UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 18 , 2022

WESTWOOD HOLDINGS GROUP, INC.
(Exact name of registrant as specified in charter)

Delaware	001-31234	75-2969997
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

200 Crescent Court, Suite 1200
Dallas, Texas 75201
(Address of principal executive offices)

(214) 756-6900
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	WHG	New York Stock Exchange

Indicate by checkmark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

On November 18, 2022, Westwood Holdings Group, Inc. ("Westwood" or the "Company") filed a Current Report on Form 8-K (the "Initial 8-K") to report the completion of its acquisition of Salient Partners, L.P., a Delaware limited partnership ("Salient"), pursuant to that certain Purchase Agreement (the “Purchase Agreement”), dated as of May 25, 2022, by and the among the Company, Salient Partners, Salient Capital Management, LLC, a Delaware limited liability company and the other Sellers as listed on Annex A attached thereto.

This Amendment No. 1 (this “Amendment”) is being filed to amend and supplement Item 9.01 of the Initial 8-K to include (i) the audited financial statements of Salient as of and for the year ended December 31, 2021, (ii) the unaudited condensed financial statements of Salient as of and for the three and nine months ended September 30, 2022, and (iii) the unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2022, the unaudited pro forma condensed combined statements of operations of the Company for the nine months ended September 30, 2022 and the unaudited pro forma combined statements of operations of the Company for the year ended December 31, 2021, giving effect to transactions pursuant to the Purchase Agreement.

Item 9.01. Financial Statements and Exhibits

(a) Financial statements of businesses acquired.

The audited financial statements of Salient as of and for the year ended December 31, 2021 are filed as Exhibit 99.1 to this Amendment and are incorporated herein by reference.

The unaudited condensed financial statements of Salient as of and for the three and nine months ended September 30, 2022 are filed as Exhibit 99.2 to this Amendment and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2022 and the unaudited pro forma condensed combined statements of operations of the Company for the nine months ended September 30, 2022 and for the year ended December 31, 2021, giving effect to the transactions pursuant to the Purchase Agreement, are filed as Exhibit 99.3 to this Amendment and are incorporated herein by reference.

(d) Exhibits

The following Exhibits are furnished with this Current Report on Form 8-K/A:

Exhibit Number	**Description**
23.1	Consent of Forvis, LLP.
99.1	Audited financial statements of Salient as of and for the years ended December 31, 2021 and 2020.
99.2	Unaudited condensed financial statements of Salient as of and for the three and nine months ended September 30, 2022.
99.3	Unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2022 and unaudited pro forma condensed combined statements of operations of the Company for the nine months ended September 30, 2022 and for the year ended December 31, 2021, giving effect to the transactions pursuant to the Purchase Agreement.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WESTWOOD HOLDINGS GROUP, INC.

Date: November 18, 2022

/s/ Brian O. Casey

Brian O. Casey

Chief Executive Officer

FORV/S

14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254
P 972.702.8262 / **F** 972.702.0673
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Consent of Independent Auditor

We consent to the incorporation by reference in the registration statements of Westwood Holdings Group, Inc. on Form S-8 File No. 333-238965, 333-232595, 333-228335, 333-224886, 333-218080, 333-203728, 333-188002, 333-175696, 333-160377, 333-133963, 333-98841, 333-258305, and 333-267641 of our reports dated June 29, 2022, on our audits of the consolidated financial statements of Salient Partners, L.P. as of December 31, 2021 and 2020, and for the years then ended, which report is included in this Form 8-K/A.

FORVIS, LLP

Dallas, Texas
February 1, 2023

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
(A Limited Partnership)

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
(A Limited Partnership)

Table of Contents

FORVIS

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Independent Auditor's Report

The Partners
Salient Partners L.P.
Houston, Texas

Opinion

We have audited the consolidated financial statements of Salient Partners L.P. and subsidiaries (Partnership), which comprise consolidated balance sheets as of December 31, 2021 and 2020, and related consolidated statements of operations, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Salient Partners L.P. and subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Partnership' Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Partnership will continue as a going concern. As discussed in *Note 3* to the consolidated financial statements, the Partnership has suffered recurring losses from operations and negative operating cash flows, has a net capital deficiency, and has stated that substantial doubt exists about the Partnership's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in *Note 3*. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salient Partners L.P.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Salient Partners L.P.'s internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salient Partners L.P.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

FORVIS, LLP

Dallas, Texas
June 29, 2022

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
(A Limited Partnership)

Consolidated Balance Sheets

December 31, 2021 and 2020

Assets		**2021**		**2020**
Current assets:				
Cash and cash equivalents	$	3,119,394	$	2,505,250
Accounts receivable		3,842,650		3,048,500
Current portion of note receivable		—		36,420
Deferred charges, net		—		35,341
Prepaid and other current assets		884,634		1,243,387
Current assets held for sale		—		750,569
Total current assets		7,846,678		7,619,467
Investments:				
Unconsolidated affiliates		4,271,079		3,854,947
Other		17,366		14,721
Fixed assets, net		141,773		330,038
Note receivable, net of current portion		—		138,849
Intangible assets, net		2,046,448		2,046,448
Goodwill, net		25,922,202		25,922,202
Non-current assets held for sale		—		9,656
Total assets	$	40,245,546	$	39,936,328

Liabilities and Partners' Deficit				
Current liabilities:				
Accounts payable and accrued liabilities	$	4,296,781	$	6,318,152
SBA Loan		1,851,770		1,710,500
State margin taxes payable		105,842		135,627
Other current liabilities		118,882		268,335
Current liabilities held for sale		—		806,815
Total current liabilities		6,373,275		9,239,429
Subordinated debt, net		41,413,672		41,219,055
Senior debt, including accrued interest and restructuring fee payable, net		16,710,686		30,040,623
Revolver, including accrued interest		—		4,569,417
Notes payable, including accrued interest		3,822,623		3,580,226
Other long term liabilities		5,764,160		3,437,000
Total liabilities		74,084,416		92,085,750
Partners' deficit		(33,838,870)		(52,149,422)
Total partners' deficit		(33,838,870)		(52,149,422)
Total liabilities and partners' deficit	$	40,245,546	$	39,936,328

See accompanying notes to consolidated financial statements.

SALIENT PARTNERS, L.P. AND SUBSIDIARIES

(A Limited Partnership)

Consolidated Statements of Operations

Years ended December 31, 2021 and 2020

		2021		2020
Operating revenues:				
Fund management and investment advisory	$	27,939,770	$	25,442,908
Fiduciary fee income		171,460		220,857
Private placement commissions		300,019		—
Total operating revenues		28,411,249		25,663,765
Operating expenses:				
Servicing and private placement fees		5,705,726		4,869,583
Employee compensation and benefits		15,863,908		16,126,520
Professional fees		2,914,495		4,074,500
Travel expense		44,055		116,925
Advertising, marketing, and public relations		51,591		219,351
Information technology and communications		2,854,907		3,286,459
Depreciation and amortization		144,137		649,996
Occupancy expense		419,312		1,268,775
Insurance expense		415,976		283,271
State margin tax		101,797		102,546
Other general and administrative expenses		1,217,636		1,396,595
Total operating expenses		29,733,540		32,394,521
Operating loss		(1,322,291)		(6,730,756)
Non-operating income (expense):				
Debt modification costs		(1,247,212)		(242,465)
Interest expense		(2,911,766)		(6,355,813)
Restructuring fee amortization		(750,000)		—
Impairment of notes and interest receivable		—		(1,765,020)
Impairment of investments in unconsolidated affiliates		(156,368)		—
Equity in earnings in unconsolidated affiliates, net		768,437		270,314
Interest and dividend income		10,583		16,672
SBA loan forgiven		1,710,500		—
Term loan and revolver including interest forgiveness		18,435,865		—
Realized loss on unconsolidated affiliates		(104,624)		—
Other income, net		29,771		96,749
Total gain (loss) from continuing operations		14,462,895		(14,710,319)
Income from discontinued operations		733,876		3,755,064
Gain on sale of business, net of transaction costs		2,659,641		—
Total income from discontinued operations		3,393,517		3,755,064
Net income (loss)	$	17,856,412	$	(10,955,255)

See accompanying notes to consolidated financial statements.

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
(A Limited Partnership)

Consolidated Statements of Changes in Partners' Deficit

Years ended December 31, 2021 and 2020

	General Partner	Partners' capital (deficit) Class A	Partners' capital (deficit) Class B	Limited Partners	Total Deficit
Deficit at December 31, 2019	$ (236,560)	$ 146,486,445	$ (188,055,461)	$ (41,569,017)	$ (41,805,577)
Net income (loss)	—	11,191,761	(22,147,016)	(10,955,255)	(10,955,255)
Equity-based compensation	—	—	611,410	611,410	611,410
Deficit at December 31, 2020	(236,560)	157,678,206	(209,591,067)	(51,912,862)	(52,149,422)
Net income	—	12,087,101	5,769,310	17,856,412	17,856,412
Equity-based compensation	—	—	454,140	454,140	454,140
Deficit at December 31, 2021	$ (236,560)	$ 169,765,307	$ (203,367,617)	$ (33,602,310)	$ (33,838,870)

See accompanying notes to consolidated financial statements.

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
(A Limited Partnership)

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

		2021		2020
Cash flows provided by (used in) operating activities:				
Net income (loss)	$	17,856,412	$	(10,955,255)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Income from discontinued operations		(733,876)		(3,755,064)
Depreciation and amortization		144,137		649,996
Accretion of senior debt, subordinated debt and interest paid-in-kind on subordinated debt		602,041		3,584,226
Restructuring fee amortization		750,000		-
Noncash interest		1,121,856		-
Impairment of investments in unconsolidated affiliates		156,368		-
Impairment of notes and interest receivable		-		1,765,020
Unrealized (gain) loss on other investments		(2,390)		1,842
Loss from disposal of fixed assets		53,362		15,348
Equity in earnings in unconsolidated affiliates		(768,437)		(270,314)
Noncash compensation charge		454,139		611,410
Realized loss on unconsolidated affiliates		104,625		-
Gain on sale of business		(2,659,641)		-
Debt modification costs		1,247,212		242,465
Term loan and revolver including interest forgiveness		(18,435,865)		-
SBA loan forgiven		(1,710,500)		-
Noncash dividends received and reinvested		(255)		(321)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable		(2,076,210)		2,746,101
(Increase) decrease in prepaid and other current assets		349,060		454,561
(Increase) decrease in assets held for sale		677,630		36,772
Increase (decrease) in accounts payable and accrued liabilities		(1,460,954)		1,019,446
Increase (decrease) in accrued interest		1,107,078		(648,879)
Increase (decrease) in other liabilities		2,177,707		(934,167)
Increase (decrease) in state margin taxes payable		(29,785)		(83,888)
Increase (decrease) in compensation and benefits payable		(584,220)		57,838
Net cash used in operating activities		(1,660,506)		(1,707,800)
Cash flows provided by investing activities:				
Purchases of fixed assets		(9,234)		(28,917)
Proceeds from investments in unconsolidated affiliates		489,978		418,190
Proceeds from notes receivable		175,269		31,868
Payment of sale transaction related costs		(208,849)		-
Proceeds from sale of business		3,660,380		-
Proceeds from investing activities of assets held for sale		9,656		856
Net cash provided by investing activities		4,117,200		421,997
Cash flows used in financing activities:				
Payment on senior debt		(930,795)		-
Borrowing on senior debt		2,500,000		-
Payment on revolver		(4,297,862)		-
Borrowing on the revolver		281,549		-
Payment of financing costs		-		(76,515)
Borrowing on SBA loan		1,851,770		1,710,500
Payment for debt modification costs		(1,247,212)		(242,465)
Net cash provided by financing activities		(1,842,550)		1,391,520
Net increase (decrease) in cash and cash equivalents		614,144		105,717
Cash and cash equivalents, at beginning of year		2,505,250		2,422,068
Cash and cash equivalents, at end of year		3,119,394		2,527,785
Cash and cash equivalents, at end of year - assets held for sale		-		22,535
Cash and cash equivalents, at end of year	$	3,119,394	$	2,505,250
Supplemental noncash activities:				
Capital contribution from partners effected by noncash compensation	$	454,140	$	611,410
Supplemental cash flow information:				
Taxes paid	$	239,768	$	319,381
Interest paid	$	80,791	$	3,420,466

See accompanying notes to consolidated financial statements.

(1) Organization

Salient Partners, L.P. (Salient, and collectively along with its consolidated subsidiaries known as the Partnership) is a limited partnership organized under the laws of the State of Delaware pursuant to its certificate of limited partnership dated May 1, 2003. The Partnership manages investment assets and provides advisory services to its clients through its subsidiaries. Salient Capital Management, LLC (SCM) serves as the general partner of Salient.

Salient Advisors, L.P. (SALP), a Texas limited partnership, is a registered investment adviser (RIA) under the Investment Advisers Act of 1940 (Advisers Act), a commodity pool operator (CPO), and commodity trading advisor (CTA) registered with the Commodity Futures Trading Commission (CFTC).

Salient Capital Advisors, LLC (SCA), a Texas limited liability company, is registered as an RIA under the Advisers Act that provides investment advisory services to clients.

SALP and SCA provides investment advisory services to mutual funds (Salient MF Trust Complex) and other investment products.

Forward Management, LLC (FML), a Delaware limited liability company, is an RIA under the Advisers Act that owns a limited broker-dealer subsidiary, Forward Securities, LLC (FSL) which is registered with the Financial Industry Regulatory Authority (FINRA), (collectively, Forward). FML provides investment advisory services to mutual funds (Forward MF Trust Complex) and other investment products. FML is a variable interest entity (VIE) with Salient being the primary beneficiary.

Salient Capital, L.P. (SCLP), a Texas limited partnership, is registered as a broker-dealer with FINRA. SALP, SCLP and Salient Employment Services, LLC (SESL), a Delaware limited liability company, are all owned by Salient with a 99% ownership interest, the remaining 1% ownership interest is held by SCM, general partner of SALP, SCLP and SESL. SCLP serves as a subplacement agent for private placements.

Salient is appointed as the sole member of Salient MLP GP, LLC (SMGL), a Delaware limited liability company that serves as a general partner for certain fund products.

On February 28, 2021, Salient sold its Fund of Fund business to CCP Operating, LLC ("CCP"), as further discussed in the Fund of Fund Business (EADV entities) Sale footnote and referred to as "the Sale" throughout these footnotes. The assets and liabilities, operating results and cashflows have been disclosed in the discontinued operations footnote. Endowment Advisers, L.P. (EADV), The Endowment Fund Management, LLC (TEF LLC) and The Endowment Fund GP, L.P. (TEF GP) were included in the Sale. EADV was a Delaware limited partnership and an RIA under the Advisers Act. TEF LLC, was a Delaware limited liability company and served as the general partner of EADV and TEF GP.

(2) Summary of Significant Accounting Policies and Practices

(a) *Basis of Accounting*

The accompanying consolidated financial statements have been presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

(b) *Principles of Consolidation*

All significant intercompany balances and transactions have been eliminated. The accompanying consolidated financial statements include the accounts of Salient, SALP, SCLP, SESL, SCA, SMGL, and Forward. The accounts of the EADV Entities are included through February 28, 2021, the effective date of the Sale.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 and such differences may be significant.

(d) Cash and Cash Equivalents including Restricted Cash

The Partnership considers all highly liquid short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are held at large financial institutions and in money market funds. The Partnership follows the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash*. The accounting guidance requires balances generally described as restricted cash to be included with cash and cash equivalents. The Partnership did not have any restricted cash as of December 31, 2021 or 2020, respectively.

(e) Revenue Recognition

Revenue is measured and recognized based on the five-step process outlined in ASC 606, *Revenue from Contracts with Customers*. Revenue is determined based on the transaction price negotiated with the customers. Revenue is adjusted for any expense reimbursement arrangements.

Investment advisory fees are derived from providing professional services to manage client accounts. Services are satisfied over time as the services are provided and are typically based upon a percentage of the value of the client's assets under management. Any fees collected in advance are deferred and recognized as income over the period in which services are rendered.

