following:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
MS Closing Share Payment	-	4,400,000	4,400,000

KP True-Up Share Payment	-	404,000	404,000
LPA Closing Share Payment	1,500,000	-	-
Pagefield Closing Share Payment	1,440,844	-	-
MS First Interim Share Payment	2,000,000	-	-
Total share acquisition payments	4,940,844	4,804,000	4,804,000

NOTE 4: RELATED PARTY TRANSACTIONS

As of June 30, 2023 and December 31, 2023, the amounts due from related parties of approximately 1,039,000 and 1,054,000 include the amount expected to be paid to the Company related to working capital loan and adjustments associated with the MultiState acquisition. During the six months ended June 30, 2024, the working capital loan and adjustments were settled. As of June 30, 2024, the amounts owed to related parties of approximately 781,000 consists primarily of a working capital loan of 750,000 from the sellers of LPA to the Company, which must be repaid prior to September 30, 2024.

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 2021 Note balance as of June 30, 2024, June 30, 2023, and December 31, 2023 was 513,000. The 2021 Note was classified as a current asset as of June 30, 2024, and a non-current asset as of June 30, 2023 and December 31, 2023. The amount of accrued interest and interest revenue from the 2021 Note is not material.

During November 2023, the Company entered into term note agreements ("2023 Notes") with certain employees of the Alpine Group Partners, LLC totaling 1,750,000. The interest rate on the 2023 Notes is 7.5% and the notes are payable in annual installments of 350,000 plus all accrued and unpaid interest beginning on November 1, 2024 with a maturity date of November 1, 2028 or the effective date of the termination of employment of the respective employee borrower for any reason, if earlier than the maturity date. As of June 30, 2024 and December 31, 2023, the 2023 Notes were recorded in notes receivable - related parties with 350,000 classified as a current asset and 1,400,000 classified as a non-current asset. The amount of accrued interest and interest revenue from the 2023 Notes is not material.

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill is an indefinite lived asset with balances as follows as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Goodwill	65,662,137	47,909,832	47,909,832

As of June 30, 2024, June 30, 2023 and December 31, 2023, there have been no impairments to goodwill. During 2024, goodwill increased by approximately 17,750,000 as a result of the acquisition of Pagefield. See Note 3.

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

	June 30, 2024	June 30, 2023	December 31, 2023
Goodwill			
Government Relations Consulting	46,430,548	35,512,601	35,512,601
Public Affairs Consulting	19,231,589	12,397,231	12,397,231
Diversified Services	-	-	-
Total	65,662,137	47,909,832	47,909,832

Intangible Assets

The Company's intangible assets consist of customer relationship assets, developed technology and noncompete agreements acquired through various acquisitions, which are definite lived assets and are amortized over their estimated useful lives. The estimated useful lives for the customer relationship and developed technology assets range from 7 to 9 years and the estimated useful lives for the noncompete agreements range from 3 to 5 years. In addition, intangible assets consist of tradenames, which are indefinite lived assets and evaluated for impairment on an annual basis or more frequently as needed. The cost of the Company's tradenames, customer relationships, developed technology and noncompete agreements, and the accumulated amortization of the Company's customer relationships, developed technology and noncompete agreements is as follows as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Customer relationships	33,531,490	27,103,861	27,104,400
Developed technology	3,938,000	3,938,000	3,983,000
Noncompete agreements	2,072,125	971,000	971,000
Accumulated amortization	(14,496,916)	(10,308,697)	(12,264,069)
Total definite lived assets, net	25,044,699	21,704,164	19,749,331

Tradenames	9,670,885	7,120,000	7,120,000
Total intangible assets, net	34,715,584	28,824,164	26,869,331

Amortization expense for customer relationship and noncompete agreement assets approximated 2,075,000, 1,924,000 and 3,878,000 for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023, respectively.

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

	Amortization
July 1, 2024 to December 31, 2024……………………………………………………….	2,576,000
2025…………………………………………………………………………………….	5,136,000
2026…………………………………………………………………………………….	4,984,000
2027…………………………………………………………………………………….	4,750,000
2028…………………………………………………………………………………….	3,191,000
Thereafter………………………………………………………………………………....	4,408,000
Total	25,045,000

NOTE 6 LINE OF CREDIT AND NOTES PAYABLE

A) Bank credit facility

On February 28, 2023, the Company entered into a 17,000,000 credit agreement with a bank ("Credit Agreement"). The Credit Agreement has two components, Facility 1 is a Senior Secured Line of Credit in the amount of up to 3,000,000 and Facility 2 is a Senior Secured Term Loan in the amount of 14,000,000.

