Business Valuation
ZZZ Staffing Group, Inc.
As of June 30, 2022

For illustrative purposes only

Prepared for:
Board of Directors

Prepared by:
Michael R. Koeppel, CTP, CPA, ABV, CITP, CFF, CGMA
Managing Director
Lakelet Advisory Group LLC
1902 Ridge Road; Suite #146
West Seneca, New York

Prepared by Independent Accountant

September 24, 2022

Board of Directors
ZZZ Staffing Group, Inc.
1234 Main Street
City Name, FL 33XXX

RE: Appraisal Report – ZZZ Staffing Group, Inc.

Dear Board of Directors:

In accordance with our engagement letter dated May 25, 2022, Lakelet Advisory Group LLC (the "Firm") has prepared a valuation report to assist you, the Board of Directors, with an estimated value of ZZZ Staffing Group, Inc. ("ZZZ" or the "Company"), as of June 30, 2022 (the "Date of Valuation"). Our engagement is estimating the enterprise value [fair market value – as defined in the following paragraph] of 100% of the consolidated Company to assist the Board of Directors in determining if an unsolicited bid to acquire ZZZ is reasonable. Except as outlined in our report, the resulting conclusion of the estimated value is not to be used for any other purpose or by any other party without our express written consent.

The term "fair market value" is defined as the price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, and both parties have reasonable knowledge of the relevant facts.[1]

The Firm has performed a valuation engagement and present our report in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"), the "Statement on Standards for Valuation Services No. 1" ("SSVS") of the American Institute of Certified Public Accountants ("AICPA") and the International Valuation Standards ("IVS")[2]. SSVS defines a valuation engagement as "an engagement to estimate values in which a valuation analyst determines an estimate of the values of a subject interest by performing appropriate procedures, as outlined in

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[1] Per Rev. Rul. 59-60.

[2] IVS are international standards that consist of various actions required during the undertaking of a valuation assignment supported by technical information and guidance.

the AICPA Statement on Standards for Valuation Services and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value."[3]

According to the National Association of Certified Valuators and Analysts ("NACVA") Professional Standards, *"Summary Reports should set forth the Conclusion of Value through an abridged version of the information that would be provided in a detailed report."* SSVS addresses a detailed report as follows: "*The detailed report is structured to provide sufficient information to permit intended users to understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value,*" with the intended users being the Board of Directors of ZZZ.

In rendering the aforementioned valuation services, the Firm reviewed and relied upon various materials provided by ZZZ and others. These materials are listed in the report. The Firm has not audited, reviewed, or compiled (collectively attestation services) within this report and express no assurance on it. Had the Firm audited or reviewed this report, matters may have come to our attention that could have resulted in our use of the amounts that differ from those provided. Accordingly, the Firm takes no responsibility for the underlying data presented herein. The entirety of this report must be taken as a whole.

Users of this valuation report should be aware that business valuations could be based on future earnings potential or acquisitions that may or may not materialize, and therefore, actual results may vary from projections presented herein and the variations may be material.

Based on our study, work performed, and analytical review, subject to the limitations expressed within this report, our opinion for the 100% of the consolidated Enterprise Estimated Value of ZZZ as of June 30, 2022 is $67 million (Sixty-Seven Million USD)

The Firm has no present or contemplated financial interest in ZZZ. Our fees for this valuation are based upon our normal billing rates, and are in no way contingent upon the results of our findings. The Firm has no responsibility, but the Firm retains the right, to update this report for events and circumstances occurring subsequent to the date of this report. This report is not to be copied or made available to any persons without the express written consent of Lakelet Advisory Group, LLC.

[3] For a valuation engagement, the accredited business valuator may issue either a detailed report, summary report, or calculation(s) report. A summary report is organized to efficiently communicate an understanding of the data used and the reasoning and analysis applied in the conclusion of value. A calculation report is a preliminary valuation based on agreed upon procedures with limited disclosures.

Michael R. Koeppel
Managing Director
Lakelet Advisory Group LLC
Buffalo, New York
September 24, 2022

Table of Contents

I. SUMMARY PAGE – APPRAISAL REPORT

Date of valuation: June 30, 2022

Date of report: September 24, 2022

Company: ZZZ Staffing Group, Inc. a C- Corporation incorporated the in the State of Florida

Ownership valued: 100 percent of the consolidated entity (10,000 shares outstanding). There is no preferred equity. The Client requires an Enterprise Value of the Company.