Fund management fees are earned for services rendered relating to fund accounting, transfer agent, administrative and/or other maintenance activities performed for sponsored investment vehicles. Fees are generally based upon a percentage of the value of the assets under management. All these services are transferred over time.

(Continued)

Private placement commissions are earned for referring clients in funds managed by other asset managers. Services are satisfied over time as the services are provided by the asset managers and are typically based upon a percentage of the value of the client's assets under management. Fiduciary fees are determined based on agreements, which generally provide for fees based on a percentage of assets under management. All these services are transferred over time.

Performance fee revenues, including carried interests and performance fees related to partnership investments and separate accounts, are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues when the contractual performance criteria have been met and when it is probable that a significant reversal of revenue recognized will not occur in future reporting periods. Cash receipt of performance fees generally occurs after the performance fee revenue is earned. Given the uniqueness of each fee arrangement, performance fee contracts are evaluated on an individual basis to determine the timing of revenue recognition. Performance fees typically arise from investment management activities that were initially undertaken in prior reporting periods.

Dividend income is recorded on the ex-dividend date (net of any withholding taxes). Interest income is recorded as earned on an accrual basis and includes amortization or accretion of premiums or discounts, respectively. Royalty income is recorded as earned on an accrual basis and disclosed as other income in the consolidated statement of operations.

(f) Investments

The Partnership accounts for its non-marketable investments in which it does not have a controlling interest using the equity method of accounting. Readily marketable investments, where the Partnership neither controls nor has significant influence over the investee, are classified as other investments. These investments are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations. Realized gains and losses on investments are calculated on a specific-identification basis.

(g) Fixed Assets

Fixed assets consist primarily of leasehold improvements, computer hardware and software, furniture and fixtures, office equipment, and capital advances and are recorded at cost less accumulated depreciation, amortization and impairment. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives, which are the lesser of the related lease term or expected useful life for leasehold improvements and three to seven years for all other fixed assets.

(h) Intangible Assets

Indefinite-lived intangible assets are not amortized but are tested for impairment annually or when circumstances indicate that impairment may have occurred. During such testing, the fair value of the asset is compared to its current carrying amount to determine if an impairment exists. Identifiable finite-lived intangible assets are amortized over their estimated useful lives and are also evaluated for impairment when circumstances indicate impairment may have occurred.

(Continued)

(i) Impairment of Long-Lived Assets

The recoverability of the carrying values of long-lived assets, including amortizable intangible assets, is assessed whenever events or changes in circumstances indicate that the carrying value of such asset groups may not be recoverable based on estimated future cash flows. If this assessment indicates that the carrying values will not be recoverable, as determined based on estimated undiscounted future cash flows over the remaining useful lives, an impairment loss is recognized. The impairment loss equals the excess of the carrying value over the fair value of the asset group. The fair value of the asset group is based on prices of similar assets, if available, or discounted cash flows.

(j) Operating Leases

Operating lease rentals are charged to expense on a straight-line basis over the term of the lease.

(k) Taxes

Salient is a partnership for federal income tax purposes and, accordingly, is not subject to federal or state income taxes in most jurisdictions. However, Salient and its subsidiaries are subject to Texas and California franchise tax and the San Francisco gross receipts and payroll expense tax.

For the years ended December 31, 2021 and 2010, the Partnership did not recognize any tax liability for unrecognized tax benefits in connection with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, "*Income Taxes*", as it relates to uncertain tax positions. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements.

(l) Business Combinations and Goodwill

The Partnership, accounts for its business combinations by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any noncontrolling interest in the acquired business, measured at their acquisition date fair values. All assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units.

Goodwill represents excess of cost, including any estimated contingent consideration, over the fair value of the identifiable tangible and intangible net assets of an acquired business. In accordance with ASC 350, "*Intangible – Goodwill and others*", the Partnership first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Partnership tests goodwill for impairment at the reporting unit level performing its annual impairment review of goodwill at December 31, and when a triggering event occurs between annual impairment tests.

In 2021 and 2020, for all reporting units, we performed a qualitative assessment which resulted in no goodwill impairments.

(m) Embedded Derivatives

An embedded contractual term that meets the definition of a derivative and is not closely and clearly related to the host contract, is bifurcated from the host contract and accounted for at fair value as a derivative asset or liability, with changes in fair value reported in the consolidated statements of operations as they occur.

The Partnership uses a Black-Scholes option pricing model to value embedded derivative financial instruments at inception and subsequent valuation dates wherein the fair value of equity is determined using a two-step process. The first step involves the valuation of the Partnership on an enterprise basis. The Partnership's fair value has been based upon a composite of values determined by a market approach, using both market multiple and comparable transactions methodologies, and a discounted cash flow methodology. The second step involves valuing the equity classes through the allocation of the total equity value among the various equity classes using an option pricing methodology. The option pricing method treats classes of equity as call options on the enterprise's value, with exercise prices based on the liquidation preference of the equity classes.

(n) Debt and Financing Costs

Debt issuance costs are recognized as a deferred charge or direct deduction from the carrying amount of the related debt liability, depending upon the type of debt for which the costs are incurred. After initial recognition, debt issuance costs are carried at amortized cost. Finance charges and debt issuance costs are accreted over the term of the debt using the effective-interest method. Interest charges are recognized in the consolidated statements of operations in the period in which they are incurred.

(o) Equity-Based Compensation

Certain Salient employees have received equity-based compensation in the form of options or restricted stock units (RSUs). Salient accounts for the equity-based compensation in accordance with ASC Topic 718, "*Compensation-Stock Compensation*", which requires equity-based payments to be recorded as compensation expense based on the estimated fair value of the awards when granted and is generally recognized over the requisite service period. Based on an option pricing model, equity-based compensation expense of $454,140 and $611,410 was recognized for the years ended December 31, 2021 and 2020, respectively.

(p) Discontinued Operations

The operating results of our business that either has been disposed or is classified as held for sale, are presented as discontinued operations. The related assets and liabilities are classified as held for sale when the operations and cash flows related to that business has been or will be eliminated from our ongoing operations as a result of the disposal transaction.

(q) Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *"Leases"* (ASU 2016-02). Under ASU 2016-02, lessees will need to recognize a right-of-use asset and a lease liability for all their leases, other than those that meet the definition of a short-term lease. For statement of operations purposes, leases must be classified as either operating or finance. Operating leases will result in straight-line expense, similar to current operating leases, while finance leases will result in a front-loaded expense pattern, similar to current capital leases. The Partnership will be required to adopt the new standard in annual and interim periods beginning January 1, 2022. We are currently evaluating the new standard and any impact it will have on our consolidated financial statements when adopted.

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments – Credit Losses"* (ASU 2016-13). ASU 2016-13 changes how companies will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 is effective for financial statements issued for reporting periods beginning after December 15, 2022 and interim periods within the reporting periods. The Partnership does not anticipate a material impact upon the adoption of this amendment.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of the Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 was issued to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Generally, the guidance is to be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. ASU 2020-04 becomes effective for all entities through December 31, 2022. As of December 31, 2021, the Partnership has not elected to use the optional guidance and continues to evaluate the options provided by ASU 2020-04.

(3) Liquidity

Salient has approximately $62,043,135 in debt and interest payable to lenders as of December 31, 2021, which are due in February 2023. The Partnership does not generate adequate liquidity to satisfy the debts when due, which raises substantial doubt about the partnership's ability to continue as a going concern. On May 25, 2022, Salient entered into a definitive agreement with Westwood Holdings Group, Inc. to sell the asset management business for an upfront payment of $35 million at closing of the transaction subject to customary adjustments, with deferred payments of up to $25 million over several years, upon satisfaction of certain revenue retention and growth targets. The transaction is subject to customary closing conditions, including fund shareholder and client approvals. In conjunction, Salient also entered into a restructuring agreement with its debt and certain of its equity holders to release all liens in favor of the purchaser and receive covenants not to sue. Each of the debt holders agreed that the consummation of the sale transaction and distribution of the net proceeds from the sale as full and final satisfaction of the Partnership's obligation to such debt holders. There is no assurance that the transaction will be consummated, as it remains dependent on external factors. If the transaction does not close, the Partnership will not have sufficient capital to meet its repayment obligations and will need to consider alternative plans with the lenders at that point in time. The accompanying consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern; however, the above conditions raise substantial doubt about the Partnership's ability to do so. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Partnership be unable to continue as a going concern.

(4) Partners' Deficit

Salient has Class A and Class B Units. In accordance with the rights and preferences set forth in the Limited Partnership Agreement (the LPA), Class A Units have a liquidation preference that ranks superior to the Class B Units and any other equity securities. The LPA imposes transfer restrictions on certain Class B Unit holders. Class A Units accrue dividends on a cumulative basis at the rate of 8% per annum on their unreturned capital amounts and accrued unpaid yield. Dividends in the amount of $12,087,101 and $11,191,761 for 2021 and 2020, respectively, were accrued for Class A Unit holders. The LPA stipulates a "Return Requirement Adjustment" upon a Liquidity Event or an Event of noncompliance (as such terms are defined in the LPA) whereby a minimum return on investment is guaranteed to Class A Unit holders. Any shortfall between the calculated return and the minimum return will be made up with the grant of additional equity such that after giving effect to such increase and recalculating the Internal Rate of Return (IRR) to the Class A Unit holders, the return requirement will be met provided any such increase in equity of Class A Units will result in dilution of Class B Unit holders only and the effective reallocation is not in excess of 10% of total Units outstanding. The minimum return on investment includes both:

- Achieving a cumulative IRR of at least 30%; and
- Receiving IRR proceeds equal to at least two and a half times the Class A Unit holders' capital contributions.

Such reallocation will not change the number of votes held by Class A and Class B Unit holders. The LPA also prescribes "Conversion Price Adjustments" for Class A Unit holders in certain events including the occurrence of an IPO. The Return Requirement Adjustment and Conversion Price Adjustment features have been bifurcated from the Class A Units and have been separately accounted for as a derivative instrument.

The fair value of the derivative liability was $0 as of December 31, 2021 and 2020.

The terms of the LPA provide that at any time on or after January 15, 2016, upon a redemption option exercised by Majority Class A Unit holders as defined in the LPA, Salient is required to repurchase, within one year from Salient's receipt of such redemption option notice, all of the Class A Units at a repurchase price per unit payable in cash equal to the greater of 1) the unreturned capital contributions plus the accrued unpaid dividends and 2) fair market value as defined in the LPA. Class A Units are also redeemable either automatically or at the option of the Majority Class A Unit holders upon Events of Noncompliance or upon a Liquidity Event as such terms are defined in the LPA. The Class A Unit holders have not exercised this redemption right as of the date of the consolidated financial statements.

Pursuant to the LPA, Salient may be dissolved upon 1) approval by Salient's Board, the Majority Summit Investors and the Majority Continuing Investors or 2) after January 15, 2017 upon the occurrence and continuance of a material breach by Salient and approval of dissolution by the Majority Summit Investors, or 3) by the entry of a judicial dissolution of Salient under the Delaware Act under which Salient was created.

Class B Units originally issued to executives of Salient may be repurchased at Salient's option other than for termination without cause in which case Salient is required to repurchase. Optional repurchase rights are made in the following order: 1) Class B executive partners, 2) Salient and 3) Class A Unit holders all at purchase prices as provided for in the LPA. The buyouts with respect to termination of an executive are settled on a structured cash basis over a four-year period from the executive partner's termination date.

The allocation of equity between the partners is provisional based on a theoretical distribution of net assets at year end and may not be indicative of the ultimate settlement when liquidated. Since the Partnership has a deficit balance at December 31, 2021, no amounts would be distributed to the partners for book purposes as the partners have no legal requirement to make additional contributions to the Partnership.

(5) Profits Interests

Pursuant to the purchase and sale agreement of SCA with RDG Capital Holdings LP (RDG), profits interests were paid to RDG. Profits interests of $776,021 was expensed and recorded under the caption "Employee compensation and benefits" in the 2020 consolidated statement of operations. Effective October 14, 2021, pursuant to the second amendment to the Amendment and Joinder, Salient has agreed to purchase and retire 100% of the prior retained profits interest in exchange for $2,500,000, payable upon a liquidation or sale of Salient and contingent upon the retention of certain key employees. This amount is included on the 2021 consolidated balance sheet under caption "other long term liabilities." Additionally, SCA is entitled to carried interests, calculated as a percentage of cash received on performance or incentive fees from specified client accounts.

(6) Goodwill and Intangible Assets

Salient performed a qualitative assessment of its goodwill balances and determined no impairment had occurred in 2021 or 2020 with respect to the carrying amounts of such goodwill of $25,922,202 as of December 31, 2021 and 2020.

The acquired intangible assets as of December 31, 2021 and 2020:

	December 31, 2021			
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**
Finite-lived intangible assets:				
Customer relationships	$ 7,385,036	(6,146,451)	(1,238,585)	-
Intellectual property	3,000,000	(3,000,000)	-	-
Leasehold interest	3,207,000	(1,603,501)	(1,603,499)	-
Other assets	2,462,600	(1,821,457)	(641,143)	-
Total	16,054,636	(12,571,409)	(3,483,227)	-
Indefinite-lived intangible assets:				
Fund advisory agreement	33,814,662	-	(31,790,000)	2,024,662
Patents	71,617	-	(49,831)	21,786
Total	33,886,279	-	(31,839,831)	2,046,448
Total intangible assets	$ 49,940,915	(12,571,409)	(35,323,058)	2,046,448

(Continued)

	December 31, 2020			
	Gross carrying amount	**Accumulated amortization**	**Accumulated impairment**	**Net carrying amount**
Finite-lived intangible assets:				
Customer relationships	$ 7,385,036	(6,146,451)	(1,238,585)	-
Intellectual property	3,000,000	(3,000,000)	-	-
Leasehold interest	3,207,000	(1,603,501)	(1,603,499)	-
Other assets	2,462,600	(1,821,457)	(641,143)	-
Total	16,054,636	(12,571,409)	(3,483,227)	-
Indefinite-lived intangible assets:				
Fund advisory agreement	33,814,662	-	(31,790,000)	2,024,662
Patents	71,617	-	(49,831)	21,786
Total	33,886,279	-	(31,839,831)	2,046,448
Total intangible assets	$ 49,940,915	(12,571,409)	(35,323,058)	2,046,448

Intangible assets related to the business carried out by the EADV entities of $1,900 for the year 2020, have been shown as non-current assets held for sale.

Aggregate amortization expense for finite-lived intangible assets was $0 and $400,000 for 2021 and 2020, respectively.

As part of the annual assessment of impairment of intangibles, Salient assessed the carrying value of the asset group to determine if it continued to be recoverable based on estimated future cash flows. Based on the annual assessment, no impairment existed in 2021 or 2020. No further amortization for existing intangible assets is expected since 2021.

(7) Other Investments

The Partnership's Other investments portfolio is comprised of marketable securities. The following is a summary of the cumulative gross unrealized gains (losses) on other investments held as of December 31, 2021, and 2020:

			Gross Unrealized		
		Cost	Gains	Losses	Fair value
At December 31, 2021:					
Marketable securities	$	22,865	2,964	(8,463)	17,366
At December 31, 2020:					
Marketable securities	$	22,610	2,386	(10,275)	14,721

Net unrealized income (loss) on other investments included in the consolidated statements of operations as "Other income, net" were $2,390 and ($1,842) for the years ended December 31, 2021 and 2020, respectively.

Management evaluates other investments to determine if a decline in value is other-than-temporary. The unrealized losses of $8,463 as of December 31, 2021 were evaluated and it was determined that these losses were not other-than-temporary, primarily because the Partnership has both the ability and intent to hold the investments for a period of time that should be sufficient to recover such losses. At December 31, 2021, the aggregate fair value of investments with unrealized losses was $3,683, which represented investments in a loss position for greater than one year.