During April 2024 and June 2024, the Company entered into the First Amendment to Credit Agreement and Second Amendment to Credit Agreement (collectively the "Amended Credit Agreements"). The Amended Credit Agreements provided the Company with an additional term loan of 6,000,000 on April 30, 2024 ("2024 Term Loan A") and an additional term loan of 19,000,000 on June 7, 2024 ("2024 Term Loan B").

In accordance with the Amended Credit Agreements, the definition of the interest rate applicable to the Facility 1 and Facility 2 changed from being calculated based on the Bloomberg Short-Term Bank Yield Index plus 225 basis points to the Secured Overnight Financing Rate ("SOFR") as administered by the Federal Reserve Bank of New York plus 2.25% per annum. The interest rate for the 2024 Term Loan A and 2024 Term Loan B (collectively the "2024 Term Loans") is the SOFR plus 2.60% per annum.

The loans under the Credit Agreement and Amended Credit Agreements are collateralized by substantially all of the net assets of the Company. Facility 2 matures on January 31, 2026. The Company has drawn 14,000,000 from Facility 2 and utilized those funds as part of the consideration to acquire MultiState Inc. During 2023, the Company utilized 1,000,000 from Facility 1 for the MultiState Inc. acquisition. The Company paid approximately 451,000 in debt issuance costs for the Credit Agreement and has recorded this amount as a debt discount and is amortizing the debt discount to interest expense over the term of the Credit Agreement using the straight-line method, which approximates the effective interest method. The Company borrowed 6,000,000 for the 2024 Term Loan A and 19,000,000 for the 2024 Term Loan B during April 2024 and June 2024, respectively. The Company paid approximately 786,000 in debt issuance costs for the 2024 Term Loans and has recorded this amount as a debt discount and is amortizing the debt discount to interest expense over the term of the 2024 Term Loans using the straight-line method, which approximates the effective interest method.

The Company is required to make monthly payments of principal of 291,667 plus interest beginning in March 2023 through the maturity date of January 31, 2026 for Facility 2. The principal payment for Facility 1 is due on the maturity date for that facility, which is January 31, 2026. Periodic interest-only payments are due on Facility 1 through the maturity date. The Company is required to make interest-only payments on the 2024 Term Loans starting on May 1, 2024 through October 31, 2024. Beginning on November 1, 2024, the Company is required to make forty-two equal monthly installments of principal each in the amount of 1.25% of the unpaid principal balance of the 2024 Term Loans as of October 31, 2024, plus interest on the 2024 Term Loans, until the maturity date of the 2024 Term Loans of April 30, 2028. In addition, a final payment of all outstanding principal and interest will be due on April 30, 2028.

The total approximate interest expense incurred for these loans was as follows:

The total approximate interest expense incurred for these loans was as follows:

	June 30, 2024	June 30, 2023	December 31, 2023
Cash interest	505,000	326,000	797,000
Debt discount amortization	79,000	50,000	125,000
Total interest expense	584,000	376,000	922,000

As of June 30, 2024 and December 31, 2023, the Facility 1 had been repaid in full. The Company is able to re-borrow up to 3,000,000 under Facility 1 or 80% of the Company's eligible receivables, whichever is less.

The Company's Facility 2, 2024 Term Loan A, and 2024 Term Loan B consist of the following as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Facility 2	9,625,000	12,833,334	11,083,333
2024 Term Loan A	6,000,000	-	-
2024 Term Loan B	19,000,000	-	-
Less: unamortized debt issuance costs	1,032,490	400,648	325,527
Total debt, net of unamortized issuance costs	33,592,510	12,432,686	10,757,806
Less: current portion	5,653,276	3,349,757	3,349,757
Total debt, long-term	27,939,234	9,082,929	7,408,049

As of June 30, 2024, the future principal maturities of these loans are as follows:

