2020 BENCH-BAR CONFERENCE

LONG-FORM VALUATION
Of
VICTORY HOLDINGS, INC.

Sample

The viewpoint of Thomas Gillmore, CPA/ABV

Moderator, Honorable Donald Myers

Note: The methods and results of this business valuation sample are provided by the Appraiser for educational and discussion purposes only and do not reflect the opinion of the Judiciary or legal position of an attorney.

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October 2, 2020

Dear Conference Attendee:

In this sample, a divorcing couple and their respective counsel cooperatively hired a financial neutral to perform a business valuation. Everyone agreed to use the revenue-multiple valuation approach because the parties admittedly used the company to pay personal expenses, and they did not want to spend the time and money to unravel and correct the books.

Dear Theodore and Latoya,

At your request and according to our engagement letter, we have prepared our appraisal report of a 33.3% minority interest in Victory Holding Group, Inc. ("Victory") as of June 30, 2020 (the Valuation Date).

Objective and Purpose of the Appraisal

The objective of this appraisal is to estimate the fair market value of a 33.3% minority interest in Victory, using industry-accepted valuation methods and approaches. The purpose of this appraisal is to arrive at an independent opinion of the fair market value of the subject interest for an internal transfer of shares from current owners to current employees, under a treasury stock repurchase agreement. **This report is not suitable for gift and estate tax planning or tax filing.**

Standard of Value

In each valuation engagement, identifying the type of value utilized, such as fair value, fair market value, or investment value, is required. The standard of value for this engagement is "fair market value," which is defined by the International Glossary of Business Valuation Terms as "the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have a reasonable knowledge of the relevant facts."

Value Considerations

Among other factors, this appraisal considers all the considerations listed in Internal Revenue Service Ruling 59-60, which generally outlines the valuation of closely held company interests and includes the following:

- The nature of the business and history of the enterprise
- The economic outlook in general and the condition and outlook for the specific industry in particular
- The book value of the stock and the financial condition of the business
- The earning capacity of the enterprise
- The dividend-paying capacity
- Sales of stock and the size of the block to be valued
- The market prices of stocks of corporations engaged in the same or similar lines of business whose stocks are actively traded in a free and open market, either on an exchange or over the counter

Premise of Value

We adhered to Revenue Ruling 59-60, which outlines and reviews the general approaches, methods, and factors to be considered in the valuation of closely held companies and thinly traded public corporations. In addition, we conducted our analysis under the premise of value in continued use, as a going concern. This premise assumes that Victory will continue to operate as an income-producing entity. It further assumes that the partners and management of Victory will act rationally and will employ financial and operational strategies that are typical of the industry in which Victory operates.

Conclusion of Value – Minority Interest Basis

Based upon our liquidity measurements and further analysis described herein, and in our independent professional opinion, the fair market value of a 33.33% minority interest in Victory is:

$2,698,695 x 33.3% = $899,500 (rounded)

This letter and report are to be distributed only in their entirety. We appreciate the opportunity to provide valuation services to Victory, which is subject to the Certifications and Representations in Appendix 1, and the Statement of Assumptions and Limiting Conditions in Appendix 2. Users of this evaluation report should be aware that business valuations are based on asset values and future earnings potential that may or may not materialize. Therefore, the actual results achieved and or asset values obtained will vary from the forecasts used in this report, and the variations might be material.

Assignment Overview

Type of Report

This report is an Appraisal Report defined by Rule 10-2 of the Uniform Standards of Professional Appraisal Practice (USPAP). This report is to be used by Victory for internal share transfers only and is not suitable for or any other purpose, including but not limited to estate planning, tax filing, loan acquisition, or divorce settlements.

Date of Appraisal

This appraisal report prepared on September 17, 2020, is valid only for the effective valuation date, which is June 30, 2020. We have no obligation to update the report or the opinion of value for information that comes to his attention after the date of the report.

Appraisal Personnel

See Appendix 3 for the appraisal qualifications of:

- The Appraiser, CPA, ABV, CFE, CFF

Class of Stock, Equity, and Rights

As S Corporations, Victory, Tiberius, and Victory Properties have a single class of stock issued to the following equity interest holders.

The Victory Group			Tiberius Solutions			Victory Properties	
Theodore Black	37.0%		Theodore Black	33.3%		Theodore Black	37.0%
Jeffrey Greenfield	37.0%		Jeffrey Greenfield	33.3%		Jeffrey Greenfield	37.0%
Latoya Jackson	26.0%		Latoya Jackson	33.3%		Latoya Jackson	26.0%
Total Shares	**100.0%**		**Total Shares**	**100.0%**		**Total Shares**	**100.0%**

Equity Characteristics

As an S Corporation, Victory has one class of stock and is limited to one-hundred shareholders. Of the current ownership group, all are permissible owners, according to management.

Appraisal Governance - USPAP

The Uniform Standards of Professional Appraisal Practice ("USPAP) and the AICPA's Statements on Standards for Valuation Services (SSVS) articulate the professional responsibilities valuation practitioners must consider and adhere to, such as but not limited to:

- Professional Competence
- Nature and Risks of the Valuation Services and Expectations of the Client
- Independence
- Establishing an Understanding with the Client
- Scope Restrictions or Limitations
- Using the Work of Specialists in the Engagement to Estimate Value.

Assumptions

We made the following assumptions in the execution of this assignment:

a. All of the Victory companies are not subject to Stark Laws or Anti-Kickback laws
b. All current and prospective shareholders are eligible S Corporation Shareholders
c. Covenants-Not-To-Compete (if any exist) are enforceable
d. Covenants-Not-To-Compete (if any exist) cover all critical-need employees
e. S Corporation Shareholder Restriction Agreement will be in place to protect the S Corporation election
f. Management statements made to The Appraiser were credible and accurate
g. Management's statement of historical financial results is credible and accurate
h. Management's statement of contingent assets (none) and liabilities (none) is credible and accurate
i. Management's expectations regarding their ability to fund ongoing operations, pay for stock buybacks, achieve capital funding needs, revenue, and earnings forecasts are reasonable and achievable
j. Management's estimated timeline to overcome regulatory obstacles is reasonable and attainable.
k. Management has access to sufficient capital at lending rates similar to the rate historically paid by the company.

Extraordinary Assumptions

Management’s 2020 financial information, which is projected from 2019 data, is reasonably reliable and achievable.

Laws and Regulations

We are aware of no law or regulation, which would materially influence the conclusion of value in this report.

Scope of Work

Our scope of work entailed collecting and analyzing published data relevant to the subject industry. In doing so, we ascertained the relevance of published industry-specific ratios on determining the fair value of companies in the subject industry. Where appropriate, we incorporated this information to provide meaningful comparison to other companies of a similar size operating in the subject industry. We have included an overview of economic conditions as of the valuation date, which indicates that hypothetical equity investors would most likely not have been dissuaded from making a purchase offer of Victory due to any apprehensions about the current business climate irrespective of COVID-19. A significant part of our report deals with discounting in Victory's value due to certain drawbacks in owning non-traded securities.

The scope of our work product meets the core requirements of the appraisal process, as outlined in the Uniform Standards of Professional Appraisal Practice ("USPAP"). We would expect that readers of this report should be able to follow the logical steps of the valuation process, but we can offer no assurance that they will fully understand our pricing analysis if they are unfamiliar with financial terms or appraisal methodologies. USPAP Standards 9 and 10, which pertain specifically to the valuation of closely-held businesses, seek to ensure that the supporting analyses and research data that underpin the intended use of the appraisal and the conclusion of value are sufficiently complete, accurate, adequate, relevant, reasonable, understandable, and credible.

Definitions

Acronym	Meaning
CAGR	Compound Annual Growth Rate
DLOM	Discount for Lack of Marketability

Due Diligence

We conducted such reviews, analyses, and inquiries deemed reasonably necessary or appropriate under the circumstances. We have audited neither Victory's financial data nor the economic and industry data reported herein as such work was outside the scope of our valuation analysis. Therefore, we express no opinion or other forms of assurance regarding this data. Among other things, we have: s

- We conducted a site visit and telephone interviews with Theodore Black, President, regarding the past, present, and future operating and financial conditions of Victory. Attending the in-person meeting were Martin Greenfield, Jeffrey Greenfield, Theodore Black, and Geraldine May, Esquire, corporate counsel.

- Reviewed Victory's IRS form the 1120s for tax years ending December 31, 2015, 2016, 2017, 2018, and 2019.

- Reviewed estimated trailing twelve- month Income Statement and Balance Sheet dated June 30, 2020.

- Reviewed the industry in which Victory operates, including a review of research, data, and information concerning the current market conditions and outlook.

- Reviewed Federal Reserve Bank's suggested EBIDTA lending multiples (suggest 6x EBITDA maximum leverage).
  - https://www.federalreserve.gov/supervisionreg/srletters/sr1303a1.pdf
  - https://som.yale.edu/blog/federal-reserve-announces-changes-to-main-street-lending-program

- Relied on data gathered from the following publicly available sources, without independent verification:
  - Cost of Capital Analytics -BVR Resources | Cost of Capital
  - Guideline Public Company Data from EDGAR | U.S. Securities and Exchange Commission
  - Completed Transactions - Market Data Pricing Multiples - BVR Resources | Deal Stats
  - Industry data - Various internet-based journals and publications
  - Inflation data - Livingston Survey
  - Economic data - Federal Reserve Bank of New York

Company Overview

History and Description

Victory Holding Group, Inc.

Victory Holding Group, Inc. filed articles of incorporation in Maryland on October 23, 2008, and filed its most recent annual report in April 2020. Headquartered in Bethesda, Maryland, Victory Holding Group, Inc. was originally founded under the name Victory Consulting Group, Inc., in 1986. Victory Holding Group, Inc. currently owns a 100% interest in and operates The Victory Group, Inc., Tiberius Solutions, LLC d/b/a YourHealthSite, and Victory Properties, LLC.

Tiberius Solutions

Tiberius Solutions, LLC (Tiberius) is a third-party provider to on-site medical clinics in Maryland. Tiberius filed articles of incorporation in Maryland on May 10, 2013, and filed its most recent annual report in April 2020. Tiberius first filed IRS form 1120s for the tax year 2016 and filed for S Corporation status at that time, effective January 1, 2016.

As Victory's primary operating company, Tiberius Solutions, LLC (Tiberius) dba YourHealthSite consults and provides administrative oversight services for on-site health and wellness centers to employers. Victory offers a path forward for companies to enhance employee wellness and attendance by locating physician-attended facilities on-site or near-site to the company's location. For example, in addition to standard family physician care and pharmaceutical prescribing, a wellness center may offer a health coach and exercise physiologist to employees and their families. The professionals at the wellness center put together a health plan which is monitored to ensure progress is being made.

Services offered at Tiberius co-operated facilities include:

- Primary Care Services
- Occupational Services
- Proactive Disease Management and Wellness Services

The Victory Group, Inc.

Established in June of 1996 as Victory Consulting Group, Inc. ("VCG") filed to change its name to The Victory Group, Inc. ("TVG") in May 2005, and filed its most recent annual report in April 2020. Initially, TVG provided insurance servicing agreements and handlined reinsurance claims. More recently, TVG has built a solid reputation in helping employers implement an onsite-healthcare model with customized services for plan members. Healthcare centers, including operations and administration, are costing approximately 30 to 70 percent less than what employers are paying under the fee-for-service model.

As Victory's consulting arm, TVG analyzes the client employee population, population demographics, average wage base, and determines the direct and indirect cost savings such as the reduction in community-based physician visits, reduction in inpatient admissions, reduction in ER visits, better adherence to health management and chronic condition programs, increase of appropriate and necessary referrals and testing in the community, and an increase in attendance and productivity related to the convenience of the on-site clinic location. TVG provides benchmark data for start-up and ongoing clinic costs and salaries. Furthermore, TVG assists clients with feasibility studies and return on investment projections regarding facility build-outs and funding payback timeline.

Victory Properties, LLC

Victory Properties, LLC filed articles of incorporation in Maryland on August 18, 2009, and filed its most recent annual report in April 2020. Victory Properties, LLC bought the Victory headquarter facilities in October 2010 for $900,000.

Key Personnel

In the [Asset Approach] section and [Discounts] section of this report, we discuss at length the economic importance of key personnel and whether each one's personnel goodwill is "owned" by Victory and transferrable to a prudent buyer in the form a Non-Competition Agreement.

Theodore Black, President, additionally in charge of contract procurement

Jeffrey Greenfield, Vice President

Jeffrey Lemoyne, MS-HCA, Clinical Administrator at Victory, LLC

Latoya Jackson, Director of Strategic Development

Jason Black, Senior Director of Clinical Operations (LinkedIn) **or** VP, **or** Director of Operations. In charge of Tiberius Solutions' operations, medical records systems, and the hiring of doctors and staff. Jason has a decade of experience in implementing systems, recruiting staff, and strategically managing over 30 on-site clinical operations that serve public sector employers such as county sheriff's offices, city governments, county governments, and county school districts with private clients. He leads the YourHealthSite team in optimizing employee health and wellness centers through a model that adapts services to the needs of individual patients.

Dustin Greenfield, Victory Procurement Specialist

Jamie Worth, Wellness Specialist at Victory Consulting Group

Cassandra Sly, Wellness Coordinator at Victory Consulting Group

Key Person Life Insurance

- Key-man life insurance policies are held for Jeffrey Greenfield, Latoya Jackson, and Theodore Black. Latoya's life insurance policy expired in 2013. The buy-sell agreement states, "upon the death of a shareholder, that percentage interest shall be purchased by Victory at insurance policy value."

Revenue Sources

Victory offers worksite medical care for school districts, government agencies, sheriffs, corporations, and small businesses.

Tiberius Solutions

Victory offers a path forward for companies to enhance employee wellness and attendance by locating physician-attended facilities on-site or near-site to the company's location. For example, in addition to standard family physician care and pharmaceutical prescribing, a wellness center may offer a health coach and exercise physiologist to employees and their families. The professional at the wellness center put together a health plan which is monitored to ensure progress is being made.

The Victory Group, Inc.

Victory Consulting Group, Inc. is engaged in co-operating over 30 health and wellness centers for large employers across Maryland. In addition to medical care, centers offer free pharmacy services with generic prescriptions for employees, dependents, and retirees. Employers pay low-cost wholesale rates on prescription drugs, which drastically reduce expenses for the employers. Patients benefit by conveniently walking away from appointments with free or low-priced medicine

Victory Consulting Group helps employers implement an onsite-healthcare model with customized services for plan members. Healthcare centers, including operations and administration, are costing approximately 30 to 70 percent less than what employers are paying under the fee-for-service model.

Victory Properties, LLC

Holding company for real property owned and operated by Victory Holding Group, Inc. for which the tenancy is currently limited to Victory Holding Group, Inc. companies.

Corporate Affiliations

Tiberius Solutions

Tiberius Solutions, LLC (Tiberius) dba Bethesda Health Site will occasionally co-brand a facility such as the Bethesda County Employee Health Center serving the Bethesda County Sheriff's department Bethesda Chamber of Commerce. *Link to Bethesda County Employee Health Center*: https://www.Bethesda.org/agencies-departments/human-resources/employee-health-center.stml.

Tiberius partnered with the University of Maryland (UM) UM Health, the College of Medicine's physician practice on the Bethesda project, where UM assists in medical staffing needs.