Purpose of valuation: The owners have received an unsolicited offer to acquire 100% of ZZZ. The owners have requested that the Board of Directors have an independent, accredited business valuation performed to determine the viability of said offer.

Intended Users Board of Directors – refer to purpose above.

Standard of value: "Going Concern" / Fair Market Value

Type of report: Summary

Scope limitations: Refer to the Assumptions and Limitations

Significant assumptions and limitations: Refer to the Report.

Valuation methods considered: Asset Valuation, Income Method, and Market Approach.

Monetary amounts: Unless specifically stated, all currency amounts are in 000s of USD.

Valuation conclusion: Estimated Enterprise Value of 100% of ZZZ is $67 million – Sixty-Seven million USD.

Lakelet Advisory Group LLC is a sole membership LLC registered in the State of New York

This report taken as a whole is an integral component of our expressed values.

II. INTRODUCTION

A. Purpose of Valuation

The purpose of this report is to determine the value of ZZZ Staffing Group, Inc. (“ZZZ” or the “Company”) at June 30, 2022 (the “Valuation Date”). The Board of Directors have engaged our firm to determine said value in order to determine the reasonableness of an unsolicited offer for 100% of the equity of the Company.

Please note the Firm is not opining on the offer itself – our objective is to provide the Board of Directors with an independent, accredited business valuation on the Valuation Date. From this business valuation, the Company may or may not hire professional advisors to assist in facilitating the acquisition.

B. Standard of Values

Fair Market Value

The standard of values used in arriving at our valuation conclusion are the fair market value.

Per Revenue Ruling 59-60, “fair market value” is defined as the price at which property would change hands between a willing buyer and a willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of relevant facts.

This definition assumes payment in cash or its equivalent. If payments were made on a different basis, adjustments might be necessary to account for the impact and perceived risk attributable to an alternative financing arrangement.

Among other factors, this valuation considers all elements of valuation listed in the Revenue Ruling 59-60, which generally outlines the valuation of closely held stocks and includes the following:

- The nature of the business and history of the enterprise;
- The economic outlook in general and condition and outlook of the specific industry in particular;
- The book value of the stock and financial condition of the business;
- The company’s earning capacity;
- The company’s dividend-paying capacity;
- Whether or not the enterprise has goodwill or other intangible value;
- Sales of the company’s stock and the size of the block to be valued; and

- 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.

Our approach considered all these factors.

Business valuation theory promulgates three basic approaches to value.

- Asset Based Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods based directly on the value of the assets of the business less liabilities.

- Income Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods wherein a value is determined by converting anticipated benefits.

- Market Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods that compares the subject to similar investments that have been sold.

The various methods of valuation that appraisers use in practice are typically considered subdivisions of these broad approaches. Valuation methods under the Market and Income approaches generally contain common characteristics such as measures of benefit streams, discount rates, and/or capitalization rates and multiples.

The Company was valued on a consolidated stand-alone, fair market value basis assuming a hypothetical willing buyer and a hypothetical willing seller. The values presented herein do not consider any additional value that may be realized by a particular purchaser who benefits from specific synergies or economies of scale, which could not be identified or quantified for these purposes. The fair market value standard was applied to produce a reasonable proxy for the value of the Company as of the Date of Valuation.

C. Going Concern

Based upon (i) the detailed information provided by the Company and its business partners (CPAs/Counsel), and (ii) the work performed, the Firm has no reason to believe that this entity is not a "Going Concern".

Generally, an entity is assumed to be a Going Concern in the absence of significant information to the contrary. Going concern is an accounting term for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

The Going Concern concept is not clearly defined anywhere in generally accepted accounting principles, and so is subject to a considerable amount of interpretation regarding when an entity should report it.

D. Scope of Information

Our expression of this opinion is supported by all procedures that the Firm deems to be relevant. Supporting data, copies of source documents and other pertinent information supporting our opinion of value are maintained in our files. This valuation was performed on the premise that the Company will continue to operate as a Going Concern. As defined above. The scope of this valuation included interviews with the Management and Owner, conversations with ZZZ's legal counsel (both internal and external counsel), analysis of the audited, reviewed, and internally prepared financial statements, industry analysis, and an analysis of the Company's non-financial data. Additional sources of information used in preparation of this valuation are included in Appendix A and B.