(Continued)

(8) Equity Method Investments

Equity method investments, presented as investments in unconsolidated affiliates, as of December 31, 2021, and 2020 are as follows:

	2021		2020	
	Carrying value	Ownership percentage	Carrying value	Ownership percentage
The Salient Zarvona Energy Fund GP, L.P.	$ 2,896,510	50.000	2,178,568	50.000
The Salient Zarvona Energy Fund II-A, L.P.	437,696	0.533	390,903	0.533
Broadmark Asset Management LLC	682,732	47.460	599,433	47.460
Sustainable Woodlands Fund II, L.P.	142,289	0.140	155,147	0.141
Sustainable Woodlands Partners, LLC	87,039	24.959	85,889	24.959
Salient MLP Total Return Fund, L.P.	9,874	0.007	7,214	0.002
Salient MLP Total Return TE Fund, L.P.	7,577	0.017	5,434	0.003
PMF Fund, L.P.	7,362	0.006	*	0.006
L-R Global Partners, L.P.	-	-	156,368	0.009
The Endowment (Domestic) Fund, L.P.	-	-	126,810	0.954
The Endowment Registered Fund, L.P.	-	-	81,585	0.084
The Raptor Private Holdings, L.P.	-	-	67,596	0.344
	$ 4,271,079		3,854,947	

*this investment was included as a non-current asset held for sale as of December 31, 2020 with a value of $7,756. However this investment was not included in the sale to CCP in 2021.

The investments in The Endowment (Domestic) Fund, L.P. and The Endowment Registered Fund, L.P. were sold in 2021 and a realized loss of $56,294 was recognized in the consolidated statement of operations. Additionally, the investment in The Raptor Private Holdings, L.P. was marked down to $0 in 2021 after the final distribution of $19,266 was received, which resulted in a realized loss of $48,330. The realized losses from sale and final distributions are recorded as "Realized loss on unconsolidated affiliates" in the 2021 consolidated statement of operations.

Equity in earnings from equity method investees is included in the consolidated statements of operations under the caption "equity in earnings of unconsolidated affiliates, net." These earnings recorded on the consolidated statements of operations are net of expenses payable to Hightower for the Zarvona net fee revenues earned from funds during the year by the Salient Zarvona Energy Fund GP, LP, which is based on an agreement that was entered into during the sale of Salient Private Client in 2018. The amounts that have been netted for 2021 and 2020 were $400,564 and $470,172, respectively. Amounts payable to Hightower has been shown as a payable on the balance sheet under the caption "Accounts payable and accrued liabilities" and the balance payable at year end December 31, 2021, and 2020 were $1,109,289 and $708,725, respectively.

The Partnership evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The amount by which the carrying value of the equity method investment exceeds its estimated fair value would be recognized as an impairment loss when the decrease in value is determined to be other-than-temporary. In 2021, the investment in L-R Global Partners, L.P. was deemed impaired and has been recorded under the caption "Impairment of investments in unconsolidated affiliates" in the 2021 consolidated statement of operations.

(9) Variable Interest Entities (VIEs)

The Partnership consolidates certain entities, when it is determined that the Partnership is the primary beneficiary, either directly or indirectly, through a consolidated entity or affiliate.

FASB ASC Standard 810-10, "*Consolidation*", as it relates to VIEs, requires an analysis to (i) determine whether an entity in which the Partnership holds a variable interest is a VIE and (ii) determine whether the Partnership involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., incentive and management fees) would be expected to absorb a majority of the economic variability of the entity. Performance of that analysis requires the exercise of judgment. The Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion based on changes in events. In assessing whether the Partnership is the primary beneficiary, the Partnership, evaluates its economic interests in the VIE held directly or indirectly by the Partnership. The consolidation analysis under the current guidance can generally be performed qualitatively. However, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis would be necessary. Investments and redemptions (either by the Partnership, affiliates of the Partnership, or third-parties) or amendments to the governing documents of the respective Partnership or VIE could affect an entity's status as a VIE or the determination of the primary beneficiary.

The Partnership has determined that it is the primary beneficiary of SALP, SESL, Forward, and SCLP and hence, consolidates these entities within the consolidated financial statements. The gross assets of these entities were $5,392,477 and $7,313,114 as of December 31, 2021, and 2020, respectively, which is the carrying amount of such financial assets in the consolidated balance sheets. As of December 31, 2021, and 2020, the Partnership's maximum exposure to loss is limited to the gross liabilities of $3,178,314 and $4,601,785, respectively, which are the direct obligations of these entities and are not obligations of Salient. The Partnership's maximum exposure to loss resulting from its involvement with these entities is based on the unlikely event that all the assets in these entities become worthless and the liabilities remain at full value.

(10) Fair Value Measurements

The Partnership applies the guidance in FASB ASC Standard 820, "*Fair Value Measurement and Disclosures*". This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used to value the Partnership's financial assets and liabilities, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

One key component of the implementation of this standard includes the development of a three-tier fair value hierarchy. The basis of the tiers is dependent upon the various "inputs" used to determine the fair value of the Partnership's investments. These inputs are summarized in the three levels listed below:

- Level 1 – Quoted prices in active markets for identical assets
- Level 2 – Other significant inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs

The inputs or methodology used to value investments are not necessarily an indication of the risk associated with investing in such investments.

The following is a summary categorization, as of December 31, 2021 and 2020, of the Partnership's investments and obligations based on the level of inputs utilized in determining their respective fair values:

	2021		
	Quoted prices (Level 1)	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:			
Money market funds (cash equivalents)	$ 229,908	-	-
Investments marketable securities	17,366	-	-
	$ 247,274	-	-

	2020		
	Quoted prices (Level 1)	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:			
Money market funds (cash equivalents)	$ 190,020	-	-
Investments marketable securities	14,721	-	-
	$ 204,741	-	-

(Continued)

When appropriate, the Partnership will utilize discounted cash flow models, market comparable and contractual pricing models to value its Level 3 investments. For the derivative instrument, the Partnership used an option pricing model to value the derivative at the valuation dates wherein the fair value of equity was determined using a two-step process. The first step involves the valuation of the Partnership on an enterprise basis. The Partnership's fair value has been based upon a composite of values determined by a market approach, using both market multiple and comparable transactions methodologies, and a discounted cash flow methodology. The second step involved valuing the equity classes through the allocation of the total equity value among the various equity classes using an option pricing methodology. The option pricing method treated classes of equity as call options on the enterprise's value, with exercise prices based on the liquidation preference of the equity classes.

There has been no activity related to the Level 3 liability for which significant unobservable inputs were used to determine fair value and as such, no reconciliation is disclosed.

(11) Fixed Assets

Fixed assets at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Furniture and fixtures	$ 1,217,893	$ 1,580,919
Office equipment	434,483	436,905
Computer equipment and software	5,562,862	5,555,599
Leasehold improvements	938,525	947,468
Artwork	45,060	45,060
Accumulated depreciation	(8,057,050)	(8,235,913)
	$ 141,773	$ 330,038

Depreciation on fixed assets was $144,137 and $249,996 for 2021 and 2020, respectively. Purchases of $376,362 and $236,596 were disposed in 2021 and 2020 respectively. The total accumulated depreciation of these disposed assets were $323,000 and $221,248, which resulted in a loss on disposal of fixed assets of $53,362 and $15,348 in 2021 and 2020 respectively. The loss on disposal of fixed assets was recorded under the caption "Other general and administrative expenses" in the consolidated statements of operations.

(12) Borrowings

(a) Subordinated Debt

On January 15, 2010, the partners of Salient entered into a purchase and redemption agreement to sell 37.67% of their partnership interests in Salient and SCM for $65 million. As part of this transaction, under

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separate note agreements with affiliates of the equity investors, Salient raised additional capital through the issuance of $60 million in subordinated promissory notes (Sub Debt) which have since been amended for changes to financial covenant levels, reporting requirements, interest rates and to be consistent with certain provisions of Salient's Senior Debt, as defined hereinafter. The 2020 and 2021 Sub Debt amendments are as follows:

Amendment Number and Date	Amendment
No. 10 dated March 31, 2020	Amend the interest rate, option to convert convert cash interest to paid-in-kind (PIK), waive Q1 financial covenant and definitions.
No. 11 dated June 30, 2020	Suspend all interest effective July 1, 2020, amend covenants, extend maturity date, and amend certain negative and financial covenants definitions.
No. 12 dated September 30, 2021	Extend maturity date and amend certain definitions.

The 2020 and 2021 Sub Debt interest rates and payment type are as follows:

Period	Interest Rate
January 1, 2020 – June 30, 2020	14% (PIK)
July 1, 2020 – December 31, 2021	0%

The Sub Debt outstanding balance is due at maturity on December 31, 2022, subject to any prior acceleration based on the terms of the Sub Debt agreement. At December 31, 2021 and 2020, the outstanding unpaid principal balance was $41,413,672 with no accrued interest payable. Interest expense of $2,739,273 (PIK) has been recorded in the consolidated statement of operations for the year ended December 31, 2020 and no interest expense recorded in 2021. Amendment fees of $809,951 (including $41,414 of financing fees paid in 2020) are amortizing over the remaining term of the debt using the effective-interest method. Amortization of the debt issuance and modification costs increased the effective-interest rate on the Sub Debt by 0.47% in 2021 and 0.51% in 2020. Interest expense of $194,617 and $209,898, related to the amendment fees, was recorded in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. The unamortized amendment fees of $0 and $194,617 are deducted from the Sub Debt balance at December 31, 2021 and 2020, respectively. Salient was in compliance with the financial covenants as of December 31, 2021 and 2020. The agreement terms were modified in 2022, which is discussed further in the Subsequent Events note.

(b) Senior Debt

On June 9, 2015, Salient entered into a six-year, $100 million senior term loan (Senior Debt) agreement with a syndicate of banks. The Senior Debt was issued at a discount and recorded at fair value in accordance with U.S. GAAP, at $98 million. The Senior Debt is secured against all tangible and intangible assets of Salient

(Continued)

and its wholly-owned subsidiaries included as loan parties or restricted subsidiaries other than SCLP and FSL. Depending on the type of loan elected each interest period, the interest rate spread varies over the stated Eurocurrency, Fed Funds or US Prime rate applicable for such period. The 2021 and 2020 amendments are as follows:

Amendment Number and Date	Amendment
No. 8 dated March 31, 2020	Defer March 31, 2020 payment of principal, waive Q1 financial covenants and amend definitions.
No. 9 dated June 30, 2020	Defer all principal payments until the maturity date, extend maturity date, add prepayment requirement based on quarterly cash levels, amend certain negative and financial covenants.
No. 10 and 11 dated September 30, 2021	Changes to administrative agent and lenders, forgiveness of debt and interest by outgoing lender, upsizing debt by continuing lenders, change maturity date, change interest rate spreads, change interest payment dates and covenants.

The Partnership's ability to comply with financial covenants depends on many variables, including, but not limited to broader economic trends and changing investor sentiments, which impact market conditions for the entire asset management industry creating inherent uncertainty around forecasts. If the Partnership is unable to comply with its financial covenants, the Partnership has options during a cure period, as provided for in the debt agreement. If a financial covenant violation remains uncured after the expiration of the cure period, debt repayments could be accelerated in which case the Partnership may not have sufficient capital to meet an accelerated repayment obligation. Salient was in compliance with the financial covenants as of December 31, 2021 and 2020.

The interest rate was 7.00% during 2021 and between 7.00% to 7.79% during 2020 with the rate at 7.00% as of December 31, 2021 and 2020, respectively.

Salient paid $930,795 towards the term loan principal balance using the proceeds from the sale of the Fund of Fund business.

On September 30, 2021, the Senior Debt was amended through the 10th and 11th amendments. Cadence Bank, N.A. (Cadence) was replaced by Alter Domus (US) LLC (appointed by the continuing lenders Main Street and affiliates) as administrative agent. Cadence agreed to forgive its share of Senior Debt, full Revolver and all interest owed through September 30, 2021, in exchange for a cash settlement of $4,150,000 applied to the Revolver, resulting in Senior Debt principal forgiveness of $16,668,116 and Senior debt interest forgiveness of $1,047,005. The continuing lenders funded an additional $2,500,000 which was used to pay off Cadence. Interest remained unchanged on the additional funding. An outside restructuring fee equal to a multiple of 1.00 on the additional funded debt of $2,500,000 was agreed to be paid upon consummation of a restructuring transaction. Senior Debt maturity was extended to October 31, 2022. Interest rate spreads for Euro-currency loans remained unchanged but were increased by 0.25% for base rate loans. Interest payments continue to accrue on the remaining Senior Debt but will be paid in cash upon consummation of a restructuring transaction. An amendment fee of 1% for the 10th amendment was added, but agreed to be paid upon consummation of a sale.

The outstanding unpaid principal balance and accrued interest payable was $15,001,088 and $1,055,752 at December 31, 2021, and $30,100,000 and $283,860 at December 31, 2020, respectively. The outside restructuring fee payable of $2,500,000 was agreed to be paid upon consummation of a restructuring transaction and has been included as senior debt.

Financing costs for amendments of the Senior Debt and Revolver in the amount of $125,000 and $35,100, were incurred in 2021 and 2020, respectively.

The debt issuance and financing costs for amendments are amortized over the terms of the debt using the effective-interest method. Interest expense related to amortization of deferred charge and accretion of debt issuance cost of $407,424 and $635,052 have been recognized in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. Amortization of the outside restructuring fee expense of $750,000 was recorded in the consolidated statements of operations for the year ended December 31, 2021 as "Restructuring fee amortization".

Amortization of the debt issuance and modification costs increased the effective-interest rate on the Senior Debt by 1.25% in 2021 and 1.76% in 2020.

Senior Debt financing costs were deducted from the Senior Debt balance in the amounts of $96,154 (including unamortized originally issued discounts "OID" of $0) and $343,237 (including unamortized originally issued discounts "OID" of $61,663) at December 31, 2021 and 2020, respectively. Unamortized outside restructuring fee in the amount of $1,750,000 has been deducted from Senior Debt. Revolver financing costs have been recognized as a deferred charge in the consolidated balance sheets in the amount of $0 and $35,341 at December 31, 2021 and 2020, respectively.

Cash interest expense for the Senior Debt in the amount of $934,098 and $2,202,073 has been recorded in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively.

The agreement terms were modified in 2022, which is discussed further in the Subsequent Events note.

(c) Revolver

In conjunction with the Senior Debt agreement, the Partnership entered into a revolving loan facility (Revolver) agreement. Effective the ninth amendment entered into on June 30, 2020, Cadence agreed to keep a facility of $1 million for all credit extensions made on and after the ninth amendment. The Partnership could request up to $3 million but for additional credit in excess of $1 million, the Partnership would need to provide dollar for dollar credit support. The Revolver was secured against all tangible and intangible assets of Salient and its wholly owned subsidiaries included as loan parties or restricted subsidiaries other than SCLP and FSL. Depending on the type of loan elected each interest period, the interest was payable monthly or quarterly in arrears and the interest rate spread varied over the stated Eurocurrency, Fed Funds or US Prime rate applicable for such period.

The outstanding principal balance drawn on the Revolver was \$4.5 million, and the Partnership had \$281,549 of undrawn outstanding letters of credit for its office leases as of December 31, 2020. During 2021, Salient paid \$147,862 towards the revolver principal using the proceeds from the sale of the Fund of Fund business. On September 30, 2021, the Revolver was amended through the 10th and 11th amendments of the Senior Debt. Salient made a final payment of \$4,150,000 on the Revolver and Cadence agreed to forgive the remaining Revolver principal balance of \$483,687 and interest of \$237,057 recorded in the 2021 consolidated statement of operations under caption "Term loan and revolver including interest forgiveness."

The interest rate ranged from 7.00% to 8.00% during 2021 and from 7.00% to 7.68% during 2020. Cash interest expense of \$80,792 and \$326,456 was recorded in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. The outstanding interest payable balance on the Revolver was \$0 and \$69,417 as of December 31, 2021 and 2020, respectively.

(d) Notes Payable

Salient has notes payable to former employees for the repurchase of their respective class B Units. Each note bears interest at 8% per annum and is payable over four years. Interest expense of \$242,396 and \$243,061 was recognized in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. The outstanding principal balances of \$3,029,957, plus accrued interest of \$792,666 and \$550,269, are presented on the consolidated balance sheets under captions "Note payable, including accrued interest" as of December 31, 2021 and 2020, respectively. Per the amendments to the Sub Debt and Senior Debt, payments of principal and interest on the notes payable were suspended effective June 14, 2019. As such, the remaining principal payments are due after payments are made to the senior and sub debt lenders.