	Facility 2	2024 Term Loan A	2024 Term Loan B	Total
July 1, 2024 - December 31, 2024...	1,750,000	150,000	475,000	2,375,000
2025………………………………....	3,500,000	900,000	2,850,000	7,250,000
2026………………………………....	4,375,000	900,000	2,850,000	8,125,000
2027………………………………....	-	900,000	2,850,000	3,750,000
2028………………………………....	-	3,150,000	9,975,000	13,125,000
Total	9,625,000	6,000,000	19,000,000	34,625,000

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, 2024, June 30, 2023, and December 31, 2023 was approximately 169,000, 198,000 and 184,000, respectively. Interest expense on the note payable - landlord for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023 was approximately 7,000, 8,000 and 16,000, respectively. As of June 30, 2024, the amount included in Notes payable, current portion, net was approximately 21,000.

As of June 30, 2024, the future maturities of this note payable is as follows:

July 1, 2024 to December 31, 2024…………………………………………………….....	15,012
2025………………………………………………………………………………....	31,755
2026………………………………………………………………………………....	34,390
2027…………………………………………………………………………………	37,245
2028…………………………………………………………………………………	40,240
Thereafter………………………………………………………………………….....	10,555
Total	169,197

NOTE 7 STOCKHOLDERS' EQUITY AND SHARE-BASED ACCOUNTING CHARGE

As of June 30, 2024, 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 of June 30, 2024, June 30, 2023 and December 31, 2023, the number of the Company's shares of common stock outstanding for legal purposes was greater than the number of shares of common stock outstanding for accounting purposes. Therefore, the difference between the legally outstanding shares of common stock on the face of the balance sheet and the amount outstanding on the statement of equity consists of shares issued with restrictions (collectively "Restricted Shares") as follows:

	June 30, 2024	June 30, 2023	December 31, 2023
Statement of Equity	112,502,888	108,772,213	109,542,220
Restricted Shares:			
KP Closing Share Payment	554,692	739,589	739,589
KP Earnout Shares	184,042	245,389	245,389
Engage Restricted Shares	324,867	487,301	487,301
MS Closing Vesting Shares	1,315,544	1,973,316	1,973,316
MS First Interim Vesting Shares	836,397	-	-
Lucas Public Affairs Closing Shares	958,371	-	-
Other restricted shares	3,094,509	915,209	2,284,146
Total restricted Shares	7,268,422	4,360,804	5,729,741
Stock options outstanding	3,350,546	3,274,445	3,089,056
Unvested RSUs outstanding	4,663,322	1,500,000	2,225,000
Total stock options and unvested RSUs outstanding	8,013,868	4,774,445	5,314,056
Fully Diluted Shares Outstanding	127,785,178	117,857,462	120,586,017

The weighted-average common shares outstanding, basic and diluted reported on the consolidated statement of operations is 110,740,866, 108,483,598 and 108,606,133, which is different from the 112,502,888, 108,722,213 and 109,542,220 ending shares as of June 30, 2024, June 30, 2023 and December 31, 2023 on the statement of equity due to the first numbers representing an average during the year compared to the amount outstanding at the end of the year.

Other Restricted Shares consists of the following as of:

Other Restricted Shares:	June 30, 2024	June 30, 2023	December 31, 2023
Unvested restricted stock awards, primarily granted to Alpine Inc.	2,892,681	820,007	2,188,944
Other unvested stock awards	201,828	95,202	95,202
Total Other Restricted Shares	3,094,509	915,209	2,284,146

ASC 718-10-S99-2 Charge

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 15,194,000, 15,431,000 and 30,904,000 for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023, respectively.

As of June 30, 2024, there were 82,628,340 Retained Pre-IPO Shares, held by current employees and subject to vesting requirements, and 36,829,997 of these shares were fully vested. These shares were issued in 2021 and the weighted-average grant date fair value of these shares was 1.82 as of the grant date. As of June 30, 2024, the unrecognized compensation cost from these restricted shares was approximately 74,600,000, which is expected to be recognized over a weighted-average period of 2.5 years.