Competitors

It is not uncommon for a client to bid on third-party clinic operators, subject to rigorous performance guarantees to ensure effective use of funds and high-quality care. A sampling of the competitors follows:

- Premise Health – United States
  - The operator of 600 wellness centers in 44 States serving "millions of eligible members and dependents."
  - www.premisehealth.com

- QuadMed – United States
  - In operation for twenty-eight years

- A-S Medical Solutions – United States
  - "Serving thousands of on-site and near-site clinics."
  - In operation for twenty-five years

Customer Analysis

Tiberius

Tiberius Solutions, LLC (Tiberius) dba Bethesda Health-Onsite will occasionally co-brand a facility such as the Bethesda County Employee Health Center serving the Bethesda County Sheriff's department and Bethesda Chamber of Commerce. Link to Bethesda County Employee Health Center: https://www.Bethesda.org/agencies-departments/human-resources/employee-health-center.stml. Tiberius partnered with the University of Maryland (UM) UM Health, the College of Medicine's physician practice on the Bethesda project, where UM assists in medical staffing needs.

Growth Strategy

Qualified Health Center

Victory intends to qualify as a Federally Qualified Health Center (a reimbursement designation from the Bureau of Primary Health Care and the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services. Federally Qualified Health Centers are community-based health care providers that receive funds from the Health Resources & Services Administration (HRSA) Health Center Program to provide primary care services in underserved areas. FQHCs were originally meant to provide comprehensive health services to the medically underserved to reduce the patient load on hospital emergency rooms. Their mission has changed since their founding. Their mission now is to enhance primary care services in underserved urban and rural communities. In particular, they serve underserved, underinsured, and uninsured Americans, including migrant workers and non-U.S. citizens

304B Contract Pharmacy Services

Victory intends to register with the Health Resources & Services Administration (HRSA) to provide Contract Pharmacy Services under the 304B Drug Pricing Program. Citation: https://www.hrsa.gov/opa/index.html

Growth Funding

Note: Management is working on a new set of financial projections. Management states Victory has access to sufficient capital at nominal lending rates. In our discounted cash flow analysis, we assumed management's assessment to be correct.

Growth Rate

In our opinion, Victory's growth rate will, at a minimum, keep pace with the national average rate of inflation, which is forecast by the Federal Reserve Banks Livingston Survey, which is shown in the appendices to this report. The Livingston Survey estimates a 2% growth rate over the foreseeable near-term. On the low-side, we considered a 1.18% risk-free rate of return established by the U.S. 20-Year Treasury Constant Maturity Rate. In our Discounted Cash Flow analysis, we applied a 2% growth rate in our capitalization formula.

Resources:

- Livingston Survey - https://www.philadelphiafed.org/-/media/research-and-data/real-time-center/livingston-survey/2020/livjun20.pdf?la=en
- Federal Reserve bank of St. Louis - https://fred.stlouisfed.org/series/DGS20
- U.S. Treasury - https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldYear&year=2020

Logos

Tiberius Logo

Victory Logo

Company Positives

Unique Service Offering – Limited Administrative Involvement

Victory's strategy is offered as a turnkey operation for employers, which minimizes the impact on staff. The health center administrator handles the recruitment and management of the medical staff, the ordering of supplies, disease management, wellness initiatives, and all other operational requirements of the health center.

Unique Service Offering – Liability Mitigation

Victory's co-operated facilities offer services that are performed by a contracted third-party administrator and not company employees. Medical services are provided at arm's length, similar to what they are now with health plans. Furthermore, hold harmless agreements are in place, and malpractice coverage must be carried by medical staff, not the employer.

Unique Service Offering - Health and Wellness

Victory's on-site and near-site facilities have a track record of success in lowering diabetes, weight, worker's compensation costs, and absenteeism. These cost reduction measures are incentives to chief operating officers and financial decision-makers when considering a partnership with Victory.

Unique Service Offering - Reduced Insurance Cost

Several states estimate double-digit percentage hikes for insurance premiums from 2020 to 2021 under the Affordable Care Act. America's saga has included these annual increases along with rising healthcare claims under traditional insurance plans. In response, many employers are innovating change to regain control of healthcare dollars. School districts, government agencies, sheriff's offices, corporations, and small businesses alike have reduced costs by transitioning to self-funded health plans and launching worksite care for employees, dependents, and retirees. For those considering this money-saving switch, here are three ways employers and plan members mutually benefit from health and wellness centers at or near the worksite.

Unique Service Offering - Increased Productivity

Keeping employees in peak working condition is a benefit to any organization as a whole. Plan members are often incentivized to access free health-risk assessments with lab work to evaluate cholesterol, blood sugar, liver function, blood pressure, and other bio-metric panels. Screenings and on-site wellness initiatives help catch any health issues early and support efforts for optimal health.

Unique Service Offering - Pharmacy Cost Reduction

Victory Consulting Group, Inc. is engaged in co-operating over 30 health and wellness centers for large employers across Maryland. In addition to medical care, centers offer free pharmacy services with generic prescriptions for employees, dependents, and retirees. Employers pay low-cost wholesale rates on prescription drugs, which drastically reduce expenses for the employers. Patients benefit by conveniently walking away from appointments with free or low-priced medicine

Goodwill of Personnel

- We included a key person analysis in [Discounts and Premiums] and the [Asset Approach] sections of this report.

Intellectual Property

- We included a discussion of Non-Competition Covenants in the [Discounts and Premiums] and the [Asset Approach] sections of this report.

Company Negatives

Growth Funding

- Dual-use of free cash flow to provide growth and a shareholder buyout may be contraindicated for Victory.
- Victory requires capital, as evidenced by its high rate of growth and unpaid rent to Victory Properties, LLC.

Marketing

A. A 2016 opening ceremony is the most recent evidence of company Big News on the Tiberius website. As a 2020 operating company, potential clients are looking for current news on a modern web platform, which is lacking.

B. The use of differentiated company names on marketing material and websites may confuse readers, e.g., "Thank you for your interest in Tiberius Solutions and our on-site care division at YourHealthSite," which leads the reader to wonder which company is the "real" one.

C. An intriguing Montgomery News 5 TV report on Employee Wellness Centers is shown on Victoryinc.com, which is the website for The Victory Group, Inc., not the Tiberius Solutions website. This type of branding mismatch is confusing to anyone attempting to understand the company offerings. The Victoryinc.com website continues to offer HR Consulting, HR Management, Procurement, and Risk Management services, which are no longer a focus of management.
    a. **Note:** Management is aware of this problem and is actively addressing the issue.

D. Victoryinc.com website "news" section was last updated on February 20, 2018, and hosts a list of outdated articles from 2008 to 2017. Simply adding a few articles from 2019 to 2020 would make this page relevant, particularly for Search Engines.

E. The use of stock images of Doctors and other professionals may be a red flag to visitors to the Tiberius website where they are looking for genuine, approachable, "real people."

F. On the company's LinkedIn page, The Victory Group is said to be "an employee benefits consulting firm, specializing in employer solutions and personal lines of insurance. Victory's experts have a cumulative 100 years of experience in serving public sector employers such as school boards, city, and county government, as well as private organizations. The firm's mission is to bring innovative solutions that meet the fiscal responsibility of employers and maximizes investments. Solutions for consumer-driven plans include health reimbursement arrangements, self-funded plans, on-site health, and wellness centers, as well as risk management and human resources consulting." And, the same message is on Victoryinc.com

Note: Management is aware of the "website problems" and is actively addressing the issue.

Industry and Economic Outlook

COVID-19 IMPACT

Financial Risk

We considered the financial risk associated with TVG's working capital, debt load, corporate goodwill, and whether Victory received Payroll Protection Plan (PPP) funds and whether those funds will be forgiven. Victory accepted the PPP loan and fully expects to qualify for loan forgiveness.

Industry

In assessing the potential impact of COVID-19 on Victory, we considered whether the healthcare services industry is highly susceptible to closing, whether there are significant innovations that could change the subject industry, whether supply chain issues might impact the industry, and whether any suppliers or customers were shut down as a result of the Coronavirus. In our assessment of the COVID-19 impact, we posed these questions to management:

1. Provide an estimate of the negative COVID-19 impact on Victory revenues.
2. Describe the efforts of Victory to mitigate the downside effects of COVID-19.
3. What further plans does Victory have to mitigate the downside of COVID-19?
4. Describe the extent to which COVID-19 will have a **positive impact** on the type of revenues coming into Victory, i.e., will you find new revenue sources to enhance your client's betterment?
5. Describe the extent to which COVID-19 will have a long-term **negative impact** on the type of revenues coming into Victory.

The Result - Management states that neither Victory nor its customers have been adversely affected by the COVID-19 virus

Industry Segmentation

We evaluated the following industries (by NAICS and SIC codes), which indicate historical trends, pricing multiples, and economic outlook, relevant to Victories' operations.

- SIC code 80110205 SIC code 80110202
  Primary Care Medical Clinic **Clinics Operated by Physicians**
  Establishments of licensed practitioners having the degree of M.D. and engaged in the practice of general or specialized medicine and surgery. Establishments operating as clinics of physicians are included in this industry

- NAICS code 621111
  Offices of Physicians (except Mental Health Specialists). This U.S. industry comprises establishments of health practitioners having the degree of M.D. (Doctor of Medicine) or D.O. (Doctor of Osteopathy) primarily engaged in the independent practice of general or specialized medicine (except psychiatry or psychoanalysis) or surgery. These practitioners operate private or group practices in their own offices (e.g., centers, clinics) or in the facilities of others, such as hospitals or HMO medical centers.

- NAICS code 541611
  Administrative Management and General Management Consulting Services
  This U.S. industry comprises establishments primarily engaged in providing operating advice and assistance to businesses and other organizations on administrative management issues, such as financial planning and budgeting, equity and asset management, records management, office planning, strategic and organizational planning, site selection, new business start-up, and business process improvement. This industry also includes establishments of general management consultants that provide a full range of administrative, human resource, marketing, process, physical distribution, logistics, or other management consulting services.

On-site Medical Care – National Presence

According to a 2006 survey by the global consulting firm Watson Wyatt, 22 percent of large companies, i.e., those with 2,000 workers or more, have health clinics for their employees either at or near the workplace. The same survey found that, based on current plans, large companies with on-site clinics will rise to 27 percent by the end of 2007. ***Citation to Montgomery News****:* https://www.MontgomeryNews.com/news/os-xpm-2006-10-09-cover09-story.html

According to a 2019 survey by global consulting firm Willis Tower Watson, an increasing number of employers intend to provide their workforce with better access to high-quality and cost-effective health care by embracing a myriad of solutions such as high-performance networks, centers of excellence, on-site or near-site health centers, and accountable care organizations. Nearly one-half (45%) of employers say they intend to adopt these types of solutions by 2021, compared to just 32% that have already done so. Notably, the survey also uncovered employers' top concerns around delivering high-quality, comprehensive health care to their workforce and found they're most concerned about inadequate access to mental health services (54%) and substance abuse treatment (47%).

Of the employers that offer an on-site or near-site health center, 87% indicated they had succeeded in improving employee access to convenient health care services, while 81% touted enhancing employee productivity and bringing absenteeism under control. Further, 84% of employers with health centers made good in delivering and promoting preventive health screening and services, getting ahead of medical issues through early detection, and instilling healthy habits. ***Citation to Willis Towers Watson:*** https://www.willistowerswatson.com/en-US/News/2019/05/employers-take-action-to-improve-access-to-quality-affordable-health-care

Industry Conferences

The 2021 On-Site Employee Health Clinic Summit will be held as the DoubleTree resort in Paradise Valley Scottsdale, AZ, in January 2021.

Industry Consolidation

In March 2008, Walgreens announced the purchase of two worksite health clinic operators. Walgreens said it would pay about $278 million in cash and assume about $18.3 million in debt to acquire I-Trax, which reported $143 million in 2007 revenues. Walgreens did not disclose the terms of the Whole Health Management acquisition.

Industry Threats

Management is not aware of any threats to the on-site/near-site medical clinic industry.

Economic Outlook

The impact of COVID-19 on the nation's economy is widely assumed to be negative but not well understood by even the most seasoned economic advisors and Wall Street Analysts. The DOW industrial average, NASDAQ, and the S&P 500 are leading indicators which have yet to turn negative since rebounding from the March 2020 falloff, and yet this could happen if the nation experiences an increase in hospitalizations and death rates. Nevertheless, non-discretionary (mandatory) consumer spending drives the day to day business of the healthcare services industry. As such, we believe Victory is sheltered from a severe falloff in the economy.

Financial Analysis

An essential step in the valuation of any company is an analysis of its performance over time. Past sales and earnings growth can indicate future growth and put a company's earnings into a historical context. Other things being equal, a company with rapidly rising sales and earnings is worth more than one with little or no growth. The following section examines key trends in Victory's financial statements during the latest five-year period

Financial Projections

Note: Management is working on financial projections. In our discounted cash flow analysis, we assumed a 2% growth rate, which is in line with inflation as projected by the Federal Reserve bank and reported in the Livingston Survey shown in Appendix 5.

Capital Accessibility

Note: Management is working on financial projections. In our discounted cash flow analysis, we assumed management has access to sufficient capital at nominal lending rates.

Debt Analysis

Management applied for and received a $1.6M SBA loan from the Payroll Protection Act, which management anticipates will be forgiven in full. As described in this report, Victory needs capital due to its high growth rate, evidenced by unpaid rent owed to Victory Properties, LLC. We calculated Victory's ability to fund the buyout of a shareholder, as shown in the following table. We recommend management consider a long-term buyout to allow for capital to be used for expansion as we believe it is unlikely the company can be aggressive on both fronts.

Management projected a reasonable debt load for two lines of credit at $100,000 each, which we applied in our discounted cash flow projections for each operating company, i.e., The Victory Group and Tiberius Solutions.

Note: We normalized debt to $100,000 for each operating company in our WACC analysis to remove the PPT loan and intra-company loans.

Debt Capacity

In our reasonableness test of a hypothetical pre-buyout EBITDA of $685,607, as shown in Exhibit "G," Victory has the maximum ability, in our opinion, to fund a $3.5M shareholder buyout.

See Exhibit "G" for and EBT, EBIT, and EBITDA projections 2020 through 2024 **without** buyout debt.

See Exhibit "H" for and EBT, EBIT, and EBITDA projections 2020 through 2024 **with** buyout debt.

Bank Loan to Company	
Valuation (ProForma)	**$3,500,000**
Bank Loan - Years	**7**
Bank Loan - Months	84
Int % Year	3.75%
Int % Month	0.31%
Monthly Payment	47,439
Annual Payment	569,269
Total Payments	3,984,884
Total Interest	484,884
Annualized Interest	69,269
Monthly Interest	5,772

EBT - Outflow (2021 to 2024)	
Payment to Bank	569,269
Margin of Safety	18,318
Projected EBT	**$587,587**

See Exhibit "H" for EBT calculation

Financial Statements

Victory's and Tiberius's historic and projected balance sheets, profit, and loss statements, and statements of cash flows are incorporated in Exhibits "A" through "P" of this report.

Victory- Financial Ratios

The Victory Group – Exhibits "A" to "G"

Liquidity Ratios	2020
Total Current Assets	1,162,958
Total Current Liabilities	13,923
Current Ratio	83.53
Cash	449,310
Intercompany Loans	
Other Receivable	
Accounts Payable	13,923
Quick Ratio	32.27

Financial Info (EOY Current)	2020
Assets	1,163,449
Debt	78,923
Equity	1,084,526
EBITDA	777,964
Depreciation	4,385

Leverage Ratios	2020
Debt/Assets	0.07x
Debt/Equity	0.07x
Debt/Capital	0.07x
Debt/EBITDA	0.10x
Assets/Equity	1.07x

Tiberius - Financial Ratios

Tiberius - **Exhibits "I" to "P"**

Liquidity Ratios	2020
Total Current Assets	1,858,481
Total Current Liabilities	1,239,589
Current Ratio	1.50
Cash	1,858,481
Marketable Securities	0
Accounts Receivable	0
Current Payables	1,239,589
Quick Ratio	1.50

Financial Info (EOY Current)	2020
Assets	1,858,481
Debt	1,893,688
Equity	(35,207)
EBITDA	188,139
Depreciation	0

Leverage Ratios	2020
Debt/Assets	1.02x
Debt/Equity	-53.79x
Debt/Capital	1.02x
Debt/EBITDA	10.07x
Assets/Equity	-52.79x

Victory- Financial Trends – (Historic)

The Victory Group
While transitioning from a joint venture with the [Foreign Company], The Victory Group experienced a falloff in revenues and profits. In addition to redoubling their efforts in Tiberius Solutions, management discarded several prior revenue streams such as full-service employee benefits consulting and personal lines insurance.