(e) Small Business Association Loan

Salient received a Payroll Protection Program (PPP) loan in 2021 and 2020 totaling \$1,851,770 and \$1,710,500 respectively, established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has elected to account for the funding as a loan (until it is forgiven by the SBA) in accordance with ASC Topic 470, Debt. Salient used the proceeds per the SBA guidance and the loan received in 2020 totaling \$1,710,500 was forgiven in May 2021. The gain on SBA loan forgiveness was recorded as "SBA loan forgiven" in the 2021 consolidated statement of operations. The outstanding principal balance is \$1,851,770 and \$1,710,500 at December 31, 2021 and 2020, respectively, which are presented on the consolidated balance sheets under caption "SBA Loan".

(13) Expense Reimbursement and Recoupment of Reimbursed Expenses

SCA, SALP and FML have contractually agreed to limit total annualized expenses for certain funds they advise pursuant to separate expense limitation agreements (ELA). The ELA limits vary by share class/series. Under the ELAs, the advisors are permitted to recoup expense reimbursement payments that have been made to the funds or waived for a period of up to three years from the end of the fiscal year in which such fee was waived or reimbursed by the advisor and only to the extent that the expenses for a share class/series falls below the annual expense cap rate in effect at the time when the reimbursement or waiver originally occurred and the recoupment would not cause such expense cap to be exceeded. The advisors reimbursed expenses to the respective funds in the total amount of \$361,562 and \$660,294 for the years ended December 31, 2021,

(Continued)

and 2020, respectively. Expense reimbursements have been recorded as a reduction to "Fund management and investment advisory" revenues in the consolidated statements of operations.

(14) 401K Defined Contribution Plan

The Partnership sponsors a defined contribution plan. Participation in this plan is available to all full-time employees and has a discretionary matching contribution equal to a percentage of the participants' compensation deferrals. The Partnership may also make a discretionary profit-sharing contribution to the plan. Salient recognized expense of $175,946 and $216,757 for 2021 and 2020, respectively, which was recorded under the caption "Employee compensation and benefits" in the consolidated statements of operations. No discretionary profit-sharing contribution was made in 2021 and 2020.

(15) Related-Party Transactions

Salient, through its subsidiaries, serves as advisor to various funds and subplacement agent pursuant to contracts in which it earns management or servicing fees. The total amount of revenues earned under such contracts was $19,475,086 and $25,020,762 for 2021 and 2020, respectively.

Certain partners of Salient are entitled to payouts pursuant to their employees' compensation agreements. Referral fee expense of $28,230 and $116,656 for 2021 and 2020, respectively, was recorded under the caption "Employee compensation and benefits" in the consolidated statements of operations.

Certain partners of Salient are entitled to profits interest pursuant to the RDG purchase and sales agreement and the LPA. Refer to the Profits Interests footnote for further details.

The Sub Debt issued is held by affiliates of the equity investors. Refer to the Borrowings footnote for further details.

In 2020, the total interest and principal balances of note receivable agreements entered into with former Salient employees were written-off to zero. These uncollectible amounts were recorded under the caption "Impairment of notes and interest receivable" in the consolidated statement of operations at December 31, 2020.

The below table represents note payable agreements with former Class B partners in 2021 and 2020, respectively:

2021							
Note	**Amount**	**Interest Rate**	**Original Maturity Date**	**Balance at 12/31**	**Interest Payable at 12/31**	**Interest Expense**
1	$ 64,289	8.00%	June 30, 2021	$ 48,217	$ 13,527	$ 3,857
2	452,319	8.00%	June 15, 2022	407,086	115,546	32,567
3	1,257,396	8.00%	August 31, 2022	1,131,656	279,783	90,533
4	1,050,000	8.00%	August 22, 2022	945,000	254,140	75,600
5	423,130	8.00%	September 30, 2022	380,817	99,158	30,465
6	130,201	8.00%	October 1, 2022	117,181	30,512	9,375

2020						
Note	**Amount**	**Interest Rate**	**Original Maturity Date**	**Balance at 12/31**	**Interest Payable at 12/31**	**Interest Expense**
1	$ 64,289	8.00%	June 30, 2021	$ 48,217	$ 9,670	$ 3,868
2	452,319	8.00%	June 15, 2022	407,086	82,979	32,656
3	1,257,396	8.00%	August 31, 2022	1,131,656	189,250	90,781
4	1,050,000	8.00%	August 22, 2022	945,000	178,540	75,807
5	423,130	8.00%	September 30, 2022	380,817	68,693	30,549
6	130,201	8.00%	October 1, 2022	117,181	21,137	9,400

Salient has investments in certain related funds which are classified as Other Investments. The table below details the funds in which Salient has investments:

2021

	Opening Balance	Dividend Reinvested	Redemption (at cost)	Unrealized Gain/(loss)	Realized Gain/(loss)	Closing Balance	Accumulated Unrealized Gain/(loss)
SMM	$ 2,243	140	-	1,308	-	3,691	(8,462)
Salient MF Trust Complex	12,478	115	-	1,082	-	13,675	2,963
Total	**$ 14,721**	**255**	**-**	**2,390**	**-**	**17,366**	**(5,499)**

2020

	Opening Balance	Dividend Reinvested	Redemption (at cost)	Unrealized Gain/(loss)	Realized Gain/(loss)	Closing Balance	Accumulated Unrealized Gain/(loss)
SMM	$ 3,845	176	-	(1,778)	-	2,243	(9,770)
Salient MF Trust Complex	12,397	145	-	(64)	-	12,478	1,881
Total	**$ 16,242**	**321**	**-**	**(1,842)**	**-**	**14,721**	**(7,889)**

Certain advisors have contractually agreed to limit total annualized expenses pursuant to separate ELAs with related funds in which they advise. The below table details the expenses reimbursed for the years ended December 31, 2021 and 2020.

Advisor	**Fund**	**2021**	**2020**
FML	Forward MF Trust Complex	$ 223,836	$ 242,314
SCA	Salient MLP & Midstream Income Fund	-	52,314
SALP	Salient MF Trust Complex	254,151	249,525
SCA	Salient MF Trust Complex	(116,425)	116,141
	Total	$ 361,562	$ 660,294

Broadmark Asset Management, LLC (BAML), a noncontrolled firm in which Salient holds an equity investment, serves as sub-advisor to the Salient Tactical Plus Fund and Salient Tactical Growth Fund for which it is paid a sub-advisor fee which is calculated daily and payable monthly or quarterly based on each fund's average daily net assets. An amount of $2,463,404 and $2,282,255 was expensed for BAML sub-advisor fees to these funds in December 31, 2021 and 2020, respectively. BAML also serves as the sub-advisor for some separately managed accounts (SMA) and unified managed accounts (UMA). An amount of $2,111,001 and $1,036,818 was expensed for BAML sub-advisor fees to these SMAs and UMAs in December 31, 2021 and 2020, respectively.

FML entered into two note and pledge agreements with BAML on October 11, 2016 and November 28, 2016 for $123,900 and $103,724. The notes accrued 8% interest per annum compounded annually and due quarterly in arrears. Interest income of $10,268 and $15,654, has been recognized in the consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2020 the combined principal balance was $175,269 with no interest outstanding. The notes, together with accrued interest, were paid off in full by BAML on October 5, 2021.

SCLP served as the principal placement agent to SPAF and PMF. These two funds were sold to CCP, as further discussed in the Fund of Fund business (EADV Entities) Sale footnote, and as such are no longer related parties as of March 1, 2021.

Salient entered into partnership agreements with Zarvona Energy, LLC to form Salient Zarvona Energy Fund GP, LP (Zarvona GP) and its general partner, Salient Zarvona Energy GP, LLC. Zarvona GP, a Delaware limited partnership, is the general partner of the Salient Zarvona Energy Fund, L.P., Salient Zarvona Energy Fund II-A, L.P., Salient Zarvona Energy Fund II-B, L.P., and Chalk II-4 Co-Invest, L.P. (collectively, the Zarvona Fund Complex) for which it also serves as the advisor and is entitled to a management fee pursuant to the investment management agreements. Salient has a noncontrolling equity interest in the Zarvona Fund Complex. Equity in earnings arising from the Zarvona Fund Complex are included in the consolidated statements of operations under the caption "Equity in earnings of unconsolidated affiliates, net."

Total equity in earnings of unconsolidated affiliates, net of payments to Hightower, included in the statements of operations were $768,437 and $270,314 for 2021 and 2020, respectively.

Pursuant to a services agreement entered into between Salient and SCM, service fee expense of $1,500,742 and $1,828,982 was recorded in the consolidated statements of operations for 2021 and 2020, respectively.

The balances of receivables from and payables to related parties, investments in unconsolidated affiliates and other investments, for which Salient is the advisor, include the following as of December 31, 2021, and 2020:

		2021		2020
Investment in unconsolidated affiliates	$	4,271,079	$	3,862,703
Other investments		17,366		14,721
Receivable from funds, net		1,381,331		1,975,367
Receivable from (payable to) SCM		(15,860)		151,179
Notes and interest receivable from affiliates		-		175,269
Notes and interest payable to former partners		3,822,623		3,580,226
Severance payable		10,120		223,605
Compensation payable to employees		678,621		458,045
Receivable for profits interest overpayment		-		131,518
Sub Debt and interest payable		41,413,672		41,413,672

(16) Commitments and Contingencies

(a) Office Leases

On August 16, 2002, Salient entered into a noncancelable operating lease agreement for its premises in Houston, which has since been amended to provide for space expansions, space reductions, lease extensions and a joint tenant. The lease agreement was amended in March 2022 and is set to expire on September 30, 2022. The 2022 minimum rental payment under this sublease is $272,094.

The Partnership had $0 and $281,549 of undrawn outstanding letters of credit for its office leases as of December 31, 2021 and 2020, respectively.

(b) Sub Debt Repayments

The Partnership entered into Sub Debt agreements, as disclosed previously in the Borrowings footnote. The Sub Debt is due in full at maturity on February 25, 2023, subject to any prior acceleration based on the terms of the Sub Debt agreement. The Sub Debt principal balance as of December 31, 2021 was $41,413,672.

(c) Senior Debt Repayments

The Partnership entered into Senior Debt agreements, as disclosed previously in the Borrowings footnote. The total unpaid principal balance, accrued interest, restructuring fee and amendment fee as of December 31, 2021 is $15,001,088, $959,598, $750,000 and $125,000, respectively. The Senior Debt payments are due in full at maturity on February 25, 2023, subject to any prior acceleration based on the terms of the Sub Debt agreement.

(d) Notes Payable

Per the amendments to the Sub Debt and Senior Debt, payments of principal and interest on the Notes Payable were suspended effective June 14, 2019. As such, the remaining principal payments are due in after payment to the senior and sub debt lenders. The outstanding principal and unpaid interest balances as of December 31, 2021, are $3,029,957 and $792,666 respectively.

(e) Small Business Association Loan

The $1,851,770 small business loan received under the Payroll Protection Program in 2021 was used for payroll and utilities per the SBA guidelines. Salient will file for forgiveness in 2022 and as a result of headcount reduction, expects to repay a portion of the loan.

(f) Severance and Retention

In accordance with severance agreements entered into with terminated employees, the Partnership will pay $10,120 in insurance payments in 2022. In accordance with retention agreements entered into with current employees, the Partnership will pay $5,791,198 beyond 2021.

(17) Soft Dollar Arrangements

The Partnership at times may affect transactions with brokers or other companies that provide trading, research, market quotation, and information services. All such transactions are conducted in accordance with Section 28(e) of the Securities Exchange Act of 1934 (1934 Act). Under Section 28(e) of the 1934 Act, expenses paid under soft dollar arrangements include market quotation and information fees, research, direct and indirect technology and telecommunication expenses, and securities exchange fees. Total credits earned by the Partnership during the years ended December 31, 2021 and December 31, 2020 were $432,931 and

$349,444, respectively. The Partnership's available soft dollar credit to be used for future payments of qualifying investment related expenses was $0 and $1,933 as of December 31, 2021 and 2020, respectively.

(18) Equity-Based Compensation

On November 19, 2013, the board of managers of the Board approved the long-term equity incentive plan (LTEIP). The Board also approved a subsequent modification to the existing LTEIP to provide for the issuance of Class B units as either options or RSUs. The fair values of option or RSU awards were estimated at the grant date using a Black-Scholes option pricing model. Management uses a risk-free rate based on the estimated time to expiration and an expected market price volatility that considers the historical and implied volatility of the firm's shares as well as those of a peer group of companies.

The following table summarizes the option activities for the years ended December 31, 2021 and 2020:

	Options	Weighted-Average Exercise Price
January 1, 2020	414,387	$ 25.95
Forfeited	(64,089)	21.03
Outstanding, December 31, 2020	350,298	26.85
Forfeited	(46,208)	49.19
Outstanding, December 31, 2021	304,090	$ 23.46
Exercisable, December 31, 2020	85,673	$ 46.19
Exercisable, December 31, 2021	304,090	23.46

As of December 31, 2021, and 2020, unrecognized compensation expense related to non-vested options was $0 and $725,543, respectively. Salient recognizes forfeitures as they occur.

At December 31, 2021, the weighted-average remaining contractual life of the outstanding options and exercisable options was 6.34 years and 6.34 years, respectively. At December 31, 2020, the weighted-average remaining contractual life of the outstanding options and exercisable options was 7.27 and 5.37 years, respectively.

In 2016, the board approved the issuance of 57,000 Class B RSUs at an estimated price of $5.73 per unit, vesting over a period of four years. The following table summarizes the RSU activity for the years ended December 31, 2021 and 2020:

	RSU		Weighted-Average Unit Price
January 1, 2020	18,375	$	5.73
Forfeited	-		-
Repurchased	-		-
Outstanding, December 31, 2020	18,375		5.73
Forfeited	-		-
Repurchased	-		-
Outstanding, December 31, 2021	18,375	$	5.73
Vested, December 31, 2020	18,375	$	5.73
Vested, December 31, 2021	18,375		5.73

As of December 31, 2021, and 2020, unrecognized compensation cost related to non-vested RSUs was $0.

(19) Fund of Fund Business (EADV entities) Sale

On February 28, 2021, Salient sold the EADV Entities. Total consideration received by the Partnership was $5,050,000 and Salient recognized a net gain on sale of $2,569,641 during 2021, which is disclosed under the caption "Gain on sale of business, net of transaction costs" in the Consolidated Statement of Operations. The following table summarizes the reconciliation of cash proceeds received to net gain recognized in the 2021.