There was no instance where material information was sought by the valuator and not provided by the appropriate source. Moreover, The management of the Company has provided the valuator with a Management Representation Letter[4] (as of the Date of the Report). And, the valuator has obtained a Legal Representation Letter.[5]

E. Standards Compliance

Our analysis and report are in conformity with the "Statement on Standards for Valuation Services No. 1" ("SSVS") of the American Institute of Certified Public Accountants ("AICPA"), Uniform Standards of Professional Appraisal Practice ("USPAP") promulgated by the Appraisal Foundation,[6] ethics and standards of American Society of Appraisers ("ASA"), business valuation reporting standards of the National Association of Certified Valuation Analysts ("NACVA"), and with the IRS business valuation development and reporting guidelines.

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[4] The management signs a formal letter attesting that the information provided was accurate to the best of their knowledge and that no adverse subsequent event has occurred from the Valuation Date to the Date of Report.

[55] A formal representation letter from legal counsel to the valuator, in response to a letter of valuation inquiry from management to legal counsel, is the valuator's primary means of corroborating the information furnished by management concerning the accuracy and completeness of litigation, claims and assessments.

[6] The Appraisal Standards Board ("ASB") of the Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The Appraisal Foundation is authorized by Congress as the source of Appraisal Standards and Appraiser Qualifications. USPAP uses the terms "appraiser" and "appraisal report" which are defined in pages U-1 and U-72, respectively. SSVS uses the terms "valuation engagement" and "summary report" which are defined within .48, respectively. USPAP also uses the term "appraiser" while SSVS uses the term "valuation analyst." The Firm uses these terms interchangeably in this report.

F. Financial Data

The Company's financial data and other information received from ZZZ have been accepted without our independent verification as accurately reflecting the Company's financial condition and operations. The Representation of the Valuation Analyst and the Statement of General Assumptions and Limiting Conditions applicable to our opinion are detailed at the end of this report.

ZZZ's calendar/fiscal year is December 31st. Our valuations of ZZZ are based on the Company's audited and internally prepared financial statements as outlined below.

Period(s)	Attestation/Preparer
FY - December 31, 2018 – 2021, inclusive	Audited Financial Statements
January 1, 2022 – June 30, 2022	Reviewed Financial Statements
January 1, 2022 – December 31, 2022	Extrapolated by client based upon the YTD as of this engagement
FY 2023 – 2027, inclusive	Projected by client

Although the firm did not perform an attestation function on the financial information, during our analysis, the Firm noted no material issues that were not properly addressed and/or classified. Please note that the financial information may have been reclassified to be consistent with industry and projections. However, in our opinion, the Firm does not believe that said reclassification materially altered the financial information.

Our analysis included numerous meetings/visitations (both physical and virtual) with the Board of Directors, management, CPA firms, facilities, and internal and external counsels. The Firm's representative has had the opportunity to meet with the aforenoted. During these conversations, the following was noted:

- The overall understanding strategy was consistent.
- There were no material financial issues nor did the CPA issue an "Internal Control Letter".[7]
- The Board was knowledgeable of the industry, strategy and management.
- The MSO was aggressively implementing the standardized software. The need to optimize standardization is paramount for the MSO to develop economy of scale.

[7] The internal control letter means that during the audit, it was noted that an internal control did not exist, or the internal control was not working properly and did or could result in errors.

- As the Company has grown, ZZZ has "upgraded" its management team.
- The Company is extremely focused on the "top line" to some extent at the costs of the net income.
- As stated below, the shareholders have within the past decade exited from another service industry yielding an 8-digit profit. The Board and management are aware of the exit strategy.
- The Board of Directors is exploring a stock plan to provide equity to its members and key personnel. The Company has agreed that this valuation cannot be utilized to value the possible stock plan. In the Management Representation Letter to the Firm, the fact that this valuation could not be utilized for the potential stock option plan was specifically delineated.
- Despite the aggressive roll-up strategy – ZZZ has been willing to "walk away" from those transactions that were not able to achieve their required ROI.

All currency amounts are in 000s of USD - unless specially stated other wise.

III. COMPANY OVERVIEW

A. Business Overview & History

The Company is a Florida C-Corporation which provides professional services to healthcare, IT, administrative, and industrial staffing solutions to clients throughout the United States.