Note: 2020 data is projected by management from 2019 data.

	2016	2017	2018	2019	2020	Industry	CAGR
Net Sales	4,708,220	5,295,884	4,200,261	3,122,391	3,122,391		-7.9%
Normalized Operating Profits	1,462,279	970,407	1,141,687	805,538	773,579		-12.0%
Operating Profits Margin	31%	18%	27%	26%	25%	8.5%	-4.4%
Cost of Sales	540,580	1,108,076	768,963	605,241	605,241		2.3%
	11%	21%	18%	19%	19%	69.0%	11.0%
Gross Profit	4,167,640	4,187,808	3,431,298	2,517,150	2,517,150		-9.6%
Gross Margin	89%	79%	82%	81%	81%	31.0%	-1.9%
EBITDA - Normalized	1,505,834	984,144	1,154,843	818,694	777,964		-12.4%
EBITDA Margin	32%	19%	27%	26%	25%	14.8%	-4.9%

Tiberius Financial Trends – (Historic)

Tiberius Solutions
As a start-up company, Tiberius is in a high growth phase. Management expects the cost of sales to trend in line with industry averages.

Note: 2020 data is projected by management from 2019 data.

	2016	2017	2018	2019	2020	Industry	CAGR
Net Sales	196,023	948,694	1,957,142	16,460,907	16,460,907		142.6%
Normalized Operating Profits	0	-63,277	260,041	-188,605	46,512		
Operating Profits Margin	0%	-7%	13%	-1%	0%	8.5%	
Cost of Sales	207,843	347,545	576,629	13,091,384	13,091,384		129.0%
	106%	37%	29%	80%	80%	69.0%	-5.6%
Gross Profit	-11,820	601,149	1,380,513	3,369,523	3,369,523		-409.7%
Gross Margin	-6%	63%	71%	20%	20%	31.0%	-227.7%
EBITDA - Normalized	0	-56,124	267,149	-180,685	188,139		
EBITDA Margin	0%	-6%	14%	-1%	1%	14.8%	

Tiberius Financial Trends - (Projected)

Tiberius Solutions

	2021	2022	2023	2024	2025	Indus	CAGR
Net Sales	16,790,125	17,125,928	17,468,446	17,817,815	18,174,171		1.6%
Normalized Operating Profits	163,152	166,415	169,743	173,138	176,601		1.6%
Operating Profits Margin	1%	1%	1%	1%	1%	8.50%	0.0%
Cost of Sales	13,353,212	13,620,276	13,892,681	14,170,535	14,453,946		1.6%
	80%	80%	80%	80%	80%	69.00%	0.0%
Gross Margin	3,436,913	3,505,652	3,575,765	3,647,280	3,720,226		1.6%
Ratio to Net Sales	20%	20%	20%	20%	20%	31.00%	0.0%
EBITDA - Normalized	191,902	195,740	199,655	203,648	207,721		1.6%
EBITDA Margin	1%	1%	1%	1%	1%	14.80%	0.0%

Victory Financial Trends - (Projected)

The Victory Group

	2021	2022	2023	2024	2025	Indus	CAGR
Net Sales	3,184,839	3,248,536	3,313,506	3,379,776	3,447,372		1.6%
Normalized Operating Profits	577,692	592,846	608,303	624,069	640,150		2.1%
Operating Profits Margin	18%	18%	18%	18%	19%	8.50%	0.5%
Cost of Sales	617,346	629,693	642,287	655,132	668,235		1.6%
	19%	19%	19%	19%	19%	69.00%	0.0%
Gross Margin	2,567,493	2,618,843	2,671,220	2,724,644	2,779,137		1.6%
Ratio to Net Sales	81%	81%	81%	81%	81%	31.00%	0.0%
EBITDA - Normalized	685,607	702,919	720,577	738,589	756,961		2.0%
EBITDA Margin	22%	22%	22%	22%	22%	14.80%	0.4%

Capital Expenditures

As a service provider, Victory is not dependent on capital expenditures for growth; rather, free cash flows will be allocated to an enhanced sales force. As such, management anticipates a nominal annual CapEx of $25,000.

Cost of Sales

Tiberius Solutions

Tiberius's cost of revenue is in line with one-hundred twenty-nine publicly traded healthcare support services companies.

	2016	2017	2018	2019	2020	Indus
Net Sales	196,023	948,694	1,957,142	16,460,907	16,460,907	
Normalized Operating Profits	0	-63,277	260,041	-188,605	46,512	
Operating Profits Margin	0%	-7%	13%	-1%	0%	8.5%
Cost of Sales	207,843	347,545	576,629	13,091,384	13,091,384	
	106%	37%	29%	80%	80%	69.0%

The Victory Group

Victory's cost of sales increased at an acceptable rate, slightly above inflation.

	2016	2017	2018	2019	2020	CAGR
Net Sales	4,708,220	5,295,884	4,200,261	3,122,391	3,122,391	-7.9%
Cost of Sales	540,580	1,108,076	768,963	605,241	605,241	2.3%
	11%	21%	18%	19%	19%	11.0%

Acronym	Meaning
CAGR	Compound Annual Growth Rate

Working Capital – Victory

Cash Component of Working Capital
We included cash as a component of Victory's working capital due to Victory's relative size compared to publicly traded companies. For example, when valuing a publicly-traded company**,** cash is excluded from working capital because cash is frequently invested in treasury bills, short-term government securities, or commercial paper. Unlike inventory, accounts receivable, and other current assets, cash then earns a fair return and should not be included in measures of working capital when valuing a large public company.

We tested the net change in working capital at each year-end to determine whether the change was negative or positive relative to net sales. A negative change in working capital indicated an increase in cash, accounts receivable, or inventory, at a rate that is higher than the change in liabilities. A net increase in working capital harms cash flow, i.e., the assets are tied up or "held" on the balance sheet instead of **flowing** to operations, investing, or financing activities.

Why it Matters
A hypothetical buyer of Victory would consider whether the value of working capital at the time of closing is similar to historic levels. Additionally, a buyer would estimate working capital as a percentage of projected earnings

Victory**'s Working Capital**
Companies rely on operating working capital to operate their business on a day-to-day basis.

- Victory's current assets include cash, accounts receivable, inventory, and prepaid expenses.
- Victory's current liabilities include deferred revenue, accounts payable, and accrued liabilities.

Changes in Working Capital - Historic
We measured the year-over-year changes in Victory's working capital to net sale ratio to determine whether anomalies occurred and whether a continuation of the historical trend will be sufficient going forward.

Working Capital % of Sales

We tested Victory's working capital as a percentage of net sales by observing similar data points of companies operating in the subject industry. We compared Victory's working capital ratio to the industry ratio published by Aswath Damodaran, Ph.D., New York University, Stern School of business, which indicated an average 8.5% non-cash working capital to sales ratio for one-hundred twenty-nine companies operating in the Healthcare Support Services industry. Victory's non-cash working capital as of June 2020 is 7.2% of sales, slightly below industry norms, but not enough to call for an adjustment to company value, in our opinion.

	2016	2017	2018	2019	LTM June	CAGR	Avg.
Net Sales	4,708,220	5,295,884	4,200,261	3,122,391	3,122,391	-7.89%	4,251,942
Net Working Capital	473,823	679,036	803,223	435,387	435,387	-1.68%	642,465
W.C. Turnover	9.9	7.8	5.2	7.2	7.2	-6.31%	7.0
W.C./Net Sales	10.1%	12.8%	19.1%	13.9%	13.9%	6.74%	15.0%
Net Change in WC	-554,110	205,213	124,187	-367,836	0		-118,509
Net Change as a % of Revenue	-11.8%	3.9%	3.0%	-11.8%	0.0%	-100.0%	-3.3%
Net Change as a % of Net Income	-57%	18%	15%	-48%	0%	-100.0%	-14.3%
W.C./Net Sales (Industry)	8.50%	8.50%	8.50%	8.50%	8.50%		
W.C./Net Sales (Industry)	400,199	450,150	357,022	265,403	265,403	-7.9%	396,009
Excess (Deficient) W.C	73,624	228,886	446,201	169,984	169,984	18.2%	246,456

The Result Victory's working capital trends and ratios indicate financial strength and continuity. We applied Victory's <3.3%> net change in working capital to our discounted cash flow projections. The result is an annual reduction in cash flow as a percentage of sales.

Working Capital – Tiberius

Management states that the parent company will fund working capital needs through The Victory Group. As such, we did not adjust working capital increases to the Tiberius discounted cash flow projections.

Financial Statement Adjustments

Expectations about future business activity, revenue, and expenses are critical to assessing Victory's current value under the fair market value standard. If Victory's operations include non-business expense items or non-recurring expenses, an adjustment is required. Similarly, if a future event is known or knowable on the valuation date, we must include the financial impact in our calculations.

Tiberius Solutions

- The appraiser made no adjustments

The Victory Group

- TVG is obligated to pay $15,000 per month to Victory Properties, LLC but has failed to do so. Accordingly, our projected cash flows include the full $180,000 annual expense.
- We made no other adjustments or normalizations.

Valuation Framework

IRS Revenue Ruling 59–60 illustrates the techniques, rules, and factors governing three general approaches to valuing closely held companies. Professional appraisers use various methods under those three approaches in the appraisal process. Using more than one approach is to develop mutually supporting evidence of the conclusion of value.

While the specific titles of these three approaches may vary, the generic names are as follows:

- The market approach,
- The income approach, and
- The asset-based approach.

In approaching the valuation of Victory, a variety of factors were taken into consideration, including: (1) the nature and history of the business, its current position, and its outlook; (2) the general and relevant economic conditions prevailing at the valuation date; and (3) the conditions and outlook for the industry as of the valuation date.

After considering each of these three valuation approaches, we determined that the best approaches for Victory are the market and income-based approaches. We could not derive a meaningful indication of value from the asset-based approach because Victory's ongoing value is best shown by its ability to generate earnings.

The Asset Approach

Valuation Theory and Methodology

We evaluated the assemblage of Victory's assets currently in determining the best overall approach to valuing the company. Had the company been in distress or liquidation, the asset approach by itself may have provided the highest value under the "best use" hypothesis. Victory, however, is a going concern that indicates the need for the income and market approaches, which are heavily weighted on recurring cash flows.

Nevertheless, we report on Victory's tangible and intangible asset values using the Excess Earnings Method.

Asset Approach Conclusions

Note: 2020 data is projected by management from 2019 data. Victory reports the following tangible assets as of the valuation date:

Asset Approach - The Victory Group		
LTM Earnings as of June 30, 2020		$773,579
Less Earnings Attributable to Current Assets	$1,162,958	
Assumed Rate of Return (Bank Rate)	1.50%	-$17,444
Less: Earnings Attributable to Fixed Assets	$74,233	
Assumed Rate of Return	10.00%	-$7,423
Excess Earnings Attributable to Intangible Assets		$748,711
Divided by Capitalization Rate (see Equity Build-Up)	16.00%	
Estimated Value of Intangibles (rounded)		$4,679,446
Excess Earnings Method - Value Indication		
Value of Intangibles		$4,679,446
Value of Adjusted Net Assets (date of Valuation)		$1,097,958
Market Value of The Victory Group ⟹		$5,777,404

Asset Approach - Tiberius Solutions		
LTM Earnings as of June 30, 2020		$46,512
Less Earnings Attributable to Current Assets	$1,858,481	
Assumed Rate of Return (Bank Rate)	1.50%	-$27,877
Less: Earnings Attributable to Fixed Assets	$3,087	
Assumed Rate of Return	10.00%	-$309
Excess Earnings Attributable to Intangible Assets		$18,326
Divided by Capitalization Rate (see Equity Build-Up)	16.00%	
Estimated Value of Intangibles (rounded)		$114,538
Excess Earnings Method - Value Indication		
Value of Intangibles		$114,538
Value of Adjusted Net Assets (date of Valuation)		$618,892
Market Value of Tiberius ⟹		$733,430

Victory Properties - Asset Approach	
Estimated by Management	$950,000
Estimated by Management	-$650,000
Controlling Interest Value	$300,000

Victory Holdings - Asset Approach	
Victory Properties	$300,000
Tiberius Solutions	$733,430
The Victory Group	$5,777,404
Value to Controlling Interest	**$6,810,834**

The Result – The asset approach was ultimately **rejected** after careful consideration of the following observations.

1. Inter-company debt and large ($1.8M) cash holdings made us question the reliability of the asset approach for Victory as a going concern.
2. We compared the net value of Victory's assets and liabilities (shown in the above table) to the value of Victory's cash flows on a fair market value basis:
3. Based on our professional opinion, the higher, more prudent value of Victory is reflected in the Income and Market approaches that quantify and bolster the goodwill component of value. In the following pages, we discuss the two classes of goodwill, i.e., personal goodwill, which is not transferable without a Non-Competition Agreement, and business goodwill, which includes the non-competition agreement and other saleable, intangible assets, e.g., company name, website, and client lists.

Intangible Assets

No Compete Covenants

Victory does not have Non-Competition Agreements (NCAs) in force. The importance of the NCA's cannot be understated when evaluating the transferability of client relationships and projecting growth. Accordingly, we considered the Tax Court's guidance in Beaver Bolt v Commissioner (TCM 1995-549) where the court listed nine factors evidencing the economic reality of the NCA, shown here (modified for the Victory assessment):

1. The covenanter's ability to compete
2. The covenanter's probable intent to compete
3. The covenanter's economic resources indicating a willingness or desire to compete
4. The potential damage posed by the covenanter's competition
5. Covenanter's business expertise in the industry
6. The covenanter's contacts and relationships with customers, suppliers, and other business contacts
7. The holder or buyer's interest in eliminating competition
8. Duration and geographic scope of the covenant
9. the covenanter's intent to reside in the same geographic area.

We also considered the factors revealed in the Thompson v Commissioner case (TCM 1997-287) (modified for the Victory assessment):

1. The age and health of the grantor
2. The enforceability of the covenant under state law
3. Whether payments for the covenant are pro-rata to grantor's stock ownership in the company
4. Whether the payment under the covenant ceases on breach of the covenant or upon the death of the grantor
5. The extensive active negotiation over the terms and value of the covenant

The Result – In our opinion, the potential economic damages to Victory for failing to secure NCA's are significant enough to require further analysis, as shown in the following paragraphs, which is quantified in the [Discounts and Premiums] section of this report.

Key Personnel

While contemplating the economic value of Non-Competition Agreements (NCAs), and the absence thereof, we considered the attributes of personal goodwill to be important factors in valuing Victory's historic growth and prospective revenue. In other words, we evaluated the economic value coming from each current owner and whether that value is captured in a covenant-not-to-compete, and whether personal goodwill is an asset of Victory or an asset of a person. The concept of goodwill is well-documented in these tax court cases, which are briefly narrated in Exhibit “T.”