Total Consideration	$ 5,050,000
Closing cash	11,975
Working capital adjustment	737,369
Minimum cash	(2,126,989)
Total cash consideration:	3,672,355
Less Transaction related expenses:	208,849
Less carrying value of business :	803,865
Net gain on sale of business	$ 2,659,641

The following table summarizes the carrying value of business sold:

Accounts receivable		1,282,062
Prepaid and other current assets		9,693
Intangibles, net		1,900
Total Assets:	$	1,305,630

Liabilities:		
Accounts payable and accrued liabilities	$	501,763
Total Liabilities:	$	501,763

(Continued)

(20) Discontinued Operations

The following table reflects the income from discontinued operations of the EADV Entities for the period ended February 28, 2021 and for the year ended December 31, 2020:

	2021	2020
Operating revenues:		
Fund management and investment advisory	$ 1,291,586	$ 6,746,309
Total operating revenues	1,291,586	6,746,309
Operating expenses:		
Servicing and private placement fees	522,471	2,770,403
Professional fees	-	1,600
Travel expense	-	781
Advertising, marketing, and public relations	-	576
Information technology and communications	20,529	152,188
Insurance expense	6,994	28,877
State margin tax	7,056	35,377
Other general and administrative expenses	660	7,621
Total operating expenses	557,710	2,997,423
Operating income	733,876	3,748,886
Non-operating income:		
Other income, net	-	6,178
Net income for discontinuing operations that is presented on the consolidated statements of operations	$ 733,876	$ 3,755,064

Having met all the conditions per ASC 360-10 "*Impairment and Disposal of Long-Lived Assets*", Salient classified the business as "Held for sale" in the 2020 Consolidated Balance Sheet. The following table are the assets and liabilities of the business held for sale included in the Partnership's consolidated balance sheet as of December 31, 2020:

Assets	**2020**
Current assets:	
Cash and cash equivalents	$ 22,535
Accounts receivable	721,948
Prepaid and other current assets	6,086
Total current assets	750,569
Intangible assets, net	1,900
Investments in unconsolidated affiliates	7,756
Total non-current assets	9,656
Total assets	$ 760,225
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	$ 806,815
Total current liabilities	$ 806,815

(Continued)

The Partnership's discontinued operations from the sale of business impacted the cash flows as summarized in the table below for the years ended December 31, 2021, and 2020:

	2021	2020
Discontinued operations impact on:		
Cash from operating activities	$ 677,630	$ 3,687,831
Cash from investing activities-distributions from unconsolidated affiliate	9,656	856
Cash used in financing activities-cash transferred to parent	(709,821)	(3,680,000)
Net cash impact of discontinued operations	$ (22,535)	$ 8,687

	2021	2020
Cash balance of discontinued operations:		
At beginning of the year	$ 22,535	$ 13,848
At end of the year	-	22,535
Increase (decrease) in cash of discontinued operations	$ (22,535)	$ 8,687

(21) Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, Salient. Was eligible for a refundable employee retention credit subject to certain criteria. Salient recognized $823,147 employee retention credit in 2021 which was included in Employee compensation and benefits in the consolidated statement of operations. As of December 31, 2021, Salient is no longer eligible to receive refundable employee retention credits

(22) Subsequent Events

On February 7, 2022, April 4, 2022, and on May 25, 2022, the Senior Debt agreement was amended through the 12th, 13th and 14th amendment resulting in changes to dates related to Salient's performance of specific action items, extension of delivery of audited financial statements and extension of maturity date to February 25, 2023, subject to any prior acceleration based on the terms of the agreement.

On April 4, 2022, and on May 25, 2022, the Subordinated Debt agreement was amended through the 13th. and 14th amendment resulting in changes to dates related to Salient' s performance of specific action items, extension of delivery of audited financial statements and extension of maturity date to February 25, 2023, subject to any prior acceleration based on the terms of the agreement

On March 11, 2022, FML entered into a license agreement, for which Salient serves as guarantor, to use the office space in San Francisco. The license agreement will commence June 1, 2022, and end December 31, 2022, for a total minimum rental payment of $28,000 in 2022. On January 1, 2023, the license agreement will become due on a month-to-month basis.

On March 25, 2022, the Houston office lease was amended to extend the lease term an additional six months to expire on September 30, 2022.

On May 25, 2022, Salient entered into a definitive agreement with Westwood Holdings Group, Inc. to sell the asset management business for $60 million for an upfront payment of $35 million on closing, with deferred payments of up to $25 million over several years, upon satisfaction of certain revenue retention and growth targets. The transaction is subject to customary closing conditions, including fund shareholder and other client approvals.

On May 25, 2022, Salient entered into a restructuring agreement with the senior lenders, subordinate lenders, junior noteholders and certain of its equity holders to release all liens in favor of the purchaser and covenants not to sue. Each of the debt holders agreed that the consummation of the sale transaction and distribution of the net proceeds from the sale as full and final satisfaction of the Partnership's obligation to such debt holders.

The Partnership has reviewed subsequent events through June 29, 2022, the date of the issuance of these consolidated financial statements. The Partnership determined it did not have subsequent events requiring adjustments to the consolidated financial statements, other than what is disclosed herein.

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands)
(Unaudited)

		September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$	5,982
Accounts receivable		3,294
Other current assets		1,034
Total current assets		10,310
Investments:		
Unconsolidated affiliates		4,659
Other		319
Goodwill		25,922
Intangible assets, net		2,046
Property and equipment, net of accumulated depreciation		88
Total assets	$	43,344
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued liabilities	$	13,238
Subordinated debt		41,414
Senior debt		16,891
Note payable		4,004
Restructuring fee payable		2,500
SBA loan		1,860
State margin taxes payable		82
Other current liabilities		95
Total current liabilities		80,084
Partners' deficit:		
Partners' deficit		(36,740)
Total partners' deficit		(36,740)
Total liabilities and partners' deficit	$	43,344

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
REVENUES:		
Fund management and investment advisory	$ 7,167	$ 22,802
Fiduciary fee income	41	123
Private placement commissions	62	186
Total revenues	7,270	23,111
EXPENSES:		
Employee compensation and benefits	1,522	11,942
Servicing and private placement fees	3,125	4,620
Professional fees	649	1,460
Travel	39	107
Advertising, marketing and public relations	22	57
Information technology and communications	708	2,223
Depreciation and amortization	20	61
Occupancy	136	375
Insurance	133	384
State margin tax	27	88
Other general and administrative	309	949
Total expenses	6,690	22,266
Net operating income	580	845
Debt modification expense	(86)	(298)
Interest expense	(414)	(1,120)
Restructuring expense	(250)	(1,750)
Equity in earnings of unconsolidated affiliates, net	346	899
Interest and dividend income	2	2
Other expense, net	(352)	(1,479)
Net loss	$ (176)	$ (2,901)
Total comprehensive loss	$ (176)	$ (2,901)

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
For the Three and Nine Months Ended September 30, 2022
(In thousands)
(Unaudited)

			Partners' Capital (Deficit)							
	General Partner		Class A	Class B		Limited Partners		Total		
Balance, June 30, 2022	$	(236)	176,293	$	(212,621)	$	(36,328)	$	(36,564)	
Net income (loss)		—	3,263		(3,439)		(176)		(176)	
Balance, September 30, 2022	$	(236)	179,556	$	(216,060)	$	(36,504)	$	(36,740)	

			Partners' Capital (Deficit)						
	General Partner		Class A	Class B		Limited Partners		Total	
Balance, December 31, 2021	$	(236)	169,765	$	(203,368)	$	(33,603)	$	(33,839)
Net income (loss)		—	9,791		(12,692)		(2,901)		(2,901)
Balance, September 30, 2022	$	(236)	179,556	$	(216,060)	$	(36,504)	$	(36,740)

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

		Nine Months Ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$	(2,901)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		61
Accretion of senior debt, subordinated debt and interest paid-in-kind on subordinated debt		87
Noncash restructuring fee		1,750
Unrealized (gain) loss on other investments		(1)
Equity in earnings of unconsolidated affiliates		(899)
Debt modification costs		298
Non-cash dividends received and reinvested		(1)
Change in operating assets and liabilities:		
Accounts receivable		550
Prepaid and other current assets		(149)
Accounts payable and accrued liabilities		1,932
Accrued interest		1,034
Other liabilities		(24)
State margin taxes payable		(24)
Compensation and benefits payable		965
Net cash provided by operating activities		2,678
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		(7)
Purchase of investments in AFS		(300)
Proceeds from investments in unconsolidated affiliates		790
Net cash provided by investing activities		483
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment for debt modification costs		(298)
Net cash used in financing activities		(298)
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,863
Cash and cash equivalents, beginning of period		3,119
Cash and cash equivalents, end of period	$	5,982
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	$	205

SALIENT PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF THE BUSINESS

Salient Partners, L.P. ("Salient", and collectively along with its consolidated subsidiaries known as "the Partnership") is a limited partnership organized under the laws of the State of Delaware pursuant to its certificate of limited partnership dated May 1, 2003. The Partnership manages investment assets and provides advisory services to its clients through its subsidiaries. Salient Capital Management, LLC ("SCM") serves as the general partner of Salient.

Salient Advisors, L.P. ("SALP"), a Texas limited partnership, is a registered investment adviser ("RIA") under the Investment Advisers Act of 1940 (the "Advisers Act"), a commodity pool operator ("CPO"), and commodity trading advisor ("CTA") registered with the Commodity Futures Trading Commission ("CFTC").

Salient Capital Advisors, LLC ("SCA"), a Texas limited liability company, is registered as an RIA under the Advisers Act that provides investment advisory services to clients.

SALP and SCA provides investment advisory services to mutual funds ("Salient MF Trust Complex") and other investment products.

Forward Management, LLC ("FML"), a Delaware limited liability company, is an RIA under the Advisers Act that owns a limited broker-dealer subsidiary, Forward Securities, LLC ("FSL") which is registered with the Financial Industry Regulatory Authority ("FINRA"), (collectively, Forward). FML provides investment advisory services to mutual funds ("Forward MF Trust Complex") and other investment products. FML is a variable interest entity ("VIE") with Salient being the primary beneficiary.

Salient Capital, L.P. ("SCLP"), a Texas limited partnership, is registered as a broker-dealer with FINRA. SALP, SCLP and Salient Employment Services, LLC ("SESL"), a Delaware limited liability company, are all owned by Salient with a 99% ownership interest, the remaining 1% ownership interest is held by SCM, general partner of SALP, SCLP and SESL. SCLP serves as a subplacement agent for private placements.

Salient is appointed as the sole member of Salient MLP GP, LLC ("SMGL"), a Delaware limited liability company that serves as a general partner for certain fund products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated. The accompanying consolidated financial statements include the accounts of Salient, SALP, SCLP, SESL, SCA, SMGL, and Forward.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 and such differences may be significant.

3. REVENUE

Revenue Recognition

Revenue is measured and recognized based on the five-step process outlined in ASC 606, Revenue from Contracts with Customers. Revenue is determined based on the transaction price negotiated with the customers. Revenue is adjusted for any expense reimbursement arrangements.

Investment advisory fees are derived from providing professional services to manage client accounts. Services are satisfied over time as the services are provided and are typically based upon a percentage of the value of the client's assets under management. Any fees collected in advance are deferred and recognized as income over the period in which services are rendered.

Fund management fees are earned for services rendered relating to fund accounting, transfer agent, administrative and/or other maintenance activities performed for sponsored investment vehicles. Fees are generally based upon a percentage of the value of the assets under management. All these services are transferred over time.

Private placement commissions are earned for referring clients in funds managed by other asset managers. Services are satisfied over time as the services are provided by the asset managers and are typically based upon a percentage of the value of the client's assets under management. Fiduciary fees are determined based on agreements, which generally provide for fees based on a percentage of assets under management. All these services are transferred over time.

Performance fee revenues, including carried interests and performance fees related to partnership investments and separate accounts, are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues when the contractual performance criteria have been met and when it is probable that a significant reversal of revenue recognized will not occur in future reporting periods. Cash receipt of performance fees generally occurs after the performance fee revenue is earned. Given the uniqueness of each fee arrangement, performance fee contracts are evaluated on an individual basis to determine the timing of revenue recognition. Performance fees typically arise from investment management activities that were initially undertaken in prior reporting periods.

Dividend income is recorded on the ex-dividend date (net of any withholding taxes). Interest income is recorded as earned on an accrual basis and includes amortization or accretion of premiums or discounts, respectively. Royalty income is recorded as earned on an accrual basis and disclosed as other income in the consolidated statement of comprehensive loss.

4. LIQUIDITY

Salient has approximately $62.3 million in debt and interest payable to lenders as of September 30, 2022, which are due in February 2023. Refer to footnote 13, "Subsequent Events" for a discussion of the satisfaction of the Partnership's obligation to its debt holders.

On May 25, 2022, Salient entered into a definitive agreement with Westwood Holdings Group, Inc. to sell the asset management business for an upfront payment of $35 million at closing of the transaction subject to customary adjustments, with deferred payments of up to $25 million over several years, upon satisfaction of certain revenue retention and growth targets. In conjunction, Salient also entered into a restructuring agreement with its debt and certain of its equity holders to release all liens in favor of the purchaser and receive covenants not to sue. Each of the debt holders agreed that the consummation of the sale transaction and distribution of the net proceeds from the sale as full and final satisfaction of the Partnership's obligation to such debt holders. The transaction was consummated on November 18, 2022.

5. PARTNERS' DEFICIT

Salient has Class A and Class B Units. In accordance with the rights and preferences set forth in the Limited Partnership Agreement (the "LPA"), Class A Units have a liquidation preference that ranks superior to the Class B Units and any other equity securities. The LPA imposes transfer restrictions on certain Class B Unit holders. Class A Units accrue dividends on a cumulative basis at the rate of 8% per annum on their unreturned capital amounts and accrued unpaid yield. Dividends in the amount of $9.8 million for 2022 were accrued for Class A Unit holders. The LPA stipulates a "Return Requirement Adjustment" upon a Liquidity Event or an Event of noncompliance (as such terms are defined in the LPA) whereby a minimum return on investment is guaranteed to Class A Unit holders. Any shortfall between the calculated return and the minimum return will be made up with the grant of additional equity such that after giving effect to such increase and recalculating the Internal Rate of Return ("IRR") to the Class A Unit holders, the return requirement will be met provided any such increase in equity of Class A Units will result in dilution of Class B Unit holders only and the effective reallocation is not in excess of 10% of total Units outstanding.

The minimum return on investment includes both:

- Achieving a cumulative IRR of at least 30%; and
- Receiving IRR proceeds equal to at least two and a half times the Class A Unit holders' capital contributions.

Such reallocation will not change the number of votes held by Class A and Class B Unit holders. The LPA also prescribes "Conversion Price Adjustments" for Class A Unit holders in certain events including the occurrence of an IPO.

The Return Requirement Adjustment and Conversion Price Adjustment features have been bifurcated from the Class A Units and have been separately accounted for as a derivative instrument.

The fair value of the derivative liability was $0 as of September 30, 2022.

The terms of the LPA provide that at any time on or after January 15, 2016, upon a redemption option exercised by Majority Class A Unit holders as defined in the LPA, Salient is required to repurchase, within one year from Salient's receipt of such redemption option notice, all of the Class A Units at a repurchase price per unit payable in cash equal to the greater of 1) the unreturned capital contributions plus the accrued unpaid dividends and 2) fair market value as defined in the LPA. Class A Units are also redeemable either automatically or at the option of the Majority Class A Unit holders upon Events of Noncompliance or upon a Liquidity Event as such terms are defined in the LPA. The Class A Unit holders have not exercised this redemption right as of the date of the consolidated financial statements.

Pursuant to the LPA, Salient may be dissolved upon 1) approval by Salient's Board, the Majority Summit Investors and the Majority Continuing Investors or 2) after January 15, 2017 upon the occurrence and continuance of a material breach by Salient and approval of dissolution by the Majority Summit Investors, or 3) by the entry of a judicial dissolution of Salient under the Delaware Act under which Salient was created.

Class B Units originally issued to executives of Salient may be repurchased at Salient's option other than for termination without cause in which case Salient is required to repurchase. Optional repurchase rights are made in the following order: 1) Class B executive partners, 2) Salient and 3) Class A Unit holders all at purchase prices as provided for in the LPA. The buyouts with respect to termination of an executive are settled on a structured cash basis over a four-year period from the executive partner's termination date.The allocation of equity between the partners is provisional based on a theoretical distribution of net assets at year end and may not be indicative of the ultimate settlement when liquidated. Since the Partnership has a deficit balance at September 30, 2022, no amounts would be distributed to the partners for book purposes as the partners have no legal requirement to make additional contributions to the Partnership.

6. GOODWILL AND INTANGIBLE ASSETS

The Partnership completed its most recent annual goodwill impairment assessment during the fourth quarter of 2021 and determined no impairment had occurred with respect to the carrying amounts of goodwill.