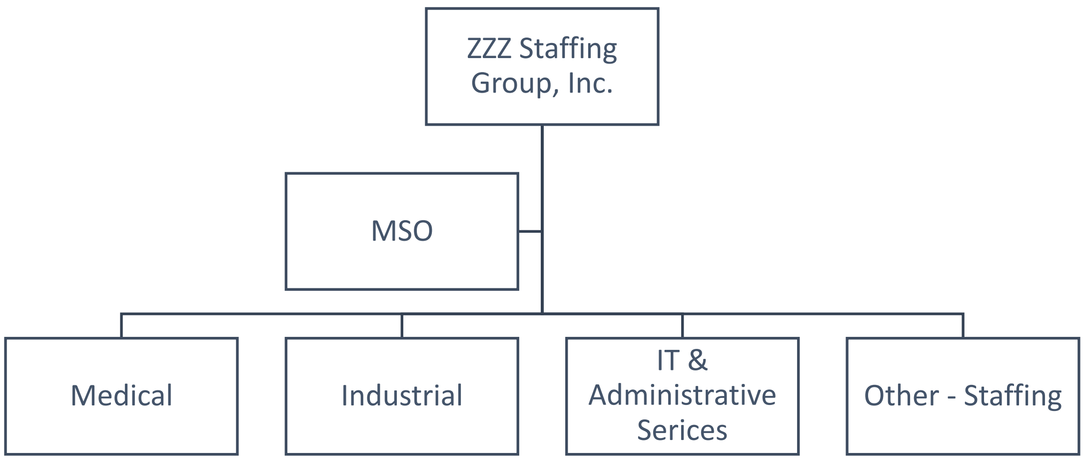
The Company occupies and operates from three major locations:

- Tampa, Florida
- Austin, Texas
- San Diego, California

In additional to these three major locations, the Company has presence in Albany, New York, Manhattan, Kansas, Toledo, Ohio, and Ann Arbor, Michigan. The percentage of 2021 revenue associated with each of these facilities is summarized in the following table:

% of Revenue - 2021 by Location		
Tampa, Fl	34%	
Austin, TX	27%	
San Diego, CA	11%	
Albany, NY	8%	
Manhattan, KS	8%	
Toled, OH	7%	
Ann Arbor, MI	5%	
	100%	

The Company is segregated into five (5) business sectors (Internally, referred to as Line-of-Business or "LOB"). Refer to the following organization chart.



The Management Service Organization ("MSO") provides the "back office" requirements for each of the revenue streams. These "back office" internal services include:

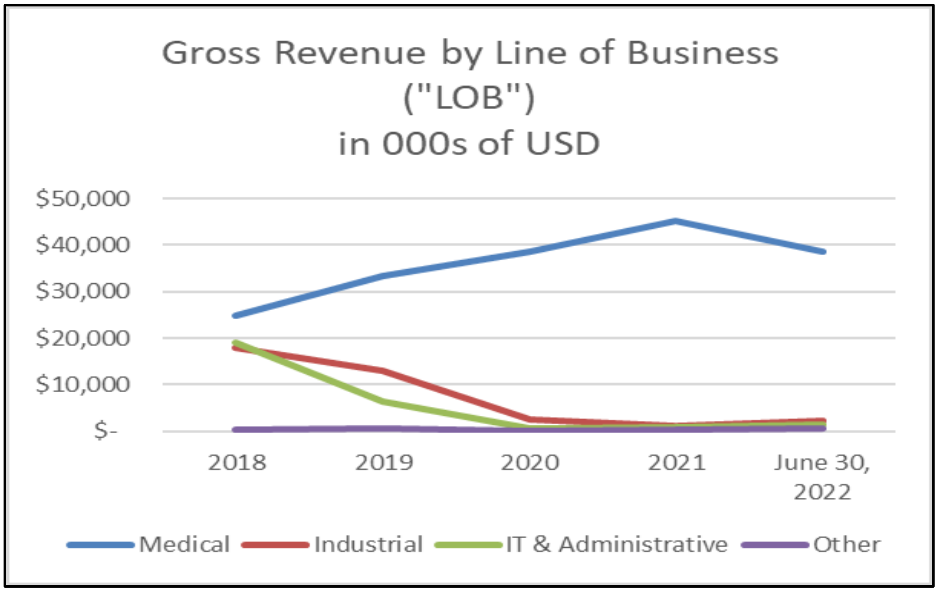
- Recruiting
- Accounting
- Finance
- Insurance
- Information Technology
- Licensing
- Marketing
- Payroll
- Human Resources
- Software Support

B. Current Service Offering Descriptions

Companies in the Staffing Industry provide outsourced human resource and employment placement services. These services include selecting temporary staff, listing employment vacancies, and outsourcing management of personnel-related functions.