- MacDonald – 3 T.C. 720 (1944)
- Martin Ice Cream – 110 T.C. 189 (1998)
- Norwalk - T.C. Memo (1998-279)
- Muskat v. the United States, 2009 WL 211067 (1st Cir. 2009)

To that end, we asked the following questions to each owner and prospective owner:

1. Did you sign a covenant not to compete?
2. Describe any other covenants-not-to-compete held by Victory.
3. Describe the specific skills that set you apart from your peers.
4. Describe your plans for retirement and how you intend to transfer your client relationships to other firm members eventually.
5. How many staff members are needed to support the work you do?
6. To what extent can your staff members "handle" the client relationships that you have established?
7. To what extent could a hypothetical seasoned professional "handle" the client relationships that you have established?
8. Describe your marketing efforts on a week to week, monthly, and annual basis.
9. How much new business do you get from your marketing efforts?
10. How critical are your marketing efforts in retaining clients?
11. Describe the Victory staffing levels before and after COVID-19
12. Describe your personal-staffing levels before and after COVID-19
13. To what extent are personal expenses paid through the business?
14. To what extent does Victory marketing material incorporate references to you personally?
15. Describe the extent to which current customers referred new business to you personally.
16. Describe the extent to which your reputation is known among your peers and your customer base.
17. Describe the extent to which individuals desired to work for you, e.g., to learn business and life skills from you.
18. Describe the extent to which your work habits differentiate you from your peers. To what extent are you actively involved in the management of Victory daily, e.g., your critical role in human resource decisions and client relationships.
19. How many hours per week do you work?
20. How many hours per year do you work?
21. How many weeks of vacation do you normally take?
22. Who covers your work duties when you are on vacation?

23. Aside from the partnership members, describe the Victory workforce in place
    a. number of workers
    b. each person's duties
    c. The longevity of each person
24. Describe the workforce that answers to you personally.
    a. number of workers
    b. each person's duties
25. Describe your percentage of revenues by industry sector
    a. Number of clients in each sector
    b. Provide an estimate of revenues derived from each sector
26. Describe Victory's reputation in the community. Is the reputation tied at all to your support staff and other employees?
27. Describe the level of client retention on relationships generated by you personally
28. Does Victory have written operating manuals and procedures for employees to understand "how" things are done at Victory?

The Result – Victory's client relationships and projected sales growth are closely tied to the current and prospective shareholder group. In other words, without these key personnel, and in the absence of NCAs, the company remains in a difficult situation, in our opinion. Accordingly, we discounted the value of the company using an appropriate weighting method described in the [Discounts and Premiums] section of this report.

The Market Approach

Valuation Theory and Methodology

We considered three market- approach methods to test Victory's value. These methods are referred to as (1) the guideline publicly traded company method, (2) previous share transaction method, and (3) the completed-transaction method as described below.

Previous Transactions Method

Method Considered and Rejected
Victory has not previously sold company stock. Therefore, this method was considered but rejected.

Completed Transactions

Included Method
Using a proprietary business broker database known as DealStats, we located eight private sales of companies operating within the medical clinic industry with revenues ranging from $436,646 to $1,738,368, indicating a median EBITDA multiple of 4.07x.
We also considered the DealStats Q2 2020 completed deals in the Healthcare and Social Assistance Sector median EBITDA multiple of 6.1x. **See Exhibit "Q" for the table of completed transactions**

EBITDA Multiple

We selected an EBTIDA multiple of 6.1x, from the following sources:

1. Completed Transactions rate (see Exhibit "Q") median EV/ EBITDA = 4.07x
2. Deal Stats Value Index Q2 2020 (see Exhibit "R") for 6.1x under "Healthcare Support."
3. Implied rate from build-up method (1/ .16 = 6.25x) (see table here):

20-Year Treasury	1.18%
Equity Premium (1928-2018)	6.97%
10th Decile Size Premium	7.64%
Industry Risk (Healthcare Support)	1.18%
Company Specific Risk	1.00%
Equity Discount Rate (rounded):	18.00%
Less Growth Rate (Livingston Survey)	2.00%
After-Tax CF Cap Rate for next Year	16.00%

The Result - 5.56x EBITDA Multiple

DEAL STATS BY INDUSTRY SECTOR Q2 2020		
Industrial Sector		MVIC EBITDA
Health Care & Social Assistance	(Median)	6.10
Completed Transactions	(Median)	4.07
Implied Rate by Equity Build-Up		6.25
Low		4.07
Median		6.10

Value by Market Approach – Tiberius

We considered two distinct time references in the Completed Transactions method under the Market Approach:

1. Trailing twelve months EBITDA as of June 30, 2020, and
2. The normalized cash flows through the end of 2020

The result - Using the market pricing multiple described above, we applied an EBITDA multiple to Tiberius's twelve-month normalized EBITDA, resulting in the valuation data point shown below:

See Exhibit "P" for the following EBT, EBIT

Projected	2020
EBT	163,152
Interest	3,750
EBIT	166,902
D&A	25,000
EBITDA	$191,902

EBITDA - Value		2020
EBITDA		191,902
Market Rate		6.10
MVIC Value		$1,170,601

Value by Market Approach – Victory

We considered two distinct time references in the Completed Transactions method under the Market Approach:

3. Trailing twelve months EBITDA as of June 30, 2020, and
4. The normalized cash flows through the end of 2020

The result - Using the market pricing multiple described above, we applied an EBITDA multiple to Victory's twelve-month normalized EBITDA, resulting in the valuation data point shown below:

Projected	2020
EBT	656,857
Interest	3,750
EBIT	660,607
D&A	25,000
EBITDA	$685,607

EBITDA - Value		2020
EBITDA		685,607
Market Rate		6.10
MVIC Value		$4,182,201

Guideline Publicly Traded Company Method

Method Considered and Rejected

Company values are best determined and tested in the marketplace. However, when valuing a closely held company, such as Victory, there is usually no such marketplace. As such, we tested the public market for prices currently being paid for companies in the same-or similar-lines of business. We searched the SEC EDGAR database for "Worksite Medical Clinic" and found companies operating in the subject industry, which is shown below.

The result - Note: We found similar companies operating in the subject’s niche market. However, we deemed the revenue multiples to be hyper-extended, and the EBITDA multiples to be negative or non-existent. Thus, the guideline companies were considered but ultimately rejected due to a lack of financial comparability to Victory.

	Company Name	Ticker	Revenue (1,000)	EBT (1,000)	EBIT	EBITDA	Market Value (1,000)	EV/ Rev.	EV/ EBITDA	EV / Gross Profit
1	1Life Healthcare	ONEM	276,258	-54,113	-54,587		3,784,000	13.70 x		34.83 x
2	Oak Street Health (IPO)	OSH	641,013	-107,048	-115,116	-115,116	10,938,000	17.06 x	-95	254.22 x
3	Teladoc Health, Inc.	TDOC	716,287		-71,743	-26,309	15,817,000	22.08 x	-601	34.76 x
4	Livongo Health, Inc.	LVGO	257,996	-33,193		-53,627	11,842,000	45.90 x	-221	60.64 x
5	Select Medical Holdings Corp	SEM	541,527	190,906	477,076	686,544	2,783,000	5.14 x	4	35.97 x
6	LHC Group, Inc.	LHCG	209,052				6,731,000	32.20 x		87.94 x
7	The Ensign Group	ENSG	215,482				3,065,000	14.22 x		94.39 x
	Low		209,052	-107,048	-115,116	-115,116	2,783,000	5.14 x		34.76 x
	Max		716,287	190,906	477,076	686,544	15,817,000	45.90 x	4.05 x	254.22 x
	Median		276,258	-43,653	-63,165	-39,968	6,731,000	17.06 x		60.64 x

The Income Approach

Valuation Theory and Methodology

The Income Approach is based on the premise that the value of a closely held company is equivalent to the present value of the future economic income to the shareholders. To determine this value, we do an in-depth analysis of Victory's revenue, fixed and variable expenses, capital structure, and growth. The future net free cash flows of Victory are estimated, and the present value of these cash flows, along with a residual (or terminal) value, is calculated based upon an appropriate present value discount rate.

Tax-Affected Cash Flows

In keeping with accepted valuation industry practices, we tax-affected Victory's cash flows using the current corporate flat-tax rate of 21%, which is an appropriate proxy for a hypothetical buyer, reflecting the market-derived comparable transactions relied upon in our cost of equity analysis (build-up method), which under the Income Approach, the components of risk are drawn in part from publicly traded companies, subject to corporate taxation.

Financial Projections

The first step in the income approach is to determine the net free cash flows to be measured. Projections of future revenue and expenses are made by management or by the appraiser (using historical data and market trends) if management has not prepared them.

Note: We normalized debt to $100,000 for each operating company in our WACC analysis, to remove the PPT loan and intra-company loans.

Victory - Discounted Cash Flow Method
We made the following estimates

- Sales, expense, and CAPX will remain unchanged from the 2020 normalized twelve months
- Gross margins will remain at the historic level of 80.62% for Victory and 20.47% for Tiberius.
- Increases in working capital requirements at 3.3% of revenues for Victory and 0% for Tiberius
- No land acquisitions or mergers

Cost of Capital

Under the Income Approach and methods, we measure the amount of financial reward (percentage return on investment) an investor is willing to acquire and hold a particular asset. Debt requires a lower reward (interest rate) than Equity (higher interest rate) do the respective hierarchy on payment obligations, i.e., debt payments are made before distributions of earnings. We compare the risk of debt to the risk of Equity by examining their respective interest rates in the marketplace. Debt risk can be measured by looking at Victory's books or asking management. Observable data points measure equity risk in the public marketplace, which we describe next.

Key Concept
The risk (interest) rate for Debt and the risk (interest) rate for Equity will be combined based on their weighted values, i.e., how much debt versus how much Equity. We use this combined risk (interest) rate to capitalize earnings and cash flows to determine Victory's value in the marketplace.

Cost of Debt

Interest Rate

- Management estimated Victory's cost of debt to be in the range of 3.75% to 4.75%. We selected a rate of 3.75% based on our conversation with management.

- Management projected a reasonable debt load of $100,000 for a line of credit on each operating company.

Cost of Equity

Equity Risk – Investor Rate of Return

We estimated Victory's cost of equity capital using a "build-up" method. This method incorporates various market rates of return and risk premia, including a risk-free rate, a long-term equity risk premium, a small stock risk premium, and an unsystematic risk premium.

1. Risk-Free Rate
    a. 1.18% Risk-Free Rate (RFR) was selected, representing the 20-Year Treasury Constant Maturity Rate available on 06/30/2020 at the Federal Reserve Bank.
2. Equity Risk Premium
    a. A 6.97% Equity Risk Premium (ERP) was selected, representing the Implied ERP calculated by Dr. Aswath Damodaran for 2019.
3. Size Premium
    a. We selected a 7.64% Size Premium (SP) based on the Center for Research in Security Prices ("CRSP") decile 10, which included 657 firms with an equity market capitalization size ranging from $1,973,000 to $229,748,000 in Q4 2019. The CRSP decile ten mean annual return reached 19.33% between 1928 and 2019. The mean annual return for the S&P 500 for the same period was 11.69%.
4. Industry Risk Premium
    a. An implied 1.18% Industry Risk Premium (IRP) was calculated using an industry beta of 1.17 selected based on professional judgment. The industry beta for 2019 US Healthcare Support Services was sourced from Dr. Aswath Damodaran and included 128 firms. Implied Industry Risk Premium = (Industry Beta * ERP) - ERP = (1.17 * 6.97%) - 6.97%.
5. Company-Specific Risk Premium ("CSRP")
    a. We applied a 1% CSRP due to the concentration of family members and the lack of an "outsider" presence on the board of directors.
6. Growth Expectations
    a. We reduced the discount rate by 2% long term sustainable growth to calculate the capitalization rate. Management anticipates, and we do not disagree, that Victory will grow at a rate similar to the rate of inflation, which we address in Appendix 5 [Economic Outlook].

Continued - Next Page

The result – Equity Risk Rate

20-Year Treasury	1.18%
Equity Premium (1928-2018)	6.97%
10th Decile Size Premium	7.64%
Industry Risk (Healthcare Support)	1.18%
Company Specific Risk	1.00%
Equity Discount Rate (rounded):	18.00%
Less Growth Rate (Livingston Survey)	2.00%
After-Tax CF Cap Rate for next Year	16.00%

Cash Flows to Equity - Victory

"Cash flow to equity" is a metric of how much cash can be distributed to the equity shareholders of Victory as dividends or stock buybacks—after all expenses, reinvestments, and debt repayments. It is also referred to as the levered free cash flow or the flow to Equity, calculated as Free Cash Flow to Equity (FCFE) = Net Income - (Capital Expenditures - Depreciation) - (Change in Non-cash Working Capital) + (New Debt Issued - Debt Repayments) This is the cash flow available to be paid out as dividends or stock buyback.

Historic Cash Flows to Equity - see Exhibit "D."

Cash Flows to Equity	2015	2016	2017	2018	2019	2020	5yr Avg
(+) EBT	1,462,279	970,407	1,141,687	805,538	773,579	773,579	892,958
(-) Federal Income Tax							
(+) Deprec.& Non-Cash	20,072	13,675	13,156	13,156	4,385	4,385	9,751
(-) Capital Expenditures	913,718	-	-	-	-	-	-
(-) Increases in Working Capital	(1,027,933)	544,110	(205,213)	(124,187)	(335,812)	(27,846)	(29,790)
(+) Debt Issued (Repaid)		(229,912)	(60,000)	(60,000)	(55,000)	-	(80,982)
Cash Flows to Equity	$1,368,136	$1,298,280	$889,630	$634,507	$387,152	$750,118	$791,937

Indicated Equity Value – Victory (Historic)

Equity Cash Flows - 5 yr. average	
Normalized Cash Flows to Equity	791,937
Equity Build-up Rate (rounded)	16.00%
Indicated Value	$4,949,609

The Victory Group – Value of Equity

In calculating the value of The Victory Group's equity cash flow, we compared historic and projected values. Ultimately, we relied on the normalized and forecasted cash flows presented by management.

Projected Cash Flows to Equity - see Exhibit "G."

Cash Flows to Equity	2020	2021	2022	2023	2024	5yr Avg
(+) EBT	656,857	673,594	690,666	708,079	725,841	691,007
(-) Federal Income Tax	-137,940	-141,455	-145,040	-148,697	-152,427	(145,112)
(+) Deprec.& Non-Cash	25,000	25,500	26,010	26,530	27,061	26,020
(-) Capital Expenditures	-25,000	-25,500	-26,010	-26,530	-27,061	(26,020)
(-) Increases in Working Capital	-29,790	-29,790	-29,790	-29,790	-29,790	(29,790)
(+) Debt Issued (Repaid)	0	0	0	0	0	-
Cash Flows to Equity	$489,127	$502,350	$515,836	$529,593	$543,624	$516,106

Indicated Equity Value – Victory (Projected)

Projected -Cash Flows to Equity	2020
Normalized Cash Flows to Equity	489,127
Equity Build-up Rate (rounded)	16.00%
Indicated Value	$3,057,045

Cash Flows to Equity - Tiberius

Tiberius Solution – Normalized Forecast with 2% Growth

To establish the baseline fair market value for Tiberius, we assigned debt obligations to the parent company and used the parent company's net change in working capital needs as a proxy for Tiberius. We assumed a constant interest rate to pay on a $100,000 line of credit (LOC) with no anticipated change in LOC balance year over year. Accordingly, we established the following cash flows to Equity.

Value of Equity - Tiberius

Accordingly, we applied the Cost of Equity (risk rate) to the cash flows available to Tiberius as an equity owner. We estimated the following equity values using our calculated Equity (interest) rate.