7. INVESTMENTS

The Partnership's other investments portfolio is comprised of marketable securities. The following is a summary of the cumulative gross unrealized gains (losses) on other investments held as of September 30, 2022:

Investments carried at fair value are presented in the table below (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2022:				
Marketable securities	$ 323	$ 4	$ (8)	$ 319

8. EQUITY METHOD INVESTMENTS

Equity method investments, presented as investments in unconsolidated affiliates, as of September 30, 2022, are as follows (in thousands, except percentages):

	September 30, 2022	
	Carrying Value	Ownership Percentage
The Salient Zarvona Energy Fund GP , L.P .	$ 3,089	50.000
The Salient Zarvona Energy Fund II-A, L.P	595	0.533
Broadmark Asset Management LLC	874	47.460
Sustainable Woodlands Fund II, L.P.	24	0.140
Sustainable Woodlands Partners , LLC	52	24.959
Salient MLP Total Return Fund, L.P.	11	0.007
Salient MLP Total Return TE Fund, L.P.	8	0.017
PMF Fund, L.P.	6	0.006
Total	$ 4,659	

Equity in earnings from equity method investees is included in the consolidated statements of comprehensive loss under the caption “equity in earnings of unconsolidated affiliates, net.” These earnings recorded on the consolidated statements of comprehensive loss are net of expenses payable to Hightower for the Zarvona net fee revenues earned from funds during the year by the Salient Zarvona Energy Fund GP, LP, which is based on an agreement that was entered into during the sale of Salient Private Client in 2018. The amounts netted for the three and nine months ended September 30, 2022 were $0.1 million and $0.3 million. Amounts payable to Hightower has been shown as a payable on the balance sheet under the caption “Accounts payable and accrued liabilities” and the balance payable at September 30, 2022 was $1.1 million.

The Partnership evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The amount by which the carrying value of the equity method investment exceeds its estimated fair value would be recognized as an impairment loss when the decrease in value is determined to be other-than-temporary.

9. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and requires disclosures regarding certain fair value measurements. ASC 820 establishes a three-tier hierarchy for measuring fair value, as follows:

- Level 1 – quoted market prices in active markets for identical assets
- Level 2 – inputs other than quoted prices that are directly or indirectly observable
- Level 3 – significant unobservable inputs where there is little or no market activity

The following table summarizes the values of our investments measured at fair value on a recurring basis within the fair value hierarchy as of the dates indicated (in thousands):

	Level 1	Level 2	Level 3	Total
As of September 30, 2022:				
Money market funds (cash equivalents)	$ 2,523	$ —	$ —	$ 2,523
Investments marketable securities	$ 319	—	—	$ 319

10. DEBT

(a) Subordinated Debt

On January 15, 2010, the partners of Salient entered into a purchase and redemption agreement to sell 37.67% of their partnership interests in Salient and SCM for $65 million. As part of this transaction, under separate note agreements with affiliates of the equity investors, Salient raised additional capital through the issuance of $60 million in subordinated promissory notes (the "Sub Debt") which have since been amended for changes to financial covenant levels, reporting requirements, interest rates and to be consistent with certain provisions of Salient’s Senior Debt, as defined hereinafter.

The Sub Debt outstanding balance is due at maturity on December 31, 2022, subject to any prior acceleration based on the terms of the Sub Debt agreement. At September 30, 2022 the outstanding unpaid principal balance was $41.4 million with no accrued interest payable.

On April 4, 2022, and on May 25, 2022, the Subordinated Debt agreement was amended through the 13th and 14th amendment resulting in changes to dates related to Salient's performance of specific action items, extension of delivery of audited financial statements and extension of maturity date to February 25, 2023, subject to any prior acceleration based on the terms of the agreement.

(b) Senior Debt

On June 9, 2015, Salient entered into a six-year, $100 million senior term loan (the "Senior Debt") agreement with a syndicate of banks. The Senior Debt was issued at a discount and recorded at fair value in accordance with U.S. GAAP, at $98 million. The Senior Debt is secured against all tangible and intangible assets of Salient and its wholly-owned subsidiaries included as loan parties or restricted subsidiaries other than SCLP and FSL. Depending on the type of loan elected each interest period, the interest rate spread varies over the stated Eurocurrency, Fed Funds or US Prime rate applicable for such period.

The outstanding unpaid principal balance and accrued interest payable was $15.0 million and $1.9 million at September 30, 2022. The outside restructuring fee payable of $2.5 million was agreed to be paid upon consummation of a restructuring transaction and has been included as senior debt.

On February 7, 2022, April 4, 2022, and on May 25, 2022, the Senior Debt agreement was amended through the 12th, 13th and 14th amendment resulting in changes to dates related to Salient’s performance of specific action items, extension of delivery of audited financial statements and extension of maturity date to February 25, 2023, subject to any prior acceleration based on the terms of the agreement.

(c) Revolver

In conjunction with the Senior Debt agreement, the Partnership entered into a revolving loan facility (the "Revolver") agreement. Effective the ninth amendment entered into on June 30, 2020, Cadence agreed to keep a facility of $1 million for all credit extensions made on and after the ninth amendment. The Partnership could request up to $3 million but for additional credit in excess of $1 million, the Partnership would need to provide dollar for dollar credit support. The Revolver was secured against all tangible and intangible assets of Salient and its wholly owned subsidiaries included as loan parties or restricted subsidiaries other than SCLP and FSL. Depending on the type of loan elected each interest period, the interest was payable monthly or quarterly in arrears and the interest rate spread varied over the stated Eurocurrency, Fed Funds or US Prime rate applicable for such period.

The outstanding principal balance drawn on the Revolver was $4.0 million, and the Partnership had no undrawn outstanding letters of credit for its office leases as of September 30, 2022.

(d) Notes Payable

Salient has notes payable to former employees for the repurchase of their respective class B Units. Each note bears interest at 8% per annum and is payable over four years. Interest expense of $0.1 million and $0.2 million was recognized in the consolidated statements of comprehensive loss for the three and nine months ended September 30, 2022. The outstanding principal balances of $3.0 million plus accrued interest of $1.0 million are presented on the consolidated balance sheets under captions “Note payable, including accruedinterest” as of September 30, 2022.

(e) Small Business Association Loan

Salient received a Payroll Protection Program ("PPP") loan in 2021 totaling $1.9 million, established by the Coronavirus Aid, Relief, and Economic Security Act, and has elected to account for the funding as a loan (until it is forgiven by the SBA) in accordance with ASC Topic 470, Debt. The outstanding principal balance is $1.9 million at September 30, 2022, which is presented on the consolidated balance sheets under caption "SBA Loan, including accrued interest."

11. VARIABLE INTEREST ENTITIES

The Partnership consolidates certain entities, when it is determined that the Partnership is the primary beneficiary, either directly or indirectly, through a consolidated entity or affiliate. FASB ASC Standard 810-10, “Consolidation”, as it relates to VIEs, requires an analysis to (i) determine whether an entity in which the Partnership holds a variable interest is a VIE and (ii) determine whether the Partnership involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., incentive and management fees) would be expected to absorb a majority of the economic variability of the entity. Performance of that analysis requires the exercise of judgment.

The Partnership determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion based on changes in events. In assessing whether the Partnership is the primary beneficiary, the Partnership, evaluates its economic interests in the VIE held directly or indirectly by the Partnership. The consolidation analysis under the current guidance can generally be performed qualitatively. However, if it is not readily apparent that the Partnership is not the primary beneficiary, a quantitative analysis would be necessary. Investments and redemptions (either by the Partnership, affiliates of the Partnership, or third-parties) or amendments to the governing documents of the respective Partnership or VIE could affect an entity's status as a VIE or the determination of the primary beneficiary.

The Partnership has determined that it is the primary beneficiary of SALP, SESL, Forward, and SCLP and hence, consolidates these entities within the consolidated financial statements. The gross assets of these entities were $6.4 million as of September 30, 2022, which is the carrying amount of such financial assets in the consolidated balance sheets. As of September 30, 2022, the Partnership's maximum exposure to loss is limited to the gross liabilities of $3.4 million, which is the direct obligations of these entities and are not obligations of Salient.

The Partnership's maximum exposure to loss resulting from its involvement with these entities is based on the unlikely event that all the assets in these entities become worthless and the liabilities remain at full value.

12. RELATED PARTY TRANSACTIONS

Salient, through its subsidiaries, serves as advisor to various funds and subplacement agent pursuant to contracts in which it earns management or servicing fees. The total amount of revenues earned under such contracts was $4.9 million and $14.6 million for the three and nine months ended September 30, 2022.

The Sub Debt issued is held by affiliates of the equity investors. Refer to the Debt footnote for further details.

Broadmark Asset Management, LLC ("BAML"), a noncontrolled firm in which Salient holds an equity investment, serves as sub-advisor to the Salient Tactical Plus Fund and Salient Tactical Growth Fund for which it is paid a sub-advisor fee which is calculated daily and payable monthly or quarterly based on each fund's average daily net assets. $0.6 million and $1.7 million was expensed for BAML subadvisor fees to these funds for the three and nine months ended September 30, 2022. BAML also serves as the subadvisor for some separately managed accounts ("SMA") and unified managed accounts ("UMA"). $0.7 million and $2.0 million was expensed for BAML sub-advisor fees to these SMAs and UMAs in the three and nine months ended September 30, 2022.

Salient entered into partnership agreements with Zarvona Energy, LLC to form Salient Zarvona Energy Fund GP, LP ("Zarvona GP") and its general partner, Salient Zarvona Energy GP, LLC. Zarvona GP, a Delaware limited partnership, is the general partner of the Salient Zarvona Energy Fund, L.P., Salient Zarvona Energy Fund II-A, L.P., Salient Zarvona Energy Fund II-B, L.P., and Chalk II-4 Co-Invest, L.P. (collectively, the "Zarvona Fund Complex") for which it also serves as the advisor and is entitled to a management fee pursuant to the investment management agreements. Salient has a noncontrolling equity interest in the Zarvona Fund Complex. Equity in earnings arising from the Zarvona Fund Complex are included in the consolidated statements of comprehensive loss under the caption "Equity in earnings of unconsolidated affiliates, net."

Total equity in earnings of unconsolidated affiliates, net of payments to Hightower, included in the statements of comprehensive loss were $0.3 million and $0.9 million for the three and nine months ended September 30, 2022.

Pursuant to a services agreement entered into between Salient and SCM, service fee expense of $0.1 million was recorded in the consolidated statements of comprehensive loss for the nine months ended September 30, 2022.

The balances of receivables from and payables to related parties, investments in unconsolidated affiliates and other investments, for which Salient is the advisor, include the following as of September 30, 2022:

		September 30, 2022
Invetment in unconsolidated affiliates	$	4,659
Other investments		319
Receivable from funds, net		1,483
Receivable from (payable to) SCM		(4)
Notes and interest payable to former partners		4,004
Severance payable		7
Compensation payable to employees		633
Sub Debt and interest payable		41,414

13. SUBSEQUENT EVENTS

On November 18, 2022, Westwood Holdings Group, Inc. acquired Salient's asset management business for an upfront payment of $35 million subject to customary adjustments, with deferred payments of up to $25 million over several years, upon satisfaction of certain revenue retention and growth targets. In conjunction, Salient also released all liens in favor of the purchaser and received covenants not to sue. Each of the debt holders had previously agreed that the consummation of the sale transaction and distribution of the net proceeds from the sale constituted full and final satisfaction of the Partnership’s obligation to such debt holders.

Table of Contents

Unaudited Pro Forma Condensed Combined Financial Information

Introduction

On May 25, 2022, Westwood Holdings Group, Inc. (the "Company" or "Westwood"), a Delaware corporation, Salient Capital Management, LLC, a Delaware limited liability company, Salient Partners, L.P. ("Salient Partners"), a Delaware limited partnership, the other Sellers as listed on Annex A attached thereto entered into a Purchase Agreement (the "Purchase Agreement"), pursuant to which the Company agreed to purchase Salient Partners' asset management business (the "Business").

Salient Partners is a Houston-based real asset and investment firm that offered a suite of strategies focused on energy and infrastructure, real estate and tactical alternative investments. The firm had $4.5 billion in assets under management as of November 18, 2022. Pursuant to the Purchase Agreement, Westwood purchased substantially all of the properties, rights and assets and assume certain liabilities of the Business (the "Acquisition"). Westwood acquired Salient Partners' four distinct investment capabilities: Energy Infrastructure, Tactical Equity, Real Estate, and Private Investments, as defined in the Company's Form 8-K filed on May 25, 2022. The Acquisition closed on November 18, 2022, and Westwood is accounting for this asset acquisition as a business combination.

In order to provide additional cash for the purchase of the Business, in November 2022 the Company liquidated certain investments ("Investment Liquidation") within its portfolio. These investments primarily consisted of liquid investments held in United States Treasury Bills. The Investment Liquidation resulted in the Company receiving cash proceeds of approximately $36.7 million, a portion of which will be used to fund the Acquisition.

The following unaudited pro forma combined financial information has been prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined balance sheet as of September 30, 2022 gives effect to the Acquisition and Investment Liquidation as if the transactions had been completed on September 30, 2022 and combines the unaudited condensed consolidated balance sheet of Westwood as of September 30, 2022 with the unaudited condensed consolidated balance sheet of Salient Partners as of September 30, 2022.

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2022 and the year ended December 31, 2021 give effect to the Acquisition and Investment Liquidation as if they had occurred on January 1, 2021, the beginning of the earliest period presented, and combines the historical results of Westwood and Salient Partners. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2022 combines the unaudited condensed consolidated statement of operations of Westwood for the nine months ended September 30, 2022, and the unaudited condensed consolidated statement of operations of Salient Partners for the nine months ended September 30, 2022. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 combines the audited consolidated statement of operations of Westwood for the year ended December 31, 2021 with the audited consolidated statement of operations of Salient Partners for the year ended December 31, 2021.

The historical condensed consolidated financial statements of Westwood and the historical condensed consolidated financial statements of Salient Partners have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are transaction accounting adjustments which are necessary to account for the Acquisition, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The unaudited pro forma adjustments are based upon available information and certain assumptions that our management believes are reasonable.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

a. the accompanying notes to the unaudited pro forma condensed combined financial information;

b. the separate unaudited condensed consolidated financial statements of Westwood as of and for the nine months ended September 30, 2022 and the related notes, included in Westwood's Quarterly Report on Form 10-Q for the nine months ended September 30, 2022;

c. the separate audited consolidated financial statements of Westwood as of and for the year ended December 31, 2021 and the related notes, included in Westwood's Annual Report on Form 10-K for the year ended December 31, 2021;

d. the separate unaudited condensed consolidated financial information of Salient Partners as of and for the nine months ended September 30, 2022, filed as Exhibit 99.2 to this Form 8-K/A;

e. the separate audited consolidated financial statements of Salient Partners as of and for the year ended December 31, 2021 and the related notes, filed as Exhibit 99.1 to this Form 8-K/A.

Accounting for the Acquisition

The Acquisition is being accounted for as a business combination using the acquisition method with Westwood as the accounting acquirer in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations. Under this method of accounting, the aggregate purchase consideration will be allocated to Salient Partner's assets acquired and liabilities assumed based upon their estimated fair values at the date of completion of the Acquisition.

The process of valuing the net assets of Salient Partners immediately prior to the Acquisition, as well as evaluating accounting policies for conformity, is preliminary. Any excess between the estimated fair value of the consideration transferred and the estimated fair value of the assets acquired, and liabilities assumed will be recorded as goodwill. Accordingly, the aggregate consideration allocation and related adjustments reflected in the unaudited pro forma condensed combined financial information are preliminary and subject to revision based on a final determination of the fair value of Salient Partners' net assets and certain elements of Westwood's consideration transferred. Amounts for both entities are the best estimate based on information available at the time of the analysis. Refer to Note 1—Basis of Presentation below for more information.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only to reflect the Acquisition related pro forma adjustments, and is not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the purchase occurred as of the dates indicated. The pro forma adjustments are based on information available at the time of the filing, and on certain assumptions that Westwood believes are reasonable. The unaudited pro forma condensed combined financial information also should not be considered indicative of the future results of operations or financial position of Westwood.