ASC 805-10-55-25 Charge

The Company has acquired various companies from 2022 to 2024 for a combination of cash, shares of Company Common Stock and future contingent payments ("Acquisition Payments"). As described in Note 3, a portion of the Acquisition Payments are subject to vesting and/or claw back provisions that are directly linked to the continuing employment of the certain owners of the acquired companies ("Post-Combination Payments"). As a result, in accordance with the guidance of ASC 805-10-55-25, *Business Combinations*, the Post-Combination Payments are not considered part of the purchase consideration for these acquisitions and the fair value of the Post-Combination Payments is being recognized as a charge for post-combination compensation over the period of the applicable vesting requirement or the period over which the claw back rights linked to employment lapse.

For the six months June 30, 2024 and 2023 and the year ended December 31, 2023, the post-combination compensation charge recorded by the Company was approximately 4,698,000, 3,016,000 and 6,295,000, respectively. This amount consists of the following components:

	June 30, 2024	June 30, 2023	December 31, 2023
Additions to other liability	2,194,000	922,000	1,685,000
Vesting of common stock	925,000	688,000	1,529,000
Amortization of prepaid post-combination compensation	1,579,000	1,406,000	3,081,000
Total	4,698,000	3,016,000	6,295,000

As of June 30, 2024, the unrecognized post-combination compensation charge was approximately 27,346,000, which is expected to be recognized over a weighted-average period of 2.2 years. The actual amount of Post-Combination Payments is subject to significant estimates and could change materially in the future.

The Company's potential future payments from its acquisitions exceed the liabilities recorded on the Company's balance sheet primarily due to the fact that the contingent consideration liability and other liability are calculated at fair value. The fair value calculation includes certain discount rates and other factors that impact the value of these liabilities (see Note 3). The calculated fair value is based on the total payments that the Company expects to pay in the future rather than the total maximum payments that it could be required to pay. As of June 30, 2024, the table below highlights the other liability and contingent consideration recorded on the Company's balance sheet (as discounted) compared to the undiscounted estimated payout and the maximum payout of cash and stock that could occur if all future contingent earn-out provisions from the acquisitions were achieved:

		Total
Liabilities recorded on balance sheet, June 30, 2024:		
Other liability, current		666,740
Other liability, long term		2,665,483
Contingent consideration, current		516,480
Contingent consideration, long term		10,694,952
Total liabilities recorded on balance sheet, June 30, 2024**		**14,543,655**
Undiscounted potential future payments*:		
Potential cash future payments:	**Estimated**	**Maximum#**
2025………………………………………………………………	2,123,000	2,800,000
2026………………………………………………………………	3,250,000	8,448,600
2027………………………………………………………………	5,414,000	12,400,000
2028………………………………………………………………	11,885,000	18,750,000
2029………………………………………………………………	1,979,000	13,512,800
Total potential cash future payments	**24,651,000**	**55,911,400**
Potential stock future payments*:		
2025………………………………………………………………	530,000	700,000
2026………………………………………………………………	3,250,000	6,049,200
2027………………………………………………………………	2,077,000	6,100,000
2028………………………………………………………………	11,885,000	18,750,000
2029………………………………………………………………	1,192,000	8,008,500
Total potential stock future payments	**18,934,000**	**39,607,700**
Total potential future payments	**43,585,000**	**95,519,100**
Total liabilities recorded on balance sheet, June 30, 2024	**14,543,655**	**14,493,269**
Total remaining difference	**29,041,345**	**81,025,831**

*Includes estimate for future Pagefield payments based on June 30, 2024 exchange rate of GBP/USD

**At fair value

Management's estimate as of June 30, 2024 of the future payments of cash and stock for earn-out payments

#The maximum amount of future payments of cash and stock for earn-out payments

NOTE 8 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 June 30, 2024, the total amount of shares authorized by the Board of Directors under the Omnibus Plan was 17,965,696 with a total of 5,747,462 available for issuance. During the six months ended June, 30 2024 and 2023 the Company granted 345,000 and 652,000 Options to employees. During the year ended December 31, 2023 the Company granted 652,000 Options to employees. In addition, during the six months ended June 30, 2024 and 2023 the Company granted 2,930,000 and 1,500,000 restricted stock units ("RSUs"), and 703,737 and 820,007 restricted stock awards ("RSAs"), respectively. During the year ended December 31, 2023, the Company granted 2,250,000 RSUs and 3,008,951 RSAs. The stock options have a contractual term of ten years and vest three years after their issuance. The RSUs vest over a three-year period with one-third vesting each year after the grant date. 820,007 RSAs vested on December 31, 2023, 50,000 RSAs vest in October 2024, 703,737 vest in May 2025, and 2,138,944 RSAs vest over a five year period beginning with approximately 428,000 per year starting in October 2024, with 1,961,497 fully vested by October 2028 and 177,447 fully vested by December 2028. The RSAs include voting and dividend rights prior to vesting.