The Company has four (4) revenue streams. As will be noted later in this document, the Company has focused on addressing the medical staffing due to the unparalleled shortage in this sector plus the medical requirements associated with the pandemic. Moreover, the medical sector has a Gross Profit Margin that is 3.2% higher than the other sectors. This percentage is based on the actual results from the internal information - 2018 through June 30, 2022.

The following chart summarizes the revenue by LOB since 2018 though 2022, inclusive. Note that 2022 reflects only 6 months.



C. Company Milestones

- ZZZ was founded in March 2002 and has operated continuously since that time.
- There are 10,000 (ten thousand) shares outstanding of this privately held entity.
- In 2017, the current owners acquired 100% equity of Acquisition #1 for consideration of $8,560.
- In 2018, the Company implemented an MSO to develop economies of scale for the "back office" requirements.
- In optimal timing during Q1 of 2019, the Company opted to focus on medical staffing. As a result of the pandemic, ZZZ was able to provide service throughout and provided the foundation for additional growth post-pandemic. The goal of ZZZ is to eliminate the non-medical staffing where feasible. However, several major clients within the medical group also prefer to have one outsourcing partner address that has the capability to additionally

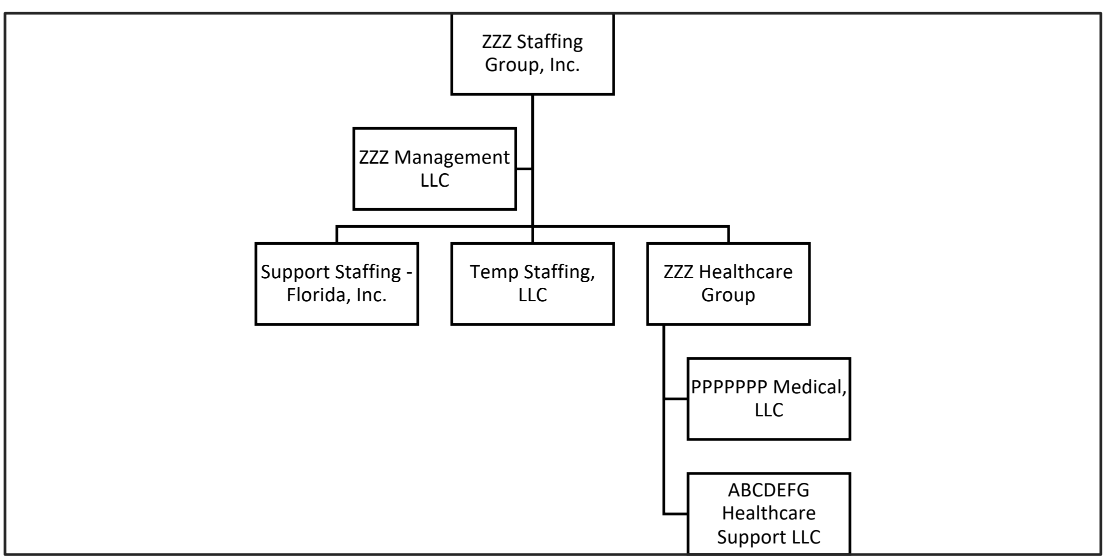
accommodate IT and Administrative staffing requirements. As for industrial, ZZZ has a three (3) year contract with two larger warehouses. As the contract is expiring, management will reassess this sector.

- In 2020, ZZZ acquired 100% equity of an Acquisition #2 – a medical staffing company in Austin, Texas for $6,200.
- In Q1 of 2022, the Company acquired another medical staffing company (Acquisition #3) in Toledo, OH and Ann Arbor, MI for a total consideration of $12,350.

Revenue by Acqisition - Medical	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
ZZZ	100%	78%	72%	71%	51%
Acquisition #1		22%	10%	13%	11%
Acquisition #2			18%	16%	14%
Acquisition #3					24%
	100%	100%	100%	100%	100%

D. Consolidation

Our engagement was to provide a consolidated value of ZZZ and its subsidiaries and affiliates. Although the legal structure is presented below, the Firm did not opine on the subsidiaries and/or affiliates. All inter- and intra-company transactions appear to be properly accounted for in the consolidation process. Moreover, all external reporting by the independent accountants is on a consolidated basis.