The reclassification and transaction accounting adjustments presented within the unaudited condensed combined financial information are subject to change. As additional information is obtained, final values may be materially different than the amounts shown within the unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of September 30, 2022
(in thousands, except per share amounts)

	Historical					
	Westwood	Salient Partners Reclassified (Note 2)	Other Transaction Accounting Adjustments	Transaction Accounting Adjustments		Pro Forma Combined
ASSETS						
Current assets						
Cash and cash equivalents	$ 22,470	$ 5,982	$ 36,663	$ (5,982)	**5(A)**	$ 17,553
				(41,580)	**5(B)**	
Accounts receivable	9,290	3,294	—	—		12,584
Investments, at fair value	51,564	—	(36,850)	—		14,714
Prepaid income taxes	569	—	—	—		569
Other current assets	2,647	1,034	—	—		3,681
Total Current assets	86,540	10,310	(187)	(47,562)		49,101
Investments	4,455	4,659	—	1,941	**5(E)**	11,055
Noncurrent investments at fair value	4,001	319	—	—		4,320
Goodwill	16,401	25,922	—	(4,548)	**5(C)**	37,775
Deferred income taxes	1,097	—	—	—		1,097
Operating lease right-of-use assets	5,286	—	—	—		5,286
Intangible assets, net	10,693	2,046	—	17,254	**5(D)**	29,993
Property and equipment, net of accumulated depreciation	1,717	88	—	—		1,805
Other long-term assets	797	—	—	—		797
Total Assets	$ 130,987	$ 43,344	$ (187)	$ (32,915)		$ 141,229
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	$ 2,876	$ 13,415	$ —	$ (7,682)	**5(A)**	$ 6,786
				(1,823)	**5(F)**	
Dividends payable	1,726	—	—			1,726
Compensation and benefits payable	5,900	—	—	—		5,900
Operating lease liabilities	1,484	—	—	—		1,484
Subordinated debt	—	41,414	—	(41,414)	**5(A)**	—
Senior debt	—	16,891	—	(16,891)	**5(A)**	—
Note payable	—	4,004	—	(4,004)	**5(A)**	—
Restructuring fee payable	—	2,500	—	(2,500)	**5(A)**	—
SBA loan	—	1,860	—	(1,860)	**5(A)**	—
Total Current liabilities	11,986	80,084	—	(76,174)		15,896
Accrued dividends	554	—	—	—		554
Noncurrent operating lease liabilities	4,940	—	—	—		4,940
Contingent consideration for acquisitions	—	—	—	12,999	**5(G)**	12,999
Total Liabilities	$ 17,480	$ 80,084	$ —	$ (63,175)		$ 34,389
EQUITY						
Stockholder’s equity (deficit)						

Common stock, $0.01 par value	$	110	$	—	$	—	$	—		$	110
Additional paid-in capital		199,594		—		—		—			199,594
Treasury stock, at cost -2,648,278 shares at September 30, 2022; 2,405,154 shares at December 31, 2021		(85,227)		—		—		—			(85,227)
Retained earnings (accumulated deficit)		(970)		(36,740)		(187)		68,369	**5(A)**		(7,637)
								(38,109)	**5(H)**		
Total Stockholder's equity (deficit)	$	113,507	$	(36,740)	$	(187)	$	30,260		$	106,840
Total Liabilities and Stockholder's Equity (Deficit)	$	130,987	$	43,344	$	(187)	$	(32,915)		$	141,229

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2022
(in thousands, except per share amounts)

	Historical				
	Westwood	**Salient Partners Reclassified (Note 2)**	**Transaction Accounting Adjustments**		**Pro Forma Combined**
Revenues					
Advisory Fees					
Asset-based	$ 33,244	$ 22,925	$ —		$ 56,169
Trust fees	16,257	—	—		16,257
Other, net	(1,276)	—	—		(1,276)
Private placement commission	—	186	—		186
Total Revenues	48,225	23,111	—		71,336
Expenses					
Employee compensation and benefits	28,993	11,942	750	**6(D)**	41,685
Sales and marketing	1,326	164	—		1,490
Westwood mutual funds	1,812	—	—		1,812
Information technology	5,934	2,223	—		8,157
Professional services	4,655	1,460	—		6,115
General and administrative	6,570	1,857	1,945	**6(A)**	10,372
Servicing and placement fees	—	4,620	—		4,620
Total Expenses	49,290	22,266	2,695		74,251
Net operating income (loss)	**(1,065)**	**845**	**(2,695)**		**(2,915)**
Net change in unrealized appreciation (depreciation) on private investments	(511)	—	—		(511)
Net investment income	93	2	—		95
Other income	598	—	—		598
Debt modification costs	—	(298)	298	**6(C)**	—
Interest expense	—	(1,120)	1,120	**6(C)**	—
Restructuring fee	—	(1,750)	1,750	**6(C)**	—
Equity in earnings of unconsolidated affiliates	—	899	—		899
Other expense, net	—	(1,479)	—		(1,479)
Income (loss) before income taxes	(885)	(2,901)	473	**6(E)**	(3,313)
Income tax provision	618	—	(631)	**6(E)**	(13)
Net income (loss)	$ (1,503)	$ (2,901)	$ 1,104		$ (3,300)
Total comprehensive income (loss)	$ (1,503)	$ (2,901)	$ 1,104		$ (3,300)
Earnings (loss) per share:					
Basic **6(F)**	$ (0.19)		—		$ (0.42)
Diluted **6(F)**	$ (0.19)		—		$ (0.42)
Weighted average shares outstanding:					
Basic	7,867,555		—		7,867,555
Diluted	7,867,555		—		7,867,555

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2021
(in thousands, except per share amounts)

	Historical					
	Westwood	**Salient Partners Reclassified (Note 2)**	**Other Transaction Accounting Adjustments**	**Transaction Accounting Adjustments**		**Pro Forma Combined**
Revenues						
Advisory Fees						
Asset-based	$ 45,927	$ 28,111	$ —	$ —		$ 74,038
Performance-based	3,335	—	—	—		3,335
Trust fees	24,030	—	—	—		24,030
Trust performance-based	101	—	—	—		101
Other, net	(339)	—	—	—		(339)
Private placement commission	—	300	—	—		300
Total Revenues	73,054	28,411	—	—		101,465
Expenses						
Employee compensation and benefits	42,532	15,864	—	600	**6(B)**	59,996
				1,000	**6(D)**	
Sales and marketing	1,280	96	—	—		1,376
Westwood mutual funds	2,657	—	—	—		2,657
Information technology	8,161	2,855	—	909	**6(B)**	11,925
Professional services	4,391	2,914	—	4,888	**6(B)**	12,193
General and administrative	8,074	2,299	—	2,593	**6(A)**	13,049
				83	**6(B)**	
Servicing and placement fees	—	5,706	—	—		5,706
Total Expenses	67,095	29,734	—	10,073		106,902
Net operating income (loss)	**5,959**	**(1,323)**	**—**	**(10,073)**		**(5,437)**
Realized gains on private investments	8,371	—	—	—		8,371
Net change in unrealized appreciation (depreciation) on private investments	(1,797)	—	—	—		(1,797)
Net investment income	868	11	—	—		879
Other income	602	30	(187)	—		445
Debt modification costs	—	(1,247)	—	1,247	**6(C)**	—
Interest expense	—	(2,912)	—	2,912	**6(C)**	—
Restructuring fee	—	(750)	—	750	**6(C)**	—
Impairment of investments in unconsolidated affiliates	—	(156)	—	—		(156)
Equity in earnings of unconsolidated affiliates	—	768	—	—		768
SBA loan forgiven	—	1,711	—	(1,711)	**6(C)**	—
Term loan and revolver including interest forgiveness	—	18,436	—	(17,715)	**6(C)**	721
Realized loss on unconsolidated affiliates	—	(105)	—	—		(105)
Other expense, net	—	—	—	—		—
Income (loss) before income taxes	14,003	14,463	(187)	(24,590)	**6(E)**	3,689
Income tax provision	4,240	—	—	(2,682)	**6(E)**	1,558
Income from discontinued operations	—	734	—	—		734
Gain on sale of business, net of transaction cost	—	2,660	—	—		2,660

Net income (loss)	$ 9,763	$ 17,857	$ (187)	$ (21,908)	$ 5,525
Total comprehensive income (loss)	$ 9,763	$ 17,857	$ (187)	$ (21,908)	$ 5,525
Earnings (loss) per share:					
Basic **6(F)**	$ 1.24	—	—	—	$ 0.70
Diluted **6(F)**	$ 1.23	—	—	—	$ 0.68
Weighted average shares outstanding:					
Basic	7,875,395	—	—	—	7,875,395
Diluted	7,927,972	—	—	—	8,123,898

Note 1. Basis of Presentation

The pro forma condensed combined financial information has been prepared by Westwood in accordance with Article 11 of Regulation S-X. The pro forma condensed combined financial information reflects transaction accounting adjustments management believes are necessary to present fairly Westwood's pro forma financial position and results of operations following the closing of the Acquisition and the Investment Liquidation as of and for the periods indicated. The transaction accounting adjustments depict the accounting for the Acquisition as required by U.S. GAAP. The adjustments related to the Investment Liquidation are shown in a separate column as Other Transaction Accounting Adjustments. The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve as a result of the Acquisition, nor does it reflect the costs to integrate the operations of Westwood and Salient Partners or the costs necessary to achieve any cost savings, operating synergies, and revenue enhancements.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations, with Westwood being considered the accounting acquirer, using the fair value concepts defined in ASC Topic 820, Fair Value Measurement, and based on the historical condensed consolidated financial statements of Westwood and the historical condensed consolidated financial statements of Salient Partners. Under ASC Topic 805, all assets acquired and liabilities assumed in a business combination are generally recognized and measured at their assumed acquisition date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The excess of acquisition consideration over the fair value of assets acquired and liabilities assumed is allocated to goodwill.

The transaction accounting adjustments represent Westwood's managements' best estimates and are based upon currently available information and certain assumptions that Westwood believes are reasonable under the circumstances. The fair values are subject to adjustment for up to one year after the close of the Acquisition as additional information is obtained.

No additional adjustments were deemed to be necessary in order to conform accounting policies of Westwood and Salient Partners. As additional information is obtained, Westwood will continue to evaluate Salient Partner's accounting policies. As a result of the evaluation, Westwood may identify additional differences between the accounting policies of the two companies, which when conformed, could have a material impact on the unaudited pro forma condensed combined financial information.

Note 2. Reclassification Adjustments

The reclassification adjustments are considered by management to be reasonable, and reflective of adjustments necessary to report Westwood's financial condition and results of operations as if the Acquisition were completed. Certain reclassification adjustments have been made to the opening balances of the condensed combined financial information to conform Salient Partner's historical condensed consolidated balance sheet and income statements to Westwood's financial statement presentation.

The combined company will finalize the review of accounting policies and reclassifications as additional information is obtained, which could be materially different from the amounts set forth in the unaudited pro forma condensed combined financial information presented herein:

SALIENT PARTNERS' HISTORICAL AS ADJUSTED BALANCE SHEET
As of September 30, 2022
(in thousands)

	As of September 30, 2022			
	Historical (Before Reclassifications)	Reclassification		Reclassified
ASSETS				
Current assets				
Cash and cash equivalents	$ 5,982	$ —		$ 5,982
Accounts receivable	3,294	—		3,294
Other current assets	1,034	—		1,034
Total Current assets	10,310	—		10,310
Investments	4,978	(319)	(i)	4,659
Noncurrent investments at fair value	—	319	(i)	319
Goodwill	25,922	—		25,922
Intangible assets, net	2,046	—		2,046
Property and equipment, net of accumulated depreciation	88	—		88
Total Non-current assets	33,034	—		33,034
Total Assets	43,344	—		43,344
LIABILITIES AND PARTNERS' DEFICIT				—
Current liabilities				—
Accounts payable and accrued liabilities	$ 13,238	$ 177	(ii)	$ 13,415
Subordinated debt	41,414	—		41,414
Senior debt	16,891	—		16,891
Note payable	4,004	—		4,004
Restructuring fee payable	2,500	—		2,500
SBA loan	1,860	—		1,860
State margin taxes payable	82	(82)	(ii)	—
Other current liabilities	95	(95)	(ii)	—
Total Current liabilities	80,084	—		80,084
Total Liabilities	80,084	—		80,084
PARTNERS' DEFICIT				
Total partners' deficit	(36,740)			(36,740)
Total Liabilities and Equity	$ 43,344	$ —		$ 43,344

i. Represents the reclassification of readily marketable investments to align with historical reporting of Westwood. Westwood classifies these amounts within Noncurrent investments at fair value.

ii. Represents the reclassification of state margin taxes payable and other current liabilities to align with historical reporting of Westwood. Westwood classifies these amounts within Accounts payable and accrued liabilities.

SALIENT PARTNERS' AS ADJUSTED HISTORICAL FINANCIAL STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2022
(in thousands)

	Nine Months Ended September 30, 2022			
	Historical (Before Reclassification	Reclassification		Reclassified
Revenues				
Advisory Fees				
Asset-based	$ —	$ 22,925	(i)	$ 22,925
Performance-based	—	—		—
Fund management and investment advisory	22,802	(22,802)	(i)	—
Other, net	123	(123)	(i)	—
Private placement commission	186	—		186
Total Revenues	23,111	—		23,111
Expenses				
Servicing and private placement fees	4,620	—		4,620
Employee compensation and benefits	11,942	—		11,942
Travel expense	107	(107)	(ii)	—
Sales and marketing	57	107	(ii)	164
Information technology	2,223	—		2,223
Professional services	1,460	—		1,460
Depreciation and amortization	61	(61)	(iii)	—
Occupancy expense	375	(375)	(iii)	—
Insurance expense	384	(384)	(iii)	—
State margin tax	88	(88)	(iii)	—
General and administrative	949	908	(iii)	1,857
Total Expenses	22,266	—		22,266
Net operating income	**845**	**—**		**845**
Debt modification costs	(298)	—		(298)
Interest expense	(1,120)	—		(1,120)
Restructuring fee	(1,750)	—		(1,750)
Equity in earnings of unconsolidated affiliates, net	899	—		899
Interest and dividend income	2	(2)	(iv)	—
Net investment income	—	2	(iv)	2
Other expense, net	(1,479)	—		(1,479)
Other income	—	—		—
Income (loss) before income taxes	(2,901)	—		(2,901)
Income tax provision	—	—		—
Net income (loss)	$ (2,901)	$ —		$ (2,901)
Total comprehensive income (loss)	$ (2,901)	$ —		$ (2,901)

SALIENT PARTNERS' AS ADJUSTED HISTORICAL FINANCIAL STATEMENT OF OPERATIONS
For the Year Ended December 31, 2021
(in thousands)

	Year Ended December 31, 2021			
	Historical (Before Reclassification)	Reclassification		Reclassified
Revenues				
Advisory Fees				
Asset-based	$ —	$ 28,111	(i)	$ 28,111
Fund management and investment advisory	27,940	(27,940)	(i)	—
Other, net	171	(171)	(i)	—
Private placement commission	300	—		300
Total Revenues	28,411	—		28,411
Expenses				
Servicing and private placement fees	5,706	—		5,706
Employee compensation and benefits	15,864	—		15,864
Travel expense	44	(44)	(ii)	—
Sales and marketing	52	44	(ii)	96
Information technology	2,855	—		2,855
Professional services	2,914	—		2,914
Depreciation and amortization	144	(144)	(iii)	—
Occupancy expense	419	(419)	(iii)	—
Insurance expense	416	(416)	(iii)	—
State margin tax	102	(102)	(iii)	—
General and administrative	1,218	1,081	(iii)	2,299
Total Expenses	29,734	—		29,734
Net operating loss	**(1,323)**	**—**		**(1,323)**
Debt modification costs	(1,247)	—		(1,247)
Interest expense	(2,912)	—		(2,912)
Restructuring fee	(750)	—		(750)
Impairment of investments in unconsolidated affiliates	(156)	—		(156)
Equity in earnings of unconsolidated affiliates, net	768	—		768
Interest and dividend income	11	(11)	(iv)	—
SBA loan forgiven	1,711	—		1,711
Term loan and revolver including interest forgiveness	18,436	—		18,436
Realized loss on unconsolidated affiliates	(105)	—		(105)
Net investment income	—	11	(iv)	11
Other expense, net	30	—		30
Income (loss) before income taxes	14,463	—		14,463
Income tax provision	—	—		—
Income from discontinued operations	734	—		734
Gain on sale of business, net of transaction costs	2,660	—		2,660
Net income	$ 17,857	$ —		$ 17,857
Total comprehensive income	$ 17,857	$ —		$ 17,857

i. Represents the reclassification of Fund management and investment advisory and Fiduciary fee income, to align with historical reporting of Westwood. Westwood classifies these amounts as Asset-based advisory fees.

ii. Represents the reclassification of Travel expense, to align with historical reporting of Westwood. Westwood classifies travel expenses as Sales and Marketing expenses.

iii. Represents the reclassification of Depreciation and amortization, Occupancy expense, insurance expense, and state margin tax, to align with historical reporting of Westwood. Westwood classifies these expenses as General and Administrative.

iv. Represents the reclassification of Interest and dividend income, to align with historical reporting of Westwood. Westwood classifies this income as Net investment income.