__Options__

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:

	Six months ended June 30, 2024	Six months ended June 30, 2023	For the year ended December 31, 2023
Estimated dividend yield	10.00%	6.00%	6.00%
Expected stock price volatility	40.00%	60.00%	60.00%
Risk-free interest rate	4.4%	3.8%	3.8%
Expected life of option (in years)	6.50	6.50	6.50
Weighted-average fair value per share	0.21	0.54	0.54

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. The following summarizes the stock option activity for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023:

The following summarizes the Option activity:

	Number of Shares	Weighted Average Exercise Price-(USD)	Weighted Average Exercise Price-(GBP)	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	3,089,056	2.21*	£ 1.74	8.9	-
Granted	345,000	2.06*	1.63	-	-
Exercised	-	-		-	-
Cancelled/Forfeited	(83,510)	2.17*	1.71	-	-
Outstanding as of June 30, 2024	3,350,546	2.18*	1.73	8.3	-
Exercisable as of June 30, 2024	-	-	-	-	-
Vested and expected to vest as of June 30, 2024	3,350,546	2.18*	£ 1.73	8.3	-

Weighted

	Number of Shares	Weighted Average Exercise Price-(USD)	Weighted Average Exercise Price-(GBP)	Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	2,718,809	2.13*	£ 1.77	9.4	-
Granted	652,000	2.02*	1.60	-	-
Exercised	-	-	-	-	-
Cancelled/Forfeited	(96,364)	2.23*	1.77	-	-
Outstanding as of June 30, 2023	3,274,445	2.19*	1.74	9.1	-
Exercisable as of June 30, 2023	-	-	-	-	-
Vested and expected to vest as of June 30, 2023	3,274,445	2.19*	£ 1.74	9.1	-

	Number of Shares	Weighted Average Exercise Price-(USD)	Weighted Average Exercise Price-(GBP)	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	2,718,809	2.13*	£ 1.77	9.4	-
Granted	652,000	2.04*	1.60	-	-
Exercised	-	-	-	-	-
Cancelled/Forfeited	(281,753)	2.21*	1.74	-	-
Outstanding as of December 31, 2023	3,089,056	2.21*	1.74	8.9	-
Exercisable as of December 31, 2023	-	-	-	-	-
Vested and expected to vest as of December 31, 2023	3,089,056	2.21*	£ 1.74	8.9	-

The following table summarizes certain information about the stock options outstanding and exercisable as of June 30, 2024:

Exercise Price	Number of Options Outstanding	Weighted-Average Remaining Life	Number of Options Exercisable
2.03*	652,000	8.9	-
2.06*	345,000	10.0	-
2.20*	100,000	8.3	-
2.24*	2,203,546	7.9	-
2.25*	50,000	8.1	-
	3,350,546		-

*The applicable exercise prices have been adjusted based on the applicable exchange rate of GBP to U.S. Dollars at the end of each period presented.

Option expense for the six months ended June 30, 2024 and 2023 and for the year ended December 31, 2023 was approximately 264,000, 269,000 and 518,000, respectively. As of June 30, 2024, there was approximately 663,000 of total unrecognized compensation cost related to non-vested stock option compensation expense, which is expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Units ("RSUs")

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

	Six months ended	Six months ended	Year ended

	June 30, 2024	June 30, 2023	December 31, 2023
Estimated dividend yield	10.00%	6.00%	6.00%
Expected stock price volatility	40.00% to 50.00%	60.00%	60.00%
Risk-free interest rate	4.5% to 5.1%	3.9% to 4.7%	3.9% to 5.4%
Expected life of instrument (in years)	1 to 3 years	1 to 3 years	1 to 3 years
Weighted-average fair value per share	1.41	1.47	1.41

Activity in the Company's non-vested RSUs for the six months ended June 30, 2024 and 2023, and the year ended December 31, 2023 was as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023	2,225,000	1.41
Granted	2,930,000	1.41
Vested	-	-
Cancelled/Forfeited	(491,678)	1.56
Nonvested as of June 30, 2024	4,663,322	1.40