Tiberius Solutions – Value of Equity

In calculating the value of Tiberius Solutions equity cash flow, we relied on the normalized and projected values.

Cash Flows to Equity	2020	2021	2022	2023	2024	5yr Avg
(+) EBT (Forecast)	163,152	166,415	169,743	173,138	176,601	169,810
(-) Federal Income Tax	-34,262	-34,947	-35,646	-36,359	-37,086	(35,660)
(+) Deprec.& Non-Cash	25,000	25,500	26,010	26,530	27,061	26,020
(-) Capital Expenditures	-25,000	-25,500	-26,010	-26,530	-27,061	(26,020)
(-) Increases in Working Capital	0	0	0	0	0	-
(+) Debt Issued (Repaid)	0	0	0	0	0	-
Cash Flows to Equity	$128,890	$131,468	$134,097	$136,779	$139,515	$134,150

Indicated Equity Value – Tiberius (Projected)

Projected Cash Flows to Equity	2020
Normalized Cash Flows to Equity	128,890
Equity Build-up Rate	16.00%
Indicated Value	$805,562

Weighted Average Cost of Capital

Note: We normalized debt in our WACC analysis to remove the PPT loan and intra-company loans.

Having found the risk rate for debt and the risk for Equity, we combine those two rates based on their weighted values, i.e., how much debt versus how much Equity and each one's relative impact on company cash flows. These capital costs are expressed as required rates of return and then weighted according to an estimate of Victory's capital structure. The basic formula for computing a company's after-tax WACC is as follows:

WACC = *(Ke x We) + (Kd[1—t] x Wd), where:*

WACC = Weighted average cost of capital
Ke = Company's cost of equity capital
Kd = Company's cost of debt capital
We = Percentage of equity capital in the capital structure
Wd = Percentage of debt capital in the capital structure
t = Company's effective income tax rate

Tiberius Solutions – WACC with Normalized Debt net of Tax
[(17.97 % x 87.8%) + ((3.75% x (1-.21)) x 12.2%]

WACC - Buildup Method		Value ($M)	Weight
Equity Risk Rate	16.00%	805,562	89.0%
Yield on Debt/ Net of Tax	2.96%	100,000	11.0%
WACC to MVIC (rounded)	15.00%	905,562	100.0%

The Victory Group – WACC with Normalized Debt net of Tax
[(17.97 % x 96.5%) + ((3.75% x (1-.21)) x 3.5%]

WACC - Buildup Method		Value ($M)	Weight
Equity Risk Rate	16.00%	3,057,045	96.8%
Yield on Debt/ Net of Tax	2.96%	100,000	3.2%
WACC (rounded)	16.00%	3,157,045	100.0%

Discounted Cash Flow Analysis (DCF) - Victory

In our DCF calculation, we used the **midyear** discounting convention to approximate cash flows arriving evenly throughout the year. Using a terminal growth rate of **2%** in perpetuity, a tax rate of **21%**, and a weighted average cost of capital (WACC) discount rate of 17 % (rounded).

We prepared the following Discounted Cash Flow ("DCF") analysis reflecting Victory's investment horizon regarding: (1) the anticipated number of years until Victory's cash flows are expected to be sustainable in perpetuity; 2) the investment objectives of Victory's management. Management's projected financial statements for Victory are presented in the Exhibits "F" and "G" in this report, which in our opinion, and the opinion of management, do not appear to be unreasonable. The projections used in our analysis reflect economic earnings that would be available to a controlling-interest investor, which we then discounted to reflect a minority interest [see Discounts and Premiums section} of this report. We analyzed two distinct cash flow periods, the distinct forecast period and the perpetuity period:

Algebraic formulas on the next two pages:

Discounted Cash Flow	2020	2021	2022	2023	2024	Terminal
Date	*12/31/2020*	*12/31/2021*	*12/31/2022*	*12/31/2023*	*12/31/2024*	*12/31/2024*
Mid-Year Discount	*0.5*	*1.5*	*2.5*	*3.5*	*4.5*	*4.5*
EBT	656,857	673,594	690,666	708,079	725,841	
Interest	3,750	3,825	3,902	3,980	4,059	
EBIT	660,607	677,419	694,567	712,059	729,900	
Less: Est. Federal Tax	(138,727)	(142,258)	(145,859)	(149,532)	(153,279)	
Plus: D&A	25,000	25,500	26,010	26,530	27,061	
Less: Capex	(25,000)	(25,500)	(26,010)	(26,530)	(27,061)	
Less: Increases in NWC	(106,488)	(108,618)	(110,790)	(113,006)	(115,266)	
Unlevered FCF (After Tax)	415,391	426,543	437,918	449,520	461,355	
						Terminal
Net FCF	207,696	426,543	437,918	449,520	461,355	3,620,229
Present Value Factor	0.928	0.800	0.690	0.595	0.513	0.513
Present Value	192,841	341,410	302,167	267,391	236,578	1,856,415

Forecast Period – Victory

In the forecast period, we use a midyear convention and present-value formula to calculate the value of Victory's tax-affected net free cash flows to the firm using the 17% discount rate and a 21% tax rate.

DISCRETE FORECAST PERIOD		
Year	Formula	Result
2020 (1/2 year)	$207,696 / (1+.17) ^ .5	$192,841
2021	$426,543 / (1+.17) ^ 1.5	$341,410
2022	$437,918 / (1+.17) ^ 2.5	$302,167
2023	$449,520 / (1+.17) ^ 3.5	$267,391
2024	$461,355 / (1+.17) ^ 4.5	$236,578
Sum of Discrete Cash Flows (rounded)		**$1,340,387**

Terminal Value – Victory

In estimating the terminal value of Victory, we use a midyear convention and present-value formula to calculate the value of Victory's tax-affected net free cash flows to the firm, **in perpetuity**, using the 17% discount rate and a 21% tax rate. Applying the midyear discounting convention in perpetuity requires a modification of the Gordon Growth Model formal, as shown here:
[(CF(1+g) (1+k) ^.5 / (k-g))] / [(1+k) ^n]

CF= prior year's cash flow
G = Estimated growth rate in perpetuity
K = Weighted Average Cost of Capital (WACC) for debt and equity
n = prior year's present value discounting period

Terminal Value	
Prior Year Cash Flow	$461,355
(x) 1 + Growth Rate	$470,582
(x) (1 + WACC) ^.5	$506,832
(/) (WACC – Growth)	$3,620,229
(/) (1+WACC) ^ 4.5	$1,856,415
Terminal Value	**$1,856,415**

The Result – Victory (DCF Value Indication)

Discrete Cash Flows	$1,340,386
Terminal Value	$1,856,415
Minus Normalized Debt	<$ 100,000)
Value Indication	**$3,096,801**

Discounted Cash Flow Analysis (DCF) - Tiberius

In our DCF calculation for Tiberius, we used the **midyear** discounting convention to approximate cash flows arriving evenly throughout the year. Using a terminal growth rate of **2%** in perpetuity, a tax rate of **21%**, and a weighted average cost of capital (WACC) discount rate of **16%**,

We prepared the following Discounted Cash Flow ("DCF") analysis reflecting Tiberius's investment horizon regarding: (1) the anticipated number of years until Tiberius's cash flows are expected to be sustainable in perpetuity; 2) the investment objectives of Tiberius's management. Management's projected financial statements for Tiberius are presented in the Exhibits "**O**" and "**P**" in this report, which in our opinion, and the opinion of management, do not appear to be unreasonable. The projections used in our analysis reflect economic earnings that would be available to a controlling-interest investor, which we then discounted to reflect a minority interest [see Discounts and Premiums section} of this report. We analyzed two distinct cash flow periods, the distinct forecast period and the perpetuity period:

Algebraic formulas on the next two pages:

Discounted Cash Flow	2020	2021	2022	2023	2024	Terminal
Date	*12/31/2020*	*12/31/2021*	*12/31/2022*	*12/31/2023*	*12/31/2024*	*12/31/2024*
Mid-Year Discount	*0.5*	*1.5*	*2.5*	*3.5*	*4.5*	*4.5*
EBT	163,152	166,415	169,743	173,138	176,601	
Interest	3,750	3,825	3,902	3,980	4,059	
EBIT	166,902	170,240	173,645	177,118	180,660	
Less: Est. Federal Tax	(35,049)	(35,750)	(36,465)	(37,195)	(37,939)	
Plus: D&A	25,000	25,500	26,010	26,530	27,061	
Less: Capex	(25,000)	(25,500)	(26,010)	(26,530)	(27,061)	
Less: Increases in NWC	-	-	-	-	-	
Unlevered FCF (After Tax)	131,852	134,489	137,179	139,923	142,721	
						Terminal
Net FCF	65,926	134,489	137,179	139,923	142,721	1,200,866
Present Value Factor	0.933	0.811	0.705	0.613	0.533	0.533
Present Value	61,477	109,054	96,726	85,792	76,094	640,257

Forecast Period – Tiberius

In the forecast period, we use a midyear convention and present-value formula to calculate the value of Tiberius's tax-affected net free cash flows to the firm using the 17.44% discount rate and a 21% tax rate.

DISCRETE FORECAST PERIOD		
Year	Formula	Result
2020 (1/2 year)	\$ 65,926 / (1+.16) ^ .5	\$61,477
2021	\$134,489 / (1+.16) ^ 1.5	\$109,054
2022	\$137,179 / (1+.16) ^ 2.5	\$96,726
2023	\$139,923 / (1+.16) ^ 3.5	\$85,792
2024	\$142,721 / (1+.16) ^ 4.5	\$76,094
Sum of Discrete Cash Flows (rounded)		**\$429,143**

Terminal Value – Tiberius

In estimating the terminal value of Tiberius, we use a midyear convention and present-value formula to calculate the value of Tiberius's tax-affected net free cash flows to the firm, **in perpetuity**, using a 16% discount rate and a 21% tax rate. Applying the midyear discounting convention in perpetuity requires a modification of the Gordon Growth Model formal, as shown here:
[(CF(1+g) (1+k) ^.5 / (k-g))] / [(1+k) ^n]

CF= prior year's cash flow
G = Estimated growth rate in perpetuity
K = Weighted Average Cost of Capital (WACC) for debt and equity
n = prior year's present value discounting period

Terminal Value	
Prior Year Cash Flow	$142,721
(x) 1 + Growth Rate	$145,576
(x) (1 + WACC) ^.5	$156,113
(/) (WACC – Growth)	$1,200,866
(/) (1+WACC) ^ 4.5	$640,257
Terminal Value	**$640,257**

The Result – Tiberius (DCF Value Indication)

Discrete Cash Flows	$429,142
Terminal Value	$640,257
Less Normalized Debt	<$100,000>
Value Indication	**$969,399**

Valuation by Income Approach

We calculated the present value of Victory's discrete net cash flow through a five-year forecast. However, since the underlying premise of the DCF method is that of a going concern, it is logical to assume that Victory has value beyond the projection period. Therefore, our DCF analysis also incorporates a terminal value.

Present Value of Equity – Tiberius

By combining the present value of the terminal cash flow with the present value of the discrete cash flows, we arrived at an indication of Tiberius's Market Value of Invested Capital. After subtracting Tiberius's interest-bearing debt of we derive the indicated value of common Equity, as shown below

Present Value of Tiberius	DCF Method
Discounted Enterprise Value	$1,069,399
Less Normalized Debt	(100,000)
Intrinsic/ Present Equity Value	$969,399

Present Value of Equity - Victory

By combining the present value of the terminal cash flow with the present value of the discrete cash flows, we arrived at an indication of Victory's Market Value of Invested Capital. After subtracting Victory's interest-bearing debt of we derive the indicated value of common Equity, as shown below.

Present Value of Victory	DCF Method
Discounted Enterprise Value	$3,196,801
Less: Normalized Debt	-$100,000
Intrinsic/ Present Equity Value	$3,096,801

Discounts and Premiums

Discounts - Theory and Methodology

All things being equal, an investment is worth more if it is readily marketable or sees diminished worth if it is not. Investors prefer liquidity to lack of liquidity, and interests in closely held companies are illiquid relative to most other investments. Accordingly, we estimated the liquidity and marketability of the subject interest in Victory to determine the economic impact (discount for lack marketability) to the investor.

Discount – Key Person

In our analysis of the economic impact of not having Non-Competition Agreements, we analyzed the key-person attributes for each current shareholder and each prospective owner, all of whom are Victory insiders. We calculated the key-person discount separately from other company-specific-risks using the personal goodwill attribute checklist described in [The Asset Approach] section of this report and shown in the table below. Specifically, we weighed company goodwill attributes against personal goodwill attributes in the binary tabulation shown here:

Enterprise Attributes	Add to Scale (0,1)		*Personal Attributes*	Add to Scale (0,1)
Ancillary Services	0		Ability, Skills, Judgment	1
Assemblage of Assets	1		Age & Health of Owner	0
Barriers to Entry	0		Closeness of Contact	0
Business Locations	1		Comparative Professional Success	0
Business Name	1		Marketing, Branding of Person	0
Business Reputation	1		Personal Referrals	1
Marketing, Branding of Company	1		Personal Reputation Among Peers	1
Repeating Revenue Stream	1		Personalized Staff Recruit	0
Systems and Organization	1		Personalized Business Name	0
Workforce in Place	1		Work Habits	0
Total Enterprise Attributes	8		Total Personal Attributes	3
Ratio of Enterprise	73%		**Ratio of Personal**	27%

The Result – 27% key-person discount (see pages 40, 41, 42 for a detailed analysis)

Discount- Liquidity

In Mandelbaum v Commissioner, Judge David Laro proposed a list of nine factors for business valuator to consider when quantifying a Discount for Lack of Marketability (DLOM):

1. Financial statement analysis
2. Company dividend policy
3. Nature of the company history position and industry economic outlook
4. Company management
5. Amount of control in subject business interest restrictions on transferability of stock
6. Restrictions on transferability of stock
7. The holding period for stock
8. Company redemption policy
9. The cost associated with making a public offering

We considered these "Mandelbaum factors" for Victory and determined the economic impact of each on the hypothetical sale of the subject interest in Victory. In summary, we determined that the accounting fees, legal fees, and broker fees would be factors, along with the holding period or lack of a ready market. For example, the holding period for a publicly-traded stock is three days, while the holding period for Victory may be several months or years, depending on the internal restrictions.

While there is a ready market for Victory "in-house," a consensus agreement by the Victory ownership group would be necessary for an individual shareholder to sell their shares to an outsider, nor does Victory have a contractual repurchase agreement in-place. Accordingly, we applied a discount to reflect the difficulty in selling the subject interest in Victory.

The Result:

As shown and tabulated in Appendix 6, empirical evidence shows investors demand a greater return on their risk when the required holding period increases. The studies revealed a median two-year holding period discount rate of 33% while the six to twelve month holding period discount rate came in at 18% (rounded), which indicates a fifteen percent change (33%-15%) for each additional year, all other things being equal. Recognizing the restricted stock studies mentioned above, and assuming a reasonable twelve-months-to-sell time frame, accordingly, we applied a 20% marketability/ liquidity discount to the Victory valuation.

Discount – Minority Interest

The international Glossary of business valuation terms defines a control premium as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control.

Control Premium

A control premium is appropriate in situations where a hypothetical buyer is likely to optimize cash flows, for example, by reducing or eliminating non-business expenses and wasteful spending, consolidating administrative functions, and other cost-saving measures or by establishing synergistic revenue streams with optimized pricing. Inverse to such a control premium is the estimated non-optimized cash flows to non-controlling interest. For example, if the controlling member is wasteful or inattentive to optimization opportunities, the minority interest cannot remedy the situation, which calls for a discount.