Note 3. Other Transaction Accounting Adjustments

In November 2022 the Company sold investments held in United States Treasury Bills with a fair value of $36.9 million for $36.7 million in cash, resulting in a loss on disposal of $0.2 million. The investments in Treasury Bills were classified as Investments, at fair value within the balance sheet. The Investment Liquidation was completed by the Company mainly to provide additional cash to fund the Acquisition. Adjustments related to the Investment Liquidation have been shown separately from the transaction adjustments. Adjustments to the Pro Forma Condensed Combined Balance Sheet reflect receipt of cash proceeds and liquidation of investments, with an impact to retained earnings for the realized losses on disposal of investments. Adjustments to the Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2021 reflect the realized loss on disposal of investments.

Note 4. Calculation of Estimated Acquisition Consideration and Preliminary Purchase Price Allocation

Estimated Acquisition Consideration

The estimated Acquisition consideration for the purpose of this unaudited pro forma condensed combined financial information is estimated to be approximately $46.3 million, subject to adjustments for working capital, client consent agreements and contingent consideration. The following table summarizes the preliminary estimate of the acquisition consideration to be transferred as a result of the Acquisition:

		(in thousands)
Base Purchase Price - Cash	$	35,000
Plus: Net Working Capital Adjustment [1]		1,662
Less: Client Consent Adjustment [2]		(3,293)
Less: Due For Transaction Expenses [3]		(92)
Total Cash Consideration:		33,277
Plus: Revenue Retention Payments [4]		10,637
Plus: Growth Earnout Period Payments [5]		2,362
Total Estimated Consideration:	$	46,276

(1) The estimated consideration includes an adjustment based on net working capital of Salient Partners. The net working capital adjustment is determined by calculation of the net working capital of Salient Partners at Acquisition close date, less a target net working capital amount of $250.0 thousand. The adjustment above of $1.7 million is based on the available information at the time of the analysis. The net working capital adjustment will increase the cash amount of the base purchase price and is not expected to materially change from the estimated amount.

(2) The Client Consent Adjustment is an adjustment of the base purchase price based off a mutually agreed upon revenue run rate metric expressed as a percentage. The revenue run rate metric is the closing revenue run rate divided by a contractually stipulated base revenue run rate. No adjustment is made to the base purchase price if the revenue run rate metric is greater than 95%. If the revenue run rate metric is less than 95%, an adjustment is made to the base purchase price. Based off the best estimate at the time of the analysis, the revenue run rate metric was estimated as approximately 91%. The end adjustment resulting from this calculated as 100% less the 91%, multiplied by the base purchase price of $35.0 million. This amount is estimated to be $3.3 million and is a reduction to the cash purchase price.

(3) Due For Transaction Expense is comprised of $92.0 thousand of transaction expenses payable by Salient Partners.

(4) The Acquisition contains contingent consideration related to Revenue Retention Payments. This has a maximum payment amount of $15.0 million. The gross amount is based on the retention of a minimum level of net revenue (as calculated under the Purchase Agreement) of the Business in the 15, 18, 21 and 24 months following the close of the Acquisition. The revenue retention payment if any, is expected to be paid using cash on hand. The estimated fair value of $10.6 million is included in total estimated consideration, and is based on the best estimate at the time of the analysis utilizing an income based approach, specifically a probability-weighted discounted cash flow method to

capture the uncertainty in the future payments related to uncertainty of the condition underlying the earn out being met. This amount is an increase to Total Estimated Consideration. A hypothetical 10% change in the valuation of the Revenue Retention Payment would result in a change to Total Estimated Consideration of approximately $1.0 million, with a corresponding change in goodwill.

(5) The Acquisition contains contingent consideration related to Growth Earnout Period payments. The contingent consideration has a maximum payment amount of $10.0 million. The growth earnout payment is based on the growth in net revenue (as calculated under the Purchase Agreement) of the Business in the second and third years following the close of the Acquisition. The growth earnout payment, if any, would be paid in shares of the Company's common stock in amount equivalent to the dollar value of the earn out. The estimated fair value of $2.4 million is included in total estimated consideration, and is based on the best estimate at the time of the analysis utilizing income based approach, specifically a probability-weighted discounted cash flow method to capture uncertainty in the future payments related to uncertainty of the condition underlying the earn out being met. This amount is an increase to Total Estimated Consideration. A hypothetical 10% change in the valuation of the Growth Earnout Period payments would result in a change to Total Estimated Consideration of approximately $0.2 million, with a corresponding change in goodwill.

Preliminary Purchase Price Allocation

Under the business combination method of accounting, the identifiable assets acquired, and liabilities assumed of Salient Partners will be recognized and measured at fair value as of the closing date of the Acquisition and added to those of Westwood. The determination of fair value used in the transaction adjustments presented herein are preliminary and based on management estimates of the fair value and useful lives of the assets acquired and liabilities assumed, and may be subject to change if additional information is obtained. The costs of finite-lived intangible assets are amortized through expense over their estimated lives. The actual allocations may differ from the transaction accounting adjustments presented.

The following table sets forth a preliminary allocation of the estimated acquisition consideration to the identifiable tangible and intangible assets acquired and liabilities assumed of Salient Partners (refer to Note 5(A) for assets not acquired and liabilities not assumed) based on Salient Partner's unaudited condensed consolidated balance sheet as of September 30, 2022, with the excess recorded as goodwill:

		(in thousands)
Total consideration	$	46,276
Assets		
Current assets:		
Accounts receivable		3,294
Other current assets		1,034
Total current assets		4,328
Investments[(1)]		6,600
Noncurrent investments at fair value		319
Property and equipment, net of accumulated depreciation[(2)]		88
Intangible assets, net		19,300
Total Assets	$	30,635
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities		5,733
Total Liabilities	$	5,733
Less: Net Assets	$	24,902
Goodwill	$	21,374

(1) Investments is comprised of historical equity method investments held by Salient Partners. The book value was adjusted to fair value based on the results of the valuation. These investments will continue to be accounted for as equity method investments by Westwood.

(2) Property and equipment, net of accumulated depreciation approximate fair value, thus no adjustment was recorded to the carrying value of the assets.

Intangible Assets

Preliminary identifiable intangible assets in the unaudited pro forma condensed combined financial information consist of the following:

		Preliminary Estimated Fair Value (in thousands)	Estimated Useful Life (in years)
Client relationships	$	14,400	15
Trade name		3,800	3
Non-compete agreements		1,100	3
Total	$	19,300	

The estimated fair values and useful lives of identifiable intangible assets are preliminary and have been performed based on the best information available at the time of this analysis. As discussed above, the amount that will ultimately be allocated to identifiable intangible assets and the related amount of straight-line amortization, may differ materially from this preliminary allocation. Preliminary intangible assets include non-compete agreements entered into with Salient Partners employees in conjunction with the Acquisition. The non-compete agreements have an estimated fair value of $1.1 million. Although non-compete agreements with employees of a target may be accounted for as transactions separate from a business combination, management has determined the value of such assets to be immaterial and expects the accounting treatment to be similar if accounted for separate from the Acquisition.

Any change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill. A hypothetical 10% change in the valuation of intangible assets would result in a corresponding increase or decrease in the balance of goodwill of approximately $1.9 million. A hypothetical 10% change in the valuation of intangible assets would result in a change to annual amortization expense of approximately $195.0 thousand for the nine months ended September 30, 2022 and approximately $259.0 thousand for the year ended December 31, 2021.

The preliminary fair value of the Trade Name is determined using the income approach, specifically the relief from royalty method. The preliminary fair value of the Customer Relationships is also determined using the income approach, specifically the multi-period excess earnings method. The most significant assumptions applied in the development of the intangible asset fair values include: the amount and timing of future cash flows, the selection of discount and royalty rates, and the assessment of the asset's economic life.

Investments

Preliminary investments in the unaudited pro forma condensed combined financial information consist of the following:

	Preliminary Estimated Fair Value (in thousands)
Investments	$ 6,600

The estimated fair value of investments is preliminary and have been performed based on the best information available at the time of this analysis. As discussed above, the amount that will ultimately be allocated to investments, may differ materially from this preliminary allocation.

A hypothetical 10% change in the valuation of investments would result in a corresponding increase or decrease in the balance of goodwill of approximately $660.0 thousand, with a corresponding change in goodwill.

Note 5. Transaction Accounting Adjustments for Condensed Combined Balance Sheet

A. In connection with the Purchase Agreement, Westwood does not acquire certain assets nor assume certain liabilities. Assets not acquired are Cash and cash equivalents. Liabilities not assumed are certain liabilities, including transaction expenses, debt and liabilities not arising in the ordinary course of business. The adjustment reflects the excluded assets and liabilities with the offsetting related impact to retained earnings.

B. Reflects cash consideration transferred for the Acquisition and cash payment for accrued and estimated transaction costs. Cash payment for transaction costs already incurred and accrued, and estimated transaction costs is $1.8 million and $6.5 million, respectively.

	(in thousands)
Cash transaction consideration	$ 33,277
Cash payment of accrued and estimated transaction costs	8,303
Pro forma adjustment to Cash and cash equivalents	$ 41,580

C. Reflects the removal of Salient Partners' historical goodwill and recording of the preliminary goodwill for the estimated acquisition consideration in excess of the fair value of the net assets acquired in connection with the Acquisition:

	(in thousands)
Fair value of consideration transferred in excess of preliminary fair value of assets acquired and liabilities assumed	$ 21,374
Salient Partners' historical goodwill amount	(25,922)
Pro forma adjustment to goodwill	$ (4,548)

D. Reflects the incremental balance of intangible assets, net to be recorded considering Salient Partners' historical intangible assets, net and the preliminary purchase accounting adjustments for the estimated fair value of acquired intangible assets based on the acquisition method of accounting:

	(in thousands)
Fair value of acquired intangible assets	$ 19,300
Salient Partners' historical intangible assets, net	(2,046)
Pro forma adjustment to intangible assets, net	$ 17,254

E. Reflects the incremental balance of Investments be recorded considering Salient Partners' historical Investments and the preliminary purchase accounting adjustments for the estimated fair value of acquired Investments based on the acquisition method of accounting:

	(in thousands)
Fair value of acquired investments	$ 6,600
Salient Partners' historical investments	(4,659)
Pro forma adjustment to investments	$ 1,941

F. Reflects the adjustment of transaction costs incurred and accrued related to the Acquisition. This adjustment only includes transaction costs incurred by Westwood as transaction expenses incurred by Salient Partners are excluded from Westwood's assumed liabilities.

G. Reflects the accrual of the estimated fair value of the contingent consideration arrangements within the transaction. The contingent consideration was assessed to be liability classified:

	(in thousands)
Estimated fair value of the Revenue Retention Payment	$ 10,637
Estimated fair value of the Growth Earnout Payment	2,362
Pro forma adjustment to contingent consideration	$ 12,999

H. Reflects the adjustments to retained earnings:

	(in thousands)
Salient Partners' historical Retained Earnings Adjusted for assets not acquired, liabilities not assumed (see Note 5(A))	$ (31,629)
Retained Earnings impact of Westwood estimated transaction related costs (see Note 5(B))	(6,480)
Pro forma adjustment to retained earnings	$ (38,109)

Note 6. Transaction Accounting Adjustments for Condensed Combined Statements of Operations

Adjustments included in the Transaction Accounting Adjustments column in the accompanying unaudited pro forma condensed combined statements of operations the nine months ended September 30, 2022 and for the year ended December 31, 2021 are as follows:

A. Reflects the adjustments to eliminate Salient Partners' historical amortization expense and record new amortization expense based on the estimated fair value of the identifiable acquired intangible assets:

	Nine months ended September 30, 2022	Year ended December 31, 2021
	(in thousands)	
Elimination of historical amortization on intangible assets	$ —	$ —
Amortization of acquired intangible assets	$ 1,945	$ 2,593
Pro forma net adjustment to general and administrative expenses	$ 1,945	$ 2,593

B. Reflects the adjustments to information technology, professional services, general and administrative, and Employee compensation and benefits expenses to record transaction costs expected to be incurred in conjunction with the Acquisition.

C. Reflects the adjustments in expenses related to liabilities not assumed in connection with the Acquisition. As stated in Note 5(A), Westwood is not assuming certain liabilities of Salient Partners, including Subordinated debt, Senior debt, Note payable, restructuring fee payable, and SBA Loan. This adjustment removes historical expenses related to the liabilities not assumed.

	Nine months ended September 30, 2022	Year ended December 31, 2021
	(in thousands)	
Debt modification costs	$ 298	$ 1,247
Interest expense	1,120	2,912
Restructuring fee	1,750	750
SBA loan forgiven	—	(1,711)
Term loan including interest forgiveness	—	(17,715)
Total	$ 3,168	$ (14,517)

D. Reflects compensation expense related to newly issued restricted stock grants issued in conjunction with the Acquisition. 468,607 shares were granted with a grant date fair value of $5.0 million. The grant is subject only to service condition of 5 years, and will cliff vest upon the employee providing the requisite service.

	Nine months ended September 30, 2022	Year ended December 31, 2021
	(in thousands)	
Employee compensation and Benefits	$ 750	$ 1,000

E. Following the close of the Acquisition, Salient Partners will be subject to U.S. federal income taxes, in addition to state, and local income taxes. As a result, the unaudited pro forma condensed consolidated statement of operations reflects adjustments to income tax expense to reflect a blended statutory rate of 26%.

	Nine months ended September 30, 2022	Year ended December 31, 2021
	(in thousands)	
Salient Partners’ historical pre-tax income (loss)	$ (2,901)	$ 14,463
Pro forma adjustments	473	(24,777)
Total loss	(2,428)	(10,314)
Blended statutory rate	26 %	26 %
Income tax provision	(631)	(2,682)

F. The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma condensed combined statements of operations are based upon Westwood’s weighted average number of shares outstanding:

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	(in thousands, except per share and share amounts)			
Numerator				
Pro forma net income (loss) attributable to common stockholders, basis and diluted	$	(3,300)	$	5,525
Denominator				
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, basic		7,867,555		7,875,395
Dilutive potential shares from unvested restricted shares (1)		—		248,503
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, diluted		7,867,555		8,123,898
Net income (loss) per share attributable to common stockholders, basic	$	(0.42)	$	0.70
Net income (loss) per share attributable to common stockholders, diluted	$	(0.42)	$	0.68

(1) The Company has an undetermined amount of contingently issuable shares related to the Growth Earnout Payment. The conditions to satisfy the issuance of these shares are not met yet, as these shares will be evaluated for issuance at a future date based off of conditions that will be assessed at that point in time. These contingently issuable shares are excluded from the diluted EPS calculation.

	Nine months ended September 30, 2022	Year ended December 31, 2021
The weighted-average shares for pro forma diluted earnings per share was computed as below:		
Historical Westwood weighted-average shares outstanding	7,867,555	7,875,395
Historical Westwood dilutive potential shares from unvested restricted shares	—	52,577
Dilutive potential shares from unvested restricted shares as if the Acquisition had occurred January 1, 2021(1)	—	195,926
Total	7,867,555	8,123,898

(1) As the Company has a net loss for the nine months ended September 30, 2022, the impact of any additional dilutive shares would be anti-dilutive, as such, no additional shares are included. The dilutive potential shares included for the year ended December 31, 2021 are related to the 468,607 shares granted. See footnote 6(D) for more details.