	Number of RSUs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2022	-	-
Granted	1,500,000	1.47
Vested	-	-
Cancelled/Forfeited	-	-
Nonvested as of June 30, 2023	1,500,000	1.47

	Number of RSUs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2022	-	-
Granted	2,250,000	1.41
Vested	-	-
Cancelled/Forfeited	(25,000)	1.47
Nonvested as of December 31, 2023*	2,225,000	1.41

RSU expense for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023, was approximately 567,000, 83,000 and 553,000, respectively. As of June 30, 2024, there was approximately 6,179,000 of total unrecognized compensation cost related to non-vested RSU arrangements, which is expected to be recognized over a weighted-average period of 1.8 years.

Restricted Stock Awards ("RSAs")

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

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Estimated dividend yield	10.00%	6.00%	6.00%
Expected stock price volatility	40.00%	60.00%	60.00%
Risk-free interest rate	5.1% to 5.2%	4.9%	4.9% to 5.4%
Expected life of instrument (in years)	1 year	0.5 years	1 to 5 years
Weighted-average fair value per share	1.43	1.61	1.31

Activity in the Company's non-vested RSAs for the six months ended June 30, 2024 and 2023, and for the year ended December 31, 2023 was as follows:

	Number of RSAs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023	2,188,944	1.19
Granted	703,737	1.43
Vested	-	-
Cancelled/Forfeited	-	-
Nonvested as of June 30, 2024	2,892,681	1.25

	Number of RSAs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2022	-	-
Granted	820,007	1.61
Vested	-	-
Cancelled/Forfeited	-	-
Nonvested as of June 30, 2023	820,007	1.61

	Number of RSAs	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2022	-	-
Granted	3,008,951	1.31
Vested	(820,007)	1.61
Cancelled/Forfeited	-	-
Nonvested as of December 31, 2023	2,188,944	1.19

RSA expense for the six months ended June 30, 2024 and 2023 and for the year ended December 31, 2023, was approximately 459,000, 231,000, and 1,435,000, respectively. As of June 30, 2024, there was approximately 3,329,000 of total unrecognized compensation cost related to non-vested RSA arrangements, which is expected to be recognized over a weighted-average period of 2.2 years.

Stock Appreciation Rights ("SARs")

During the six months ended June 30, 2023, the Company issued 1,825,000 SARs to employees. During the year ended December 31, 2023, the Company issued 1,850,000 SARs to employees. There were no SARs issued during 2024. SARs are not issued shares or committed shares to be issued and therefore do not count against the total number of shares that can be issued under the Omnibus Plan. Upon exercise of a SAR, the Company shall pay the grantee in cash an amount equal to the excess of the fair market value of a share of stock on the effective date of exercise in excess of the exercise price of the SAR. This cash settlement feature requires the SARs to be classified as a liability and marked to market at each reporting period. The SARs vest over a three-year period with one-third vesting each year after the grant date. Determining the appropriate fair value model and the related assumptions requires judgment. The fair value of each SAR granted is estimated using a Black-Scholes option-pricing model and the fair value is adjusted at each reporting period. Each SAR has a cash settlement feature and is recorded as a liability in the Company's consolidated balance sheets. As of June 30, 2024, June 30, 2023, and December 31, 2023, the total liability recorded was 366,000, 71,000 and 290,000, respectively. The fair value of the SARs was calculated as follows as of:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Estimated dividend yield	10.00%	6.00%	6.00%

Expected stock price volatility	45.00%	60.00%	60.00%
Risk-free interest rate	4.4% to 4.5%	4.1% to 4.2%	4.7%
Expected life of instrument (in years)	3.4 to 4.8 years	4.4 to 5.4 years	4.5 to 5.5 years
Weighted-average fair value per share	0.33	0.59	0.46

	Number of Shares	Weighted Average Exercise Price
Outstanding as of December 31, 2023	1,760,000	1.70
Granted	-	-
Exercised	-	-
Cancelled/Forfeited	(55,000)	1.69
Outstanding as of June 30, 2024	1,705,000	1.69
Exercisable as of June 30, 2024	560,020	1.69
Vested and expected to vest as of June 30, 2024	1,705,000	1.69

SAR expense for the six months ended June 30, 2024 and 2023 and the year ended December 31, 2023, was approximately 76,000, 71,000 and 290,000, respectively. The amount of the future expense for all SARs issued will depend upon the value of the Company's common stock and other factors at each future reporting date.