E. Prior Revenue by LOB

The revenue for the prior periods is summarized as follows:

in 000s of USD	2018	2019	2020	2021	June 30, 2022
Medical	$ 24,876	$ 33,244	$ 38,452	$ 45,212	$ 38,666
Industrial	$ 18,014	$ 12,882	$ 2,447	$ 1,325	$ 2,322
IT & Administrative	$ 18,966	$ 6,334	$ 689	$ 885	$ 1,367
Other	$ 344	$ 533	$ 84	$ 427	$ 722
Revenue	**$ 62,200**	**$ 52,993**	**$ 41,672**	**$ 47,849**	**$ 43,077**

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Revenue					
Medical	40.0%	62.7%	92.3%	94.5%	89.8%
Industrial	29.0%	24.3%	5.9%	2.8%	5.4%
IT & Administrative	30.5%	12.0%	1.7%	1.8%	3.2%
Other	0.6%	1.0%	0.2%	0.9%	1.7%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**

The financial details are provided in the Financial Information Section of this document.

F. Employees – Revenue Per Employee

In this industry, one of the most critical measurements is the Revenue Per Employee. The following table summarizes the headcount per the periods and compares to the industry average Revenue per Employee.[8]

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Number of Employees					
MSO and FTE ZZZ	81	98	79	62	71
Average # of Staff – Revenue (Billable Staff)	888	761	631	493	521
Revenue per Employee	**$ 64**	**$ 62**	**$ 59**	**$ 86**	**$ 73**
Industry Average Revenue per Employee	**$ 57**	**$ 55**	**$ 62**	**$ 69**	**N/A**

[88] *Premium Report on Temp Agencies & Staffing Services",* Anything Research, 2022.

Except for 2019, ZZZ had a higher than industry average Revenue per Employee. This was primarily due to the fact that ZZZ's focus is on the medical staffing, which has a higher return than that other staffing/temporary services.

G. Material Factors Impacting the Company

Several materials are applicable regarding the valuation ZZZ as of the Valuation Date. These being:

- Company was profitable pre-pandemic (pre-2018) with approximately a 13% EBIDTA to Revenue ratio.
- Since acquisition by the present owners, the Company has acquired three (3) entities in the medical staffing sector.
- The Company availed itself to the PPP program for $8,535 in 2020.
- In 2021, the Company received an Employee Retention Tax Credit of approximately $2,631.
- The COVID pandemic had most favorable financial ramification to the Company. As noted, the morphing to a focused concentration on medical staffing pre-pandemic allowed the Company to be in an ideal position to address the medical staffing challenges during and post-pandemic.
- The United States is in the midst of a critical nursing shortage that is expected to continue through 2030.[9]
- During the fiscal year 2021, the owners injected $5,000 to maintain acceptable debt ratios and be able to leverage assets for future acquisitions and ensure compliance with loan covenants.
- Medical Staffing shortage - one study found that a staggering 17%-30% of new nurses leave their job within the first year and up to 56% leave within the second year.[10]
- The Company is rapidly shifting to focus on the medical staffing, placing little efforts on the other revenue streams. This is due to the medical demand, the higher Gross Profit Margins, and reputation in this sector. In several cases, ZZZ must maintain its IT/Administrative Support to be able to provide the client with a "full service set of solutions."

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[9] *The 2021 American Nursing Shortage: A Data Study*. https://www.usa.edu/blog/nursing-shortage/ May 2021.

[10] https://www.nursingprocess.org/why-are-nurses-leaving-the-profession.html - MHA-Master Of Health Administration; George Washington University.

H. Board of Directors & Management

ZZZ has a diversified team of staffing veterans able to provide their clients and partner's firsthand experience of this industry.

ZZZ has a professional sales and marketing team with 40+ years of industry experience and established, long-term relationships.

Owners & Board of Directors

- Mr. Adam AAAAAA, CEO is an owner and member of the Board of Directors. Adam owns 73% of the equity in the Company. Adam has previously applied this same roll-up strategy in the Medical Billing industry. Within seven years, he was able to exit with an 8-digit profit. In addition to the roll-up strategy of acquiring businesses in the same sector that had issues, he created a Management Service Organization ("MSO") to leverage the economies of scale regarding administrative, accounting, HR and IT requisites. Joined the Board of Directors in 2017.