Minority Discount

If valuing a minority interest in Victory, we considered the decision-making authority and economic benefits of ownership, which cannot be accessed by a minority shareholder.

1. Control the day-to-day operations of the company
2. Change the company's by-laws or amend the operating agreement
3. Set the general direction and investment policy of the company
4. Sell any or all of the underlying assets of the company
5. Liquidate the company
6. Borrow funds on behalf of the company
7. Determine the timing and amount of distributions
8. Appoint, replace, or remove management; and
9. Hire and fire employees.

The Result – Aside from being unable to sell their shares quickly, a minority shareholder in Victory is subject to the whims and discretions of the majority, which may lead to friction, frustration, and perhaps dilution of value due to a variety of factors outside of the minority shareholder's control. As such, we applied a **10% Minority Discount** to the subject interest**.**

>> Valuation Synthesis and Conclusion <<

We arrived at indications of the value to the investor of Victory's total invested capital (Debt and Equity) using generally accepted valuation methods. Using the completed transaction method, we applied multiples derived from companies similar to Victory's core business activities. Using the DCF method, we calculated the present value of Victory's estimated future net cash flows to total invested capital, i.e., debt and Equity. We weighted the indications of value toward the DCF model, reflecting a higher degree of professional skepticism and credibility, in our opinion. Additionally, the DCF considers working capital and debt service requirements, while the EBITDA method does not.

The Victory Group			
Approach/ Method	Result	Weight	Allocation
Income Approach -DCF	$3,096,801	60%	$1,858,081
Market Approach - MVIC/ EBITDA	$4,182,201	40%	$1,672,880
Working Capital Excess or (Deficit)			$0
Value of Controlling Interest		100%	$3,530,961
Lack of Non-Competition Agreement	-27%		-$962,989
Subtotal			$2,567,972
Minority Discount	-10%		-$256,797
Subtotal			$2,311,174
Marketability / Liquidity	-20%		-$462,235
Value of Non-Controlling Interest			$1,848,939

Tiberius Solutions			
Approach/ Method	Result	Weight	Allocation
Income Approach -DCF	$969,399	60%	$581,639
Market Approach - MVIC/ EBITDA	$1,170,601	40%	$468,240
Working Capital Over or (Short)			$0
Value of Controlling Interest		100%	$1,049,880
Lack of Non-Competition Agreement	-27%		-$286,331
Subtotal			$763,549
Minority Discount	-10%		-$76,355
Subtotal			$687,194
Marketability / Liquidity	-20%		-$137,439
Value of Non-Controlling Interest			$549,755

Victory Properties - Asset Approach	
Estimated by Management	$950,000
Estimated by Management	-$650,000
Value of Controlling Interest	$300,000

Continued - Next Page

Victory Holdings - Summary	
The Victory Group	1,848,939
Tiberius Solutions	549,755
Victory Properties	300,000
Minority Interest Value	$2,698,695
	33.33%
Value to Subject Interest (rounded)	$899,500

Summary Conclusion of Value

$2,698,695 x 33.3% = $899,500 (rounded)

Appendices

Appendix 1 – Certification and Representations

The Appraiser, CPA/ABV, CFE, CFF now certifies the following statements regarding this appraisal:

1. The statements of fact contained in this report are believed to be true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported contingent and limiting conditions, and they represent our personal, impartial, and unbiased professional analyses, opinions, and conclusions

3. I have no present or prospective interest in the business interests that are the subject of this appraisal report, and we have nor personal interest with respect to the parties involved.

4. I performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three years immediately preceding acceptance of this assignment.

5. I did not personally inspect the subject of business interests encompassed by this appraisal.

6. I have no bias concerning the subject matter of this report or the parties involved.

7. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

8. My compensation is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

9. My analysis opinions and conclusions were developed, and this report has been prepared in conformity with the uniform standards of professional appraisal practice.

10. This valuation engagement was performed in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Valuation Services, and with the Uniform Standards of Professional Appraisal Practice, as promulgated by The Appraisal Foundation.

11. No persons other than the individuals whose qualifications are included herein have provided significant professional assistance regarding the analyses, opinions, and conclusions outlined in this report.

12. Disclosure of the contents of this report is subject to the requirements of the American Society of Appraisers, and the other professional organizations of which we are members related to review by their duly authorized representatives.

13. The analyses, opinions, and conclusions of value included in this valuation report are subject to specified assumptions and limiting conditions identified in this report, and they are the personal analyses, opinions, and conclusions of the analyst.

14. The economic and industry data included in this report were obtained from various printed or electronic sources that the valuation analyst believes to be reliable. We have not performed any corroborating procedures to substantiate that data.

15. This assignment was neither an audit nor a review engagement and, as such, does not assure that the financial statements are reliable, true, or accurate.

16. The signature of the appraiser responsible for conducting this engagement, The Appraiser, CPA, ABV, CFE, is incorporated herein by reference to its location on the transmittal letter to this report.

Appendix 2 – Assumptions & Limiting Conditions

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by Victory or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods under analysis, except as expressly noted herein. We have not audited, reviewed, or compiled the financial information provided, and, accordingly, I express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information were obtained from sources we believe to be reliable. However, we make no representation of the accuracy or completeness of such information and have performed no procedures to corroborate that information.

4. The Appraiser does not assure the achievability of results forecasted (if any) because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived herein are for the exclusive use of the requesting party for the sole and specific purposes, as noted herein. They may not be used for any other purpose or by any other party for any purpose.

7. Furthermore, the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of The Appraiser Accounting Practice, P.L., based on information furnished by Victory and other sources.

8. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or any reference to any of their professional designations) shall be disseminated to the public through

advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of The Appraiser Accounting Practice, P.L.

9. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of The Appraiser Accounting Practice, P.L. unless previous arrangements have been made in writing.

10. We have not made a specific compliance survey or analysis of the subject property to determine whether it is subject to or in compliance with the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

11. No change of any item in this appraisal report shall be made by anyone other than The Appraiser Accounting Practice, P.L., and we shall have no responsibility for any such unauthorized change.

12. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

13. If prospective financial information approved by management has been used in this work, we have not examined or compiled the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected, and there will usually be differences between prospective financial information and actual results, and those differences may be material.

14. The Appraiser interviewed the current management of Victory, concerning the past, present, and prospective operating results of the subject company.

15. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report.

16. We have not attempted to determine whether all assets of the business are free and clear of liens and encumbrances or that the entity has a good title to all assets.

Appendix 3 – Industry Overview

According to a Centers for Medicare and Medicaid Services, national health care spending reached $3.81 trillion in 2019 and is projected to increase to $4.01 trillion by the end of 2020 and $6.19 trillion by 2028. It projects that Medicare spending will increase 7% annually, and its hospital trust fund will be insolvent by 2026 as 10,000 seniors enroll daily and pressure to reduce soaring federal deficits mount among lawmakers. Employers are cutting back on employee health benefits, and consumers are increasingly unable to afford their healthcare premiums and out-of-pocket obligations.

Primary care gatekeeping is the optimal strategy to control population-health costs by reducing demand for hospitals and specialists through aggressive, holistic, primary, and preventive health.

Direct access to specialist services coupled with annual medical inflation for technology and drugs and hospital price increases create a health spending tsunami that can be mitigated only by **primary care gatekeeping**. In developed systems of the world countries with equivalent or better outcomes, spending for primary care is 12-14% of total spending; in the U.S., it's 5.5%-7.7%. Victory is betting its primary care centric model will outperform alternative payment programs proposed by CMS for its fee-for-service providers with better outcomes for its patients and lower health costs for its customers—sponsors of Medicare Advantage plans

Industry Regulations – Federal

Worksite clinics, generally speaking, are subject to compliance programs, HIPAA regulations, state medical board and nursing guidelines for licensure, staffing, and oversight, workers' compensation laws, pharmacy board dispensary rules, OSHA and other safety regulations, public building mandates for access and egress, patient referral laws, laboratory regulations, and health inspections. However, management states that Victory's onsite medical clinics are not subject to ERISA under the Group Health Plan rules. The clinics are subject to COBRA, ACA, and HIPAA rules, to which Victory is fully aware and compliant.

Industry Regulations – States

Management states that Victory is fully compliant with state guidelines, and there are no associated contingent liabilities to report.

The Appraiser's Opinion on Industry Compliance

Management states that Victory is fully compliant with federal and state guidelines, and there are no associated contingent liabilities. As such, we adjusted neither the financial projections nor our company-specific-risk analysis.

Appendix 4 – Economic Outlook

In the valuation of any business interest, the general economic outlook as of the valuation date should be considered, since the national economic outlook influences how investors perceive alternative investment opportunities at any given time. In our analysis, we considered the general economic climate that prevailed as of the valuation date.

U.S. Inflation

Inflation Estimated at 2%
We relied on the research department of the Federal Reserve bank of Philadelphia Livingston Survey dated June 2020, which estimated inflation during our forecast period for Victory earnings. The Livingston forecasters predict that real GDP will grow at an annual average rate of 2.20 percent over the next ten years, an upward revision from 2.00 in the survey six months ago. The forecasters now predict that inflation (measured by the CPI) will be 2.00 percent annually over the next ten years, a downward revision from 2.22 in the December 2019 survey.

The Result – In keeping with industry practices, we considered this data point to be the maximum sustainable growth rate for Victory.

U.S. Economic Forecast

Livingston Survey - June 2020
Sharply Negative Growth in Real GDP and High Unemployment for First Half of 2020, Recovery Second Half of 2020
The participants in the June Livingston Survey predict sharply lower output growth for the first half of 2020. The forecasters surveyed by the Federal Reserve Bank of Philadelphia twice a year project that the economy's output (real GDP) will fall at an annual rate of -20.2 percent during the first half of 2020. The economy is expected to start recovering in the second half of 2020. Growth in the second half of 2020 is expected to rise to an annual rate of 9.6 percent. Growth will average an annual rate of 7.2 percent in the first half of 2021. The forecasters see a high unemployment rate in the first half of 2020, with recovery starting in the second half of 2020. The forecasters predict that the unemployment rate will be 17.4 percent in June 2020 and 10.6 percent in December 2020. The unemployment rate is expected to fall to 8.3 percent in June 2021.

Federal Reserve Beige Book - July 15, 2020
The following are excerpts from the Federal Reserve Bank's National Summary report of economic conditions based on information collected on or about the valuation date. Commonly known as the Beige Book, this report is published eight times per year. Each Federal Reserve Bank gathers anecdotal information on current economic conditions in its District through

reports from Bank and Branch directors and interviews with key business contacts, economists, market experts, and other sources. The Beige Book summarizes this information by District and sector. A designated Federal Reserve Bank prepares an overall summary of the twelve district reports on a rotating basis. The following information was prepared by the Federal Reserve Bank of New York-based on information collected on or before July 6, 2020.

National Highlights

"Economic activity increased in almost all Districts but remained well below where it was before the COVID-19 pandemic. Consumer spending picked up as many nonessential businesses were allowed to reopen. Retail sales rose in all Districts, led by a rebound in vehicle sales and sustained growth in the food and beverage and home improvement sectors. Leisure and hospitality spending improved but was far below year-ago levels. Most Districts reported that manufacturing activity moved up, but from a very low level. Demand for professional and business services increased in most Districts but was still weak. Transportation activity rose overall on the higher truck and air cargo volumes. Construction remained subdued but picked up in some Districts. Home sales increased moderately, but commercial real estate activity stayed at a low level. Financial conditions in the agriculture sector continued to be poor, while energy sector activity fell further because of limited demand and oversupply. Loan demand was flat outside of some Paycheck Protection Program (PPP) activity and increased residential mortgages. The PPP and loan deferrals by private lenders reportedly provided many firms with sufficient liquidity for the near term. Outlooks remained highly uncertain, as contacts grappled with how long the COVID-19 pandemic would continue and the magnitude of its economic implications."

The Appraiser's Opinion on Economic Conditions

The impact of COVID-19 on the nation's economy is widely assumed to be negative but not well understood by even the most seasoned economic advisors and Wall Street Analysts. The DOW industrial average, NASDAQ, and the S&P 500 are leading indicators which have yet to turn negative since rebounding from the March 2020 falloff, and yet this could happen if COVID-19 the nation experiences an increase in hospitalization and death rates. Nevertheless, non-discretionary (mandatory) consumer spending drives the day to day business of the healthcare services industry. As such, we believe Victory is sheltered from a severe falloff in the economy.

The Result: We made no financial adjustments regarding known and foreseeable economic conditions.

Appendix 5 – Restricted Stock Studies

All other things being equal, an equity investment in a company is worth more if it is readily marketable or possibly a lot less if it is not readily marketable. Because of these extreme contrasts between the ability to sell or hypothecate closely-held minority stock compared with publicly traded stock, empirical studies suggest that discounts for lack of marketability for minority interest, closely-held stocks tend to cluster in the range of 35 to 60 percent from their publicly traded counterparts. We analyzed two general types of recurring and ongoing empirical-study-protocols that are designed to quantify the discounts for lack of marketability for minority interests in closely held companies: (1) Restricted Stock Studies - discounts on sales of restricted share units of publicly traded companies, and (2) Pre-IPO Studies - discounts on private transactions prior to public offerings.

Restricted Stock Studies

In determining the market-derived discount for lack of marketability (DLOM), we began with the Restricted Stock Studies, which are based on **publicly traded companies,** known to issue restricted, or "letter," stock in making acquisitions or raising capital. Restricted stock is quicker to execute and less costly to issue than registering a new stock with the SEC. Restricted stock cannot be sold on the public market until a time-period has lapsed. That holding period has decreased from an initial timeframe of two-years down to six-months where it is currently. After the initial holding period, unregistered securities could be sold in public transactions by complying with certain "dribble-out," or volume-limit, provisions.

Appraisers "test the waters" of a DLOM by examining empirical evidence that closely resembles the market conditions for their subject company. In the case of Victory, we examined the restricted stock studies reflecting a multi-year holding period. The following table lists the studies we considered, the Rule 144 holding period, and the mean discount revealed by each study. In this section, we comment on historical market volatility, which may have impacted the discount studies:

> "In 1966, the first empirical study was a harbinger of difficult times ahead. The market reached a few new highs in the late 1960s and early 1970s, but inflation was gathering steam, and the government was bleeding the reserves of gold that backed the dollar until August 15, 1971, when President Nixon renounced the gold standard. Then came the brutal market downturn and recession of 1973-75, another bout of inflation, and additional sharp recessions in 1980 and 1981. 1966 was the start of a 15-year period in which stocks barely advanced at all. If you were in the market back then, you were rewarded eventually, but only if you were extremely patient.
>
> "October 1987 was the worst one-day stock market drop since 1929. The economy, however, was supported by easy credit policies under Federal Reserve Chairman Alan Greenspan, never faltered, and the market recovered all the lost ground within about a year. The crashes of 2001-2003 and 2008-2009 were different. A major recession accompanied each, and

each was triggered by a major imbalance in the economy (the overinvestment in technology stocks and infrastructure of the dot-com years and the overinvestment in debt backed by real estate in the mid-2000s). Correcting those imbalances took time and painful adjustments that threw millions of people out of work for extended periods. As with the two 21st century events, the well-remembered downturns of the mid-1970s and early 1980s had profound structural causes in the surging inflation of that era. The eventual adjustments were painful, but they set the stage for many years of growth that followed." Source: The Forgettable Crash of 1966; Larry Elkin, CPA, CFP; Palisades Hudson Financial Group, LLC; January 28, 2014.

The market volatility of similar magnitude, aforementioned, may come about as a result of climate change, Global political unrest from China, Russia, and Iran, and it may come about as a result of political storms such as what is brewing at the time of this report, i.e., the 2020 election. In other words, yes, some of the restricted stock studies occurred during turbulent times, but those turbulent times are likely to exist once again, in our opinion. Thus, the results of the studies are meaningful in the instant case.