NOTE 9 INCOME TAXES

The components of income tax expense attributable to income before income taxes for six months ended June 30, 2024 and 2023, and the year ended December 31, 2023, consisted of the following:

	Six months ended June 30, 2024	Six months ended June 30, 2023	12 months ended December 31, 2023
Current tax expense:			
Federal	2,993,700	2,926,200	5,861,100
State	1,220,000	1,198,400	2,274,500
Foreign	-	-	-
	4,213,700	4,124,600	8,135,600
Deferred tax expense (benefit):			
Federal	(405,200)	(258,800)	(491,700)
State	(120,100)	(77,400)	(141,100)
Foreign	18,400	-	-
	(506,900)	(336,200)	(632,800)
Total Provision for Income Taxes	3,706,800	3,788,400	7,502,800

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. The acquisitions of KP LLC, Engage, Multistate and LPA were taxable asset acquisitions. As such, the purchase consideration for these acquisitions generated tax-deductible goodwill in the combined amount of approximately 41,331,000. A deferred tax asset has been recorded in relation to the excess of the tax deductible goodwill as compared to the GAAP carrying value of goodwill. Of the 41,331,000 of tax deductible goodwill, approximately 29,016,000 is eligible for amortization during the 2024 tax year. None of the goodwill recorded in connection with the acquisition of Pagefield is deductible for tax purposes.

As of June 30, 2024, 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, 2024, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company's 2021 to 2023 domestic income tax return years are open under the statute of limitations for examination by the taxing authorities. Additionally, the Company's income tax return for Pagefield for the years 2020 to 2023 are open under the statute of limitations for examination by the applicable taxing authorities.

Significant components of the Company's deferred tax assets and liabilities are as follows as of:

	June 30, 2024	June 30, 2023	December 31, 2023
Deferred tax assets:			
Other assets	263,700	196,000	244,900
Foreign operating losses	178,000	-	-
Long term incentive plan	1,218,700	1,277,000	847,700
Foreign equity compensation and accrual	1,829,400	-	-
Goodwill	9,803,400	8,279,000	8,082,100
ASC 842 Lease liability	6,517,900	7,154,000	6,764,200
Total deferred income tax assets	19,811,100	16,906,000	15,938,900
Deferred tax liabilities:			
Other	(201,800)	(380,000)	(218,200)
Intangible assets	(3,676,300)	(2,503,000)	(2,148,200)

Intangible assets	[illegible]	[illegible]	[illegible]
Right of use asset	(5,576,600)	(6,317,000)	(5,835,300)
Total deferred income tax liabilities	(9,454,700)	(9,200,000)	(8,201,700)
Total Net Deferred Tax Asset (Liability)	10,356,400	7,706,000	7,737,200

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 for the six months ended June 30, 2024 and 2023, and the year ended December 31, 2023, is as follows:

	June 30, 2024		**June 30, 2023**		**December 31, 2023**	
	Amount	**% of Pretax Earnings**	**Amount**	**% of Pretax Earnings**	**Amount**	**% of Pretax Earnings**
Federal income tax expense (benefit) at statutory rate	(1,336,500)	(21.0)	34,000	21.0	(1,415,700)	(21.0)
State income taxes, net of federal income tax benefit	(400,800)	(6.3)	10,200	6.3	(419,600)	(6.2)
Nondeductible share-based accounting charge and other nondeductible expenses	5,443,400	85.4	3,790,800	2,341.8	9,365,000	138.9
Other	700	0.0	(46,600)	(28.8)	(26,900)	(0.4)
Total Provision for Income Taxes	3,706,800	58.1	3,788,400	2,340.3	7,502,800	111.3

NOTE 10 RETIREMENT PLAN

Effective January 1, 2020, the Company established the Public Policy Holding Company, LLC 401(k) Plan ("PPHC Plan"). The PPHC Plan covers employees that reach certain age and length of service requirements. Eligible employees can contribute into the plans through salary deferral. The PPHC Plan does not have any employer contribution and expenses are immaterial.