- Ms. Sara CCCCCC - BBBB Capital owns 27% of the Company's equity. This financial partner has placed Ms. Sara CCCCCC as its representative on the Board of Directors. Sara has considerable experience in the medical sector including, but not limited to staffing, nursing, outsourcing. For all subsequent acquisitions, BBBB has agreed to pay for 50% of the costs with change in ZZZ ownership. Joined the Board of Directors in 2017.

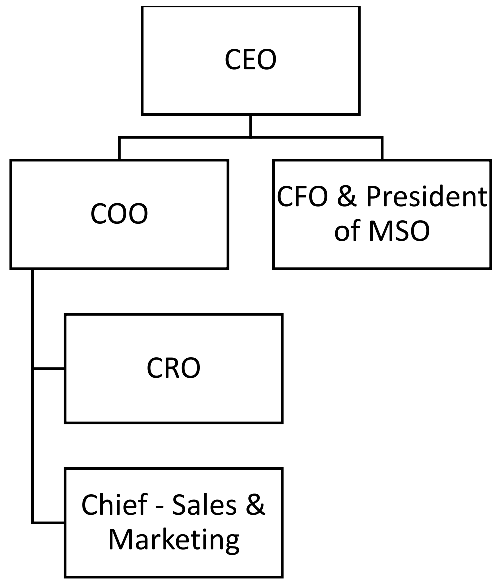
- Ms. Jennifer FFFFFF – in addition to being a registered nurse, she is an experienced technology specialist who is extremely knowledgeable of the IT requirements for a staffing enterprise, especially one that is so remote and diversified. She has significant expertise in the current technology platform. Joined the Board of Directors in 2020.

- William RRRRRRR – is a practicing attorney with a specialty in M&A. Mr. RRRRRRR was instrumental in working with Adam AAAAAA on the billing entity cited above. William has over 25 years practicing as an attorney in Florida. Joined the Board of Directors in 2019.

- Ms. Michelle WWWWWWW, CPA - Michelle is a partner in a regional CPA firm. Her client list consists of numerous staffing companies. Moreover, she has experience in M&A. Joined the Board of Directors in 2021.

Officers

The Executive Council consist of the following:



- Kevin KKKKKKKK – Chief Operating Officer. Kevin has worked in this industry for ~30 years. He has been most active in the due diligence processes, integration, and running the day-to-day operations. He joined the team in 2020.

- Venessa NNNNNNNN, CPA – Chief Financial Officer & President of the MSO Group. As CFO, her responsibilities include tracking cash flow and financial planning and analyzing the Company's financial strengths and weaknesses and proposing strategic directions. As President of the MSO Group – she leads the integration of the operating units with the MSO continuously seeking to optimize and leverage across the businesses. Her prior position was as a CFO IT outsourcing. She joined the team in 2022. Reports to CEO.

- Nancy VVVVVV – Chief of Human Resources. Nancy has over 25 years working with human resources dealing with medical processes and high number of employees. Moreover, Nancy was the VP of HR for Adam AAAAAA during his prior successful endeavor. Reports to COO. She joined the team in 2017.

- Stephen GGGGG – Chief Sales and Marketing leader. Stephen has 23 years in this industry. In his prior position, Stephen was instrumental in increasing Sales by 16% on a year-by-year basis. He reports to COO. Stephen joined the team in 2019.

Each of the LOB's has an experienced leader reporting directly to the COO.

I. Sales & Marketing

ZZZ has a professional sales and marketing team with 30-plus years of generic industry experience and established, long-term relationships.

ZZZ focuses on three (3) issues to optimize its revenue flow. These being:

- Repeat clients and long-term contracts are important in order for temporary staffing agencies to generate consistent revenue. By providing high-quality temporary workers in a timely fashion, an agency can become a company's go-to when in need of supplementary staffing.

% of Contracted Revenue by LOB	2019	2020	2021	June 30, 2022
Medical	32%	37%	44%	61%
Industrial	85%	95%	91%	89%
IT & Administrative	21%	12%	11%	12%
Other	88%	88%	88%	88%

- Maintaining the "inventory of qualified staffing resources". The business of staffing for their clients with talented, experienced professionals requires that the company has ample resources that it calls upon to address the needs of a specific client for the designation duration. ZZZ has been able to achieve this by higher-than-market compensation, significant flexibility for the employees, employees are considered part of the ZZZ TEAM. Simple actions like newsletters, profit sharing for engagements when certain set criteria are achieved.