Study Name	Year Start	Year Stop	Holding Period	Trans Count	Mean Price Discount
SEC Overall Average	1966	1969	2 years		25.8%
SEC Nonreporting OTC	1966	1969	2 years		32.6%
Gelman	1968	190	2 years	89	33.0%
Trout	1968	1972	2 years	60	33.5%
Moroney	N/A	N/A	2 years	146	35.6%
Maher	1969	1973	2 years		35.4%
Standard Research Consult’s	1978	1982	2 years	28	45.0%
Willamette Management	1981	1984	2 years	33	31.2%
Silber	1981	1988	2 years	69	33.8%
Management Planning	1980	1996	2 years	53	27.0%
Columbia Financial	1996	1997	2 years	123	21.0%
Columbia Financial	1997	1998	1 year	15	9.0%
Harris/TVA	2007	2008	6 to 12mo		18.1%
FMV Opinions	1980	2010	6 to 12mo		20.7%
Pluris DLOM	2001	2012	6 to 12mo		22.4%

Stout Risius Ross	2005	2010	6 to 12mo		9.3%

The Appraiser's Opinion on Restricted Stock Studies

The empirical evidence tabulated above shows that investors demand a greater return on their risk when holding the holding period increases. The studies revealed a median two-year holding period discount rate of 33% while the six to twelve month holding period discount rate came in at 18% (rounded), which indicates a fifteen percent change (33%-15%) for each additional year, all other things being equal.

Result: Recognizing the restricted stock studies mentioned above, and assuming a reasonable twelve-months-to-sell time frame, we applied a 20% marketability/ liquidity discount to the Victory valuation.

Exhibits – Victory Group

Exhibit A –Assets & Liabilities (Historic) – Victory

Assets	2015	2016	2017	2018	2019
Cash	1,046,083	488,733	693,907	835,760	449,310
AR Net of Bad Debts					
Inventory					
Intercompany Loans		10,000	10,000	10,000	713,648
Total Current Assets	1,046,083	498,733	703,907	845,760	1,162,958
Loans To Shareholder					
Buildings & Depreciable	987,951	74,233	74,233	74,233	74,233
(Less Accum. Depr.)	(322,902)	(74,233)	(74,233)	(74,233)	(74,233)
Land					
Net Property & Equipment	665,049	-	-	-	-
Other Assets					
Intangible Assets		197,341	197,341	197,341	197,341
(Less Accum. Amort.)		(166,153)	(179,309)	(192,465)	(196,850)
Net Other Assets	-	31,188	18,032	4,876	491
Total Assets	1,711,132	529,921	721,939	850,636	1,163,449

Liabilities & Equity	2015	2016	2017	2018	2019
Accounts Payable - Trade					
Accrued Expenses					
Payroll Tax Liabilities	18,150	14,910	14,871	32,537	13,923
Current Portion of LT Debt					
Loans from Shareholder					
Current Liabilities	18,150	14,910	14,871	32,537	13,923
2520 Note Payable	469,912	240,000	180,000	120,000	65,000
Deferred Income Taxes - LT Portion					
Long Term Liabilities	469,912	240,000	180,000	120,000	65,000
Total Liabilities	488,062	254,910	194,871	152,537	78,923
Stockholder's Equity					
Partner's Capital Accounts					
Equity Capital					
Retained Earnings	1,223,070	275,011	527,068	698,099	1,084,526
Shareholder's Equity	1,223,070	275,011	527,068	698,099	1,084,526
Total Liabilities & Equity	1,711,132	529,921	721,939	850,636	1,163,449

Exhibit B –Assets & Liabilities (Adjusted) – Victory

Note: 2020 LTM data is projected by management from 2019 financial statements.

Assets	2019	LTM June 2020
Cash	449,310	449,310
AR Net of Bad Debts		-
Inventory		-
Intercompany Loans	713,648	713,648
Total Current Assets	1,162,958	1,162,958
Loans To Shareholder		
Buildings & Depreciable	74,233	74,233
(Less Accum. Depr.)	(74,233)	(74,233)
Land		
Net Property & Equipment	-	-
Other Assets		
Intangible Assets	197,341	197,341
(Less Accum. Amort.)	(196,850)	(196,850)
Net Other Assets	491	491
Total Assets	1,163,449	1,163,449

Liabilities & Equity	2019	LTM June 2020
		-
Accounts Payable - Trade		-
Accrued Expenses		-
Payroll Tax Liabilities	13,923	13,923
Current Portion of LT Debt		-
Loans from Shareholder		-
Current Liabilities	13,923	13,923
		-
2520 Note Payable	65,000	65,000
Deferred Income Taxes - LT Portion		-
Long Term Liabilities	65,000	65,000
Total Liabilities	78,923	78,923
		-
Stockholder's Equity		-
Partner's Capital Accounts		-
Equity Capital		-
Retained Earnings	1,084,526	1,084,526
Shareholder's Equity	1,084,526	1,084,526
Total Liabilities & Equity	1,163,449	1,163,449

Exhibit C – Income & Expenses (Historic) Victory

	2015	2016	2017	2018	2019
Gross Receipts	5,062,502	4,708,220	5,297,088	4,201,347	3,122,391
Less: Returns and Allowances			1,204	1,086	
Net Receipts	5,062,502	4,708,220	5,295,884	4,200,261	3,122,391
Sales Growth		*-7.00%*	*12.48%*	*-20.69%*	*-25.66%*
Less: Cost of Goods Sold	281,825	540,580	1,108,076	768,963	605,241
Gross Profit	4,780,677	4,167,640	4,187,808	3,431,298	2,517,150
Gross Margin	*94.43%*	*88.52%*	*79.06%*	*81.67%*	*80.62%*
Other Income	0	0	0	0	0
Total Income	4,780,677	4,167,640	4,187,808	3,431,298	2,517,150

Exhibit D – Expenses (Historic) – Victory

	2015	2016	2017	2018	2019
Officer Compensation	745,884	607,863		532,600	457,551
Salaries and Wages	1,183,363	1,168,723	1,654,296	947,872	570,011
* Profit Sharing Plan	66,794	251,810	343,964	42,866	20,945
Repairs and Maintenance	14,264	10,976	22,718	9,170	14,550
Rents	10,537	192,076	187,785	84,641	70,670
Taxes and Licenses	127,227	108,900	90,126	95,188	72,382
Interest Expense - (LOC)	23,483	62			
Depreciation	20,072	13,675	13,156	13,156	4,385
Advertising	117,848	102,474	100,199	60,329	23,205
Automobile and Truck	51,400	24,237	74,496	51,009	30,505
Clinical Charges	6,006	114,686	29,341	8,079	
Computer Services	56,881	58,435	25,164	61,957	52,417
Dues & Subscriptions	38,154	17,277	17,769	47,341	31,989
Insurance	481,343	106,404	63,356	330,136	35,016
Janitorial	8,250	7,800	7,762	7,381	7,200
Legal and Professional/Acct	23,741	20,247	43,458	95,703	44,725
Meals & Ent/ 50% + Travel	25,571	16,977	2,575	418	13,458
Office Expense	258,813	319,278	313,915	188,695	253,320
Postage & Marketing	6,707	6,072	7,390	4,041	3,700
Telephone	31,961	36,668	30,040	21,472	25,831
Utilities	9,293	9,748	9,816	10,685	9,213
Other	10,806	2,845	8,795	13,021	2,498
Total Expenses	3,318,398	3,197,233	3,046,121	2,625,760	1,743,571
Change		*-3.7%*	*-4.7%*	*-13.8%*	*-33.6%*
Ordinary Income (EBT)	1,462,279	970,407	1,141,687	805,538	773,579
EBIT	1,485,762	970,469	1,141,687	805,538	773,579
EBITDA	1,505,834	984,144	1,154,843	818,694	777,964

Exhibit E – Income and Expenses (Adjusted) – Victory

Note: 2020 LTM data is projected by management from 2019 financial statements.

	2019	LTM June 2020
Gross Receipts	3,122,391	3,122,391
Less: Returns and Allowances		
Net Receipts	3,122,391	3,122,391
Sales Growth	*-25.66%*	*0.00%*
Less: Cost of Goods Sold	605,241	605,241
Gross Profit	2,517,150	2,517,150
Gross Margin	*80.62%*	*80.62%*
Other Income	0	0
Total Income	2,517,150	2,517,150

	2019	LTM June 2020
Officer Compensation	457,551	457,551
Salaries and Wages	570,011	570,011
* Profit Sharing Plan	20,945	20,945
Repairs and Maintenance	14,550	14,550
Rents	70,670	70,670
Taxes and Licenses	72,382	72,382
Depreciation	4,385	4,385
Advertising	23,205	23,205
Automobile and Truck	30,505	30,505
Computer Services	52,417	52,417
Dues & Subscriptions	31,989	31,989
Insurance	35,016	35,016
Janitorial	7,200	7,200
Legal and Professional/Acct	44,725	44,725
Meals & Ent/ 50% + Travel	13,458	13,458
Office Expense	253,320	253,320
Postage & Marketing	3,700	3,700
Telephone	25,831	25,831
Utilities	9,213	9,213
Other	2,498	2,498
Total Expenses	1,743,571	1,743,571
Change	*-33.6%*	*0.0%*
Ordinary Income (EBT)	773,579	773,579
EBIT	773,579	773,579
EBITDA	777,964	777,964

Exhibit F – Income (Projected) Victory

Note: Management projects a 2% growth in revenues during each year of the forecast period.

	2020	2021	2022	2023	2024
Revenue	3,184,839	3,248,536	3,313,506	3,379,776	3,447,372
Less: Returns and Allowances	0	0	0	0	0
Net Receipts	3,184,839	3,248,536	3,313,506	3,379,776	3,447,372
Sales Growth	*-22.13%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Less: Cost of Goods Sold	617,346	629,693	642,287	655,132	668,235
Gross Profit	2,567,493	2,618,843	2,671,220	2,724,644	2,779,137
Gross Margin	*80.62%*	*80.62%*	*80.62%*	*80.62%*	*80.62%*
Other Income	0	0	0	0	0
Total Income	2,567,493	2,618,843	2,671,220	2,724,644	2,779,137

Exhibit G – Expenses (Projected no Buyout) – Victory

Notes: Management projects a 2% growth in revenues during each year of the forecast period. Accordingly, we forecast expenses and cash flow using historic percentages of revenue. Victory's EBT, EBIT, and EBITDA **without** a projected buyout debt load are shown here:

	2020	2021	2022	2023	2024
Expenses					
Officer Compensation	466,702	476,036	485,557	495,268	505,173
Salaries and Wages	581,411	593,039	604,900	616,998	629,338
* Profit Sharing Plan	21,364	21,791	22,227	22,672	23,125
Repairs and Maintenance	14,841	15,138	15,441	15,749	16,064
Rents	180,000	180,000	180,000	180,000	180,000
Taxes and Licenses	73,830	75,306	76,812	78,349	79,916
Interest Expense - Buyout	0	0	0	0	0
Interest Expense - (LOC)	3,750	3,825	3,902	3,980	4,059
Depreciation	25,000	25,500	26,010	26,530	27,061
Advertising	23,669	24,142	24,625	25,118	25,620
Other Deductions:					
Automobile and Truck	31,115	31,737	32,372	33,020	33,680
Clinical Charges	0	0	0	0	0
Computer Services	53,465	54,535	55,625	56,738	57,873
Dues & Subscriptions	32,629	33,281	33,947	34,626	35,318
Insurance	35,716	36,431	37,159	37,902	38,660
Janitorial	7,344	7,491	7,641	7,794	7,949
Legal and Professional/Acct	45,620	46,532	47,463	48,412	49,380
Meals & Ent/ 50% + Travel	13,727	14,002	14,282	14,567	14,859
Office Expense	258,386	263,554	268,825	274,202	279,686
Postage & Marketing	3,774	3,849	3,926	4,005	4,085
Telephone	26,348	26,875	27,412	27,960	28,520
Utilities	9,397	9,585	9,777	9,972	10,172
Other	2,548	2,599	2,651	2,704	2,758
-					
Total Expenses	1,910,636	1,945,249	1,980,554	2,016,565	2,053,296
% Change Year to Year	9%	1.8%	1.8%	1.8%	1.8%
EBT Forecast	656,857	673,594	690,666	708,079	725,841
EBIT Forecast	660,607	677,419	694,567	712,059	729,900
EBITDA Forecast	685,607	702,919	720,577	738,589	756,961

Exhibit H – Expenses (Projected with Buyout) – Victory

Notes: Management projects a 2% growth in revenues during each year of the forecast period. Accordingly, we forecast expenses and cash flow using historic percentages of revenue. Victory's EBT, EBIT, and EBITDA **with** a projected buyout debt load is shown here:

	2020	2021	2022	2023	2024
Expenses					
Officer Compensation	466,702	476,036	485,557	495,268	505,173
Salaries and Wages	581,411	593,039	604,900	616,998	629,338
* Profit Sharing Plan	21,364	21,791	22,227	22,672	23,125
Repairs and Maintenance	14,841	15,138	15,441	15,749	16,064
Rents	180,000	180,000	180,000	180,000	180,000
Taxes and Licenses	73,830	75,306	76,812	78,349	79,916
Interest Expense - Buyout	69,269	70,655	72,068	73,509	74,979
Interest Expense - (LOC)	3,750	3,825	3,902	3,980	4,059
Depreciation	25,000	25,500	26,010	26,530	27,061
Advertising	23,669	24,142	24,625	25,118	25,620
Other Deductions:					
Automobile and Truck	31,115	31,737	32,372	33,020	33,680
Clinical Charges	0	0	0	0	0
Computer Services	53,465	54,535	55,625	56,738	57,873
Dues & Subscriptions	32,629	33,281	33,947	34,626	35,318
Insurance	35,716	36,431	37,159	37,902	38,660
Janitorial	7,344	7,491	7,641	7,794	7,949
Legal and Professional/Acct	45,620	46,532	47,463	48,412	49,380
Meals & Ent/ 50% + Travel	13,727	14,002	14,282	14,567	14,859
Office Expense	258,386	263,554	268,825	274,202	279,686
Postage & Marketing	3,774	3,849	3,926	4,005	4,085
Telephone	26,348	26,875	27,412	27,960	28,520
Utilities	9,397	9,585	9,777	9,972	10,172
Other	2,548	2,599	2,651	2,704	2,758
-					
Total Expenses	1,979,906	2,015,904	2,052,622	2,090,074	2,128,276
% Change Year to Year	12%	1.8%	1.8%	1.8%	1.8%
EBT Forecast	587,587	602,939	618,598	634,570	650,861
EBIT Forecast	660,607	677,419	694,567	712,059	729,900
EBITDA Forecast	685,607	702,919	720,577	738,589	756,961

Exhibits – Tiberius

Exhibit I – Assets & Liabilities (Historic) – Tiberius

Assets	2016	2017	2018	2019
Cash	50,140	288,013	569	1,858,481
AR Net of Bad Debts				
Inventory				
Other Current Assets				
Total Current Assets	50,140	288,013	569	1,858,481
Loans To Shareholder				
Buildings & Depreciable			3,087	3,087
(Less Accum. Depr.)			(3,087)	(3,087)
Land				
Net Property & Equipment	-	-	-	-
Other Assets				
Intangible Assets				
(Less Accum. Amort.)				
Net Other Assets	-	-	-	-
Total Assets	50,140	288,013	569	1,858,481

Liabilities & Equity	2016	2017	2018	2019
Accounts Payable - Trade				
Accrued Expenses				
Payroll Tax Liabilities	8,417	13,663	7,245	495,766
Current Portion of LT Debt				319,204
Loans from Shareholder	105,000	80,000	65,000	424,619
Current Liabilities	113,417	93,663	72,245	1,239,589
Mortgages & LT Debt				654,099
Deferred Income Taxes - LT Portion				
Long Term Liabilities	-	-	-	654,099
Total Liabilities	113,417	93,663	72,245	1,893,688
Stockholder's Equity				
Partner's Capital Accounts				
Equity Capital				
Retained Earnings	(63,277)	194,350	(71,676)	(35,207)
Shareholder's Equity	(63,277)	194,350	(71,676)	(35,207)
Total Liabilities & Equity	50,140	288,013	569	1,858,481

Exhibit J – Assets & Liabilities (Adjusted) – Tiberius

Note: 2020 LTM data is projected by management from 2019 financial statements.