NOTE 11 SEGMENT REPORTING

As of June 30, 2024, the Company has three reportable segments; Government Relations Consulting, Public Affairs Consulting and Diversified Services. Government Relations 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. Diversified Services were introduced with the acquisition of MS LLC, and currently include Lobbying Compliance services and Legislative Tracking.

Other is primarily comprised of depreciation, amortization, interest expense, taxes, share-based accounting charges, post-combination compensation charges, long term incentive program charges, and gain on bargain purchase. The Company's CODM does not evaluate these items at the segment level.

The Company measures the results of its segments using, among other measures, each segment's net revenue and contribution margin, which excludes depreciation, amortization, interest expense, taxes and other non-cash charges. The Company's CODM does not evaluate total assets and liabilities at the segment level but rather evaluates these items on a consolidated basis. Information for the Company's segments, as well as for other, including the reconciliation to net income (loss) is provided in the following tables:

For the Six Months Ended June 30, 2024

	Government Relations	**Public Affairs**	**Diversified Services**	**Other**	**Total**
Revenue	50,321,378	15,538,588	5,265,853	-	71,125,819
Contribution Margin	15,921,436	(282,565)	1,788,183	-	17,427,054
Depreciation	-	-	-	(62,519)	(62,519)
Interest, net	-	-	-	(500,020)	(500,020)
Taxes	-	-	-	(3,706,800)	(3,706,800)
Share-based accounting charge	-	-	-	(15,194,000)	(15,194,000)
Post-combination compensation charge	-	-	-	(4,697,657)	(4,697,657)
Long term incentive					

program charges	-	-	-	(1,363,000)	(1,363,000)
Change in contingent consideration	-	-	-	(2,263,577)	(2,263,577)
Amortization of intangibles	-	-	-	(2,075,160)	(2,075,160)
Gain on bargain purchase, net of taxes	-	-	-	2,355,927	2,355,927
Net income (loss)	15,921,436	(282,565)	1,788,183	(27,506,806)	(10,079,752)
Goodwill at end of period	46,430,548	19,231,589	-	-	65,662,137

	For the Six Months Ended June 30, 2023				
	Government Relations	**Public Affairs**	**Diversified Services**	**Other**	**Total**
Revenue	46,529,662	16,507,022	2,675,271	-	65,711,955
Contribution Margin	13,631,400	2,636,300	655,000	-	16,922,700
Depreciation	-	-	-	(57,932)	(57,932)
Interest	-	-	-	(384,469)	(384,469)
Taxes	-	-	-	(3,788,400)	(3,788,400)
Share-based accounting charge	-	-	-	(15,430,500)	(15,430,500)
Post-combination compensation charge	-	-	-	(3,016,024)	(3,016,024)
Long term incentive program charges	-	-	-	(654,000)	(654,000)
Amortization of intangibles	-	-	-	(1,923,553)	(1,923,553)
Gain on bargain purchase, net of taxes	-	-	-	4,835,777	4,835,777
Net income (loss)	13,631,400	2,636,300	655,000	(20,419,101)	(3,496,401)
Goodwill at end of period	35,512,601	12,397,231	-	-	47,909,832

	For the Year Ended December 31, 2023				
	Government Relations	**Public Affairs**	**Diversified Services**	**Other**	**Total**
Revenue	95,476,619	32,256,518	7,252,685	-	134,985,822
Contribution Margin	27,601,680	5,207,392	2,258,872	-	35,067,944
Depreciation	-	-	-	(119,688)	(119,688)
Interest, net	-	-	-	(940,824)	(940,824)
Taxes	-	-	-	(7,502,800)	(7,502,800)
Share-based accounting charge	-	-	-	(30,904,000)	(30,904,000)
Post-combination compensation charge	-	-	-	(6,295,060)	(6,295,060)
Long term incentive program charges	-	-	-	(2,796,000)	(2,796,000)
Change in contingent consideration	-	-	-	(1,711,235)	(1,711,235)
Amortization of intangibles	-	-	-	(3,878,386)	(3,878,386)
Gain on bargain purchase, net of taxes	-	-	-	4,835,777	4,835,777
Net income (loss)	27,601,680	5,207,392	2,258,872	(49,312,216)	(14,244,272)
Goodwill at end of period	35,512,601	12,397,231	-	-	47,909,832

END

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