Assets	2019	2020
Cash	1,858,481	1,858,481
AR Net of Bad Debts		
Inventory		
Other Current Assets		
Total Current Assets	1,858,481	1,858,481
Loans To Shareholder		
Buildings & Depreciable	3,087	3,087
(Less Accum. Depr.)	(3,087)	(3,087)
Land		
Net Property & Equipment	-	-
Other Assets		
Intangible Assets		
(Less Accum. Amort.)		
Net Other Assets	-	-
Total Assets	1,858,481	1,858,481

Liabilities & Equity	2019	2020
		-
Accounts Payable - Trade		-
Accrued Expenses		-
Payroll Tax Liabilities	495,766	495,766
Current Portion of LT Debt	319,204	319,204
Loans from Shareholder	424,619	424,619
Current Liabilities	1,239,589	1,239,589
		-
Mortgages & LT Debt	654,099	654,099
Deferred Income Taxes - LT Portion		-
Long Term Liabilities	654,099	654,099
Total Liabilities	1,893,688	1,893,688
		-
Stockholder's Equity		-
Partner's Capital Accounts		-
Equity Capital		-
Retained Earnings	(35,207)	(35,207)
Shareholder's Equity	(35,207)	(35,207)
Total Liabilities & Equity	1,858,481	1,858,481

Exhibit K – Income (Historic) – Tiberius

	2016	2017	2018	2019
Time Periods	1.00	1.00	1.00	1.00
Gross Receipts	196,023	948,694	1,957,142	16,460,907
Less: Returns and Allowances				
Net Receipts	196,023	948,694	1,957,142	16,460,907
Sales Growth		*383.97%*	*106.30%*	*741.07%*
Less: Cost of Goods Sold	207,843	347,545	576,629	13,091,384
Gross Profit	(11,820)	601,149	1,380,513	3,369,523
Gross Margin	*-6.03%*	*63.37%*	*70.54%*	*20.47%*
Other Income	0	0	0	0
Total Income	(11,820)	601,149	1,380,513	3,369,523

Exhibit L – Expenses (Historic) – Tiberius

	2016	2017	2018	2019
Officer Compensation				
Salaries and Wages	8,431	158,793	1,292,605	618,427
Employee Benefit			374	10,548
Rents				
Taxes and Licenses		14,532	7,000	27,243
Interest Expense - (LOC)	7,153	7,108	4,833	141,627
Depreciation			3,087	
Advertising	2,246		39,509	42,086
Automobile and Truck		3,165	7,097	10,334
Clinic Setup Fees			4,100	25,240
Computer Services	3,150	11,816	23,606	76,616
Contract Staff				95,875
Dues & Subscriptions		1,601	11,378	7,081
EMR System			44,306	512,821
Insurance		38,105	884	121,893
Legal and Professional/Acct	8,718	10,521	12,331	44,773
Management Fees				1,390,000
Meals & Ent/ 50% + Travel		2,414		6,065
Office Expense		21,148	10,468	61,046
Program Fees	17,525	68,486	87,431	80,619
Training & CPE			10,612	18,077
Travel			5,098	4,487
Uniforms				24,295
Other	4,234	3,419	4,399	3,858
Total Expenses	51,457	341,108	1,569,118	3,323,011
Change		*562.9%*	*360.0%*	*111.8%*
Ordinary Income (EBT)	-63,277	260,041	-188,605	46,512
EBIT	-56,124	267,149	-183,772	188,139
EBITDA	-56,124	267,149	-180,685	188,139

Exhibit M – Income (Adjusted) – Tiberius

Note: 2020 LTM data is projected by management from 2019 financial statements.

	2019	LTM June 2020
Time Periods	1.00	1.000
Gross Receipts	16,460,907	16,460,907
Less: Returns and Allowances	0	0
Net Receipts	16,460,907	16,460,907
Sales Growth	*741.07%*	*0.00%*
Less: Cost of Goods Sold	13,091,384	13,091,384
Gross Profit	3,369,523	3,369,523
Gross Margin	*20.47%*	*20.47%*
Other Income	0	0
Total Income	3,369,523	3,369,523

Exhibit N – Expenses (Adjusted) – Tiberius

Note: 2020 LTM data is projected by management from 2019 financial statements.

	2019	LTM June 2020
Officer Compensation		0
Salaries and Wages	618,427	618,427
Employee Benefit	10,548	10,548
Rents		0
Taxes and Licenses	27,243	27,243
Interest Expense - (LOC)	141,627	141,627
Depreciation		0
Advertising	42,086	42,086
Automobile and Truck	10,334	10,334
Clinic Setup Fees	25,240	25,240
Computer Services	76,616	76,616
Contract Staff	95,875	95,875
Dues & Subscriptions	7,081	7,081
EMR System	512,821	512,821
Insurance	121,893	121,893
Legal and Professional/Acct	44,773	44,773
Management Fees	1,390,000	1,390,000
Meals & Ent/ 50% + Travel	6,065	6,065
Office Expense	61,046	61,046
Program Fees	80,619	80,619
Training & CPE	18,077	18,077
Travel	4,487	4,487
Uniforms	24,295	24,295
Other	3,858	3,858
Total Expenses	3,323,011	3,323,011
Change	*111.8%*	*0.0%*
Ordinary Income (EBT)	46,512	46,512
EBIT	188,139	188,139
EBITDA	188,139	188,139

Exhibit O – Income (Projected) – Tiberius

Note: Management projects a 2% growth in revenues during each year of the forecast period. Accordingly, we forecast expenses and cash flow using historic percentages of revenue.

	2020	2021	2022	2023	2024
Revenue	16,790,125	17,125,928	17,468,446	17,817,815	18,174,171
Less: Returns	0	0	0	0	0
Net Receipts	16,790,125	17,125,928	17,468,446	17,817,815	18,174,171
Sales Growth	*133.04%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Less: Cost of Goods Sold	13,353,212	13,620,276	13,892,681	14,170,535	14,453,946
Gross Profit	3,436,913	3,505,652	3,575,765	3,647,280	3,720,226
Gross Margin	*20.47%*	*20.47%*	*20.47%*	*20.47%*	*20.47%*
Other Income	0	0	0	0	0
Total Income	3,436,913	3,505,652	3,575,765	3,647,280	3,720,226

Exhibit P – Expenses (Projected) – Tiberius

Note: Management projects a 2% growth in revenues during each year of the forecast period. Accordingly, we forecast expenses and cash flow using historic percentages of revenue.

	2020	2021	2022	2023	2024
Officer Compensation	0	0	0	0	0
Salaries and Wages	630,796	643,411	656,280	669,405	682,793
Employee Benefit	10,759	10,974	11,194	11,417	11,646
Rents	0	0	0	0	0
Taxes and Licenses	27,788	28,344	28,910	29,489	30,078
Interest Expense - (LOC)	3,750	3,825	3,902	3,980	4,059
Depreciation	25,000	25,500	26,010	26,530	27,061
Advertising	42,928	43,786	44,662	45,555	46,466
Other Deductions:					
Automobile and Truck	10,541	10,751	10,967	11,186	11,410
Clinic Setup Fees	25,745	26,260	26,785	27,321	27,867
Computer Services	78,148	79,711	81,306	82,932	84,590
Contract Staff	97,793	99,748	101,743	103,778	105,854
Dues & Subscriptions	7,223	7,367	7,514	7,665	7,818
EMR System	523,077	533,539	544,210	555,094	566,196
Insurance	124,331	126,817	129,354	131,941	134,580
Legal and Professional/Acct	45,668	46,582	47,513	48,464	49,433
Management Fees	1,417,800	1,446,156	1,475,079	1,504,581	1,534,672
Meals & Ent/ 50% + Travel	6,186	6,310	6,436	6,565	6,696
Office Expense	62,267	63,512	64,783	66,078	67,400
Program Fees	82,231	83,876	85,554	87,265	89,010
Training & CPE	18,439	18,807	19,183	19,567	19,958
Travel	4,577	4,668	4,762	4,857	4,954
Uniforms	24,781	25,277	25,782	26,298	26,824
Other	3,935	4,014	4,094	4,176	4,260
-					
Total Expenses	3,273,762	3,339,237	3,406,022	3,474,142	3,543,625
% Change Year to Year	-2%	2.0%	2.0%	2.0%	2.0%
EBT Forecast	163,152	166,415	169,743	173,138	176,601
EBIT Forecast	166,902	170,240	173,645	177,118	180,660
EBITDA Forecast	191,902	195,740	199,655	203,648	207,721

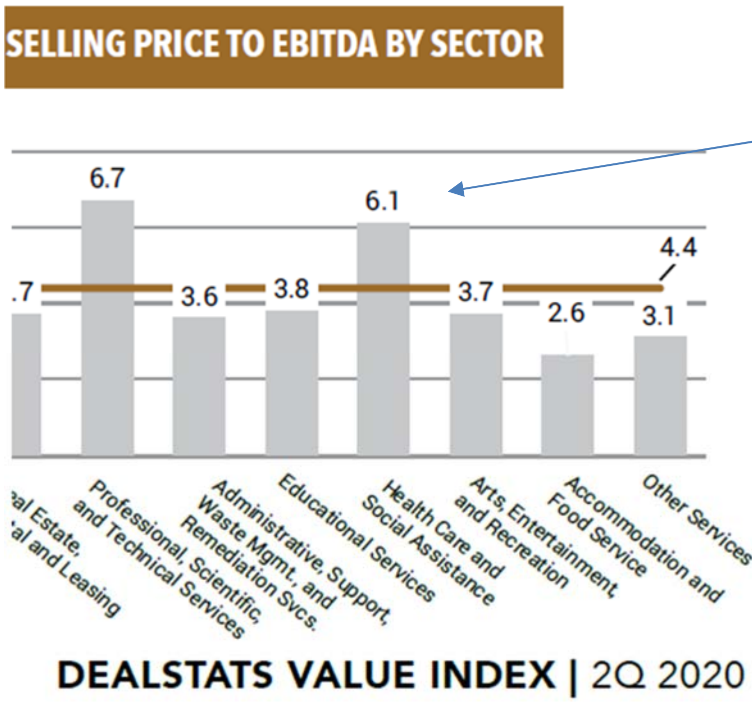
Exhibits – General

Exhibit Q – Completed Transactions

Note: DealStats did not provide company names in the completed transactions database.

	Company Name or Description	Sale Date	Revenue	EBT	EBIT	EBITDA	Sales Price	EV/ Rev.	EV/ EBITDA	DealStat #
1	Medical Clinic	Jun-18	1,619,544				1,700,000	1.05 x		48103-1
2	Medical Clinic	Feb-19	487,977	22,229	22,229	24,214	250,000	0.51 x	10.32 x	48108-1
3	Medical Clinic	Jan-19	449,863	56,025	56,025	56,025	200,000	0.44 x	3.57 x	48109-1
4	Medical Clinic	Apr-18	619,416	331,177	331,177	331,177	690,000	1.11 x	2.08 x	43866-1
5	Medical Clinic	Aug-08	606,481				400,000	0.66 x		13873-1
6	Medical Clinic	Jan-12	436,646				540,000	1.24 x		28807-1
7	Family Medicine	Oct-19	1,738,368	316,922	329,435	371,684	1,700,000	0.98 x	4.57 x	4869-1
8	Family Medicine	Jul-19	898,010				348,000	0.39 x		48673-1
	Low		436,646	22,229	22,229	24,214	200,000	0.39 x	2.08 x	
	Max		1,738,368	331,177	331,177	371,684	1,700,000	1.24 x	10.32 x	
	Median		612,949	186,474	192,730	193,601	470,000	0.82 x	4.07 x	⇦

Exhibit R – DealStats Value Index Q2 2020



Healthcare and Social Assistance Sector EBITDA multiple.

Exhibit S – Guideline Public Companies

Note: We found similar companies operating in the subject's niche market, however, we deemed the revenue multiples to be hyper-extended and the EBITDA multiples to be negative or non-existent. Thus, the guideline companies were considered but ultimately rejected due to a lack of financial comparability to Victory.

Company Name	Ticker	Revenue (1,000)	EBT (1,000)	EBIT	EBITDA	Market Value (1,000)	EV/ Rev.	EV/ EBITDA	EV / Gross Profit
1Life Healthcare	ONEM	276,258	-54,113	-54,587		3,784,000	13.70 x		34.83 x
Oak Street Health (IPO)	OSH	641,013	-107,048	-115,116	-115,116	10,938,000	17.06 x	-95	254.22 x
Teladoc Health, Inc.	TDOC	716,287		-71,743	-26,309	15,817,000	22.08 x	-601	34.76 x
Livongo Health, Inc.	LVGO	257,996	-33,193		-53,627	11,842,000	45.90 x	-221	60.64 x
Select Medical Holdings Corp	SEM	541,527	190,906	477,076	686,544	2,783,000	5.14 x	4	35.97 x
LHC Group, Inc.	LHCG	209,052				6,731,000	32.20 x		87.94 x
The Ensign Group	ENSG	215,482				3,065,000	14.22 x		94.39 x
Low		209,052	-107,048	-115,116	-115,116	2,783,000	5.14 x		34.76 x
Max		716,287	190,906	477,076	686,544	15,817,000	45.90 x	4.05 x	254.22 x
Median		276,258	-43,653	-63,165	-39,968	6,731,000	17.06 x		60.64 x

Exhibit T – Tax Court Cases

In our analysis of the Key-Person discounts, we relied on prior tax court cases addressing the issue of personal goodwill where it was found that in the absence of non-compete agreements, personal contacts and relationships important to the business can exist separate and apart from, or to the exclusion of, enterprise goodwill. Specifically, we considered the following cases:

MacDonald – 3 T.C. 720 (1944)

The Tax Court held, however, that no goodwill passed to the taxpayers since any goodwill of the business "was due to the personal ability, business acquaintanceship, and other individualistic qualities of [the husband]," and found that the corporation did not have any value beyond its tangible assets since the husband's ability was not a corporate asset and there was not a contract or other agreement between the husband and the corporation for his future services.

Martin Ice Cream – 110 T.C. 189 (1998)

The tax court stated, "personal relationships of a shareholder-employee are not corporate assets when the employee has no employment contract with the corporation." The corporation's success was attributed to a shareholder's relationships with his customers, which constituted an asset used to establish revenue streams and develop a customer base.

Norwalk - T.C. Memo (1998-279)

In this case, involving the sale of a CPA firm, the tax court stated the goodwill of a professional service corporation belongs to the employees unless the employees "enter into a covenant not to compete with the corporation or other agreement whereby their relationships with clients become the property of the corporation."

The court stated that it did not doubt that most, if not all, of the clients of the corporation, would have followed the accountant who serviced them if the accountant left the corporation, and therefore it was "reasonable to assume that the personal ability, personality, and reputation of the individual accountants are what the clients sought.