- Another critical factor is that in the present economic/employment environment does not penalize employees who have worked with such staffing agencies. Moreover, despite limited benefits, employees prefer the flexibility that staffing agencies provide versus full-time employee.

- ZZZ recognizes the fact that its success is on keeping clients over the years and having these clients expand services. Accordingly, the Company has placed significant resources on a proactive basis working with each client to ensure ZZZ can provide continuous improvement.

J. Client Concentration

No single client represents more than 10% of the revenue in any single year from 2018 though June 30, 2022, inclusive, except for the following. In 2019, a single healthcare facility had 13% of the total revenue.

K. Strategic Partners & Vendors

Software – NextCrew is a Software-as-a-Service (SaaS) platform that provides on-demand staffing technology to modernize the workforce management and reduce the cost of staffing. With this tool, ZZZ is able to automate the key components of its processes. NextCrew stands at the forefront of innovative process management tools, built to simplify every aspect of scheduling and communication.

Next Crew automates the healthcare staffing processes for streamlined sourcing and onboarding, smooth communication, unambiguous credentialing, and timely compliance. NextCrew cloud-based healthcare staffing software also manages and tracks your entire front-to-back-office operations, improving work efficiencies across labor-intensive tasks, and reducing unnecessary staffing costs.

NextCrew was founded in 2012. Said software is highly rated in an independent software comparison.

Accounting Firm – the CPA firm is a well-recognized regional firm that has several other staffing clients as well as a considerable number of medical/healthcare clients.

Legal - RRR & DDDDDD LLP – a known legal firm that has worked with the Owner not only on this endeavor but also on his prior successful transaction in the medical billing.

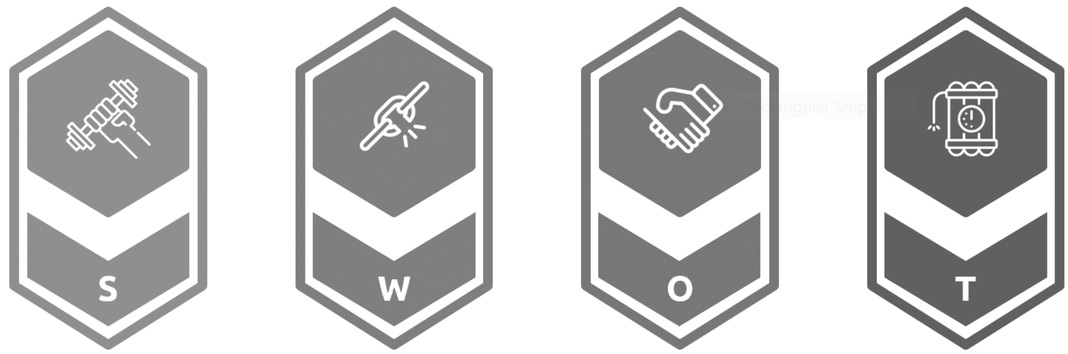
Marketing Firm to assist the Chief Sales & Marketing Leader, ZZZ has engaged a marketing firm that specializes in the healthcare sector. This firm was contracted in Q1 of 2022.

M&A Advisors – given the challenges of the prior acquisitions, the Company hired a M&A firm to assist in finding potential target, due diligence and structuring the financing.

L. SWOT

Based upon the work performed through this engagement, meeting with all key players, analyzing documents and our cumulative experience in this industry, the following SWOT was prepared.

SWOT ANALYSIS



STRENGTHS

- Management Team
- Professional Network
- Agile organization
- Rich history of market expertise
- Economies with MSO

WEAKNESSES

- Supply Risk for Specialized Employees
- Larger Clients
- Licensing Process
- Ability to Maintain obtaining the Talent

OPPORTUNITIES

- Strong Market
- Connections with Clients
- Geographical Locations
- Strong Industry Forecast

THREATS

- Time and costs of Implementing Acquisitions
- Inability to "drop" non -added Clients

With the hiring of the experienced CFO and working with a new M&A Firm, ZZZ expects to mitigate the challenges it has had with regards to "absorbing" the newly acquired entities.

M. Company's Business Challenges

- Integration -The ability to absorb the acquisition in an effective manner. In the past three years, this has been a serious challenge. Previously, the acquired entity was not able to be efficiently integrated with ZZZ's technology and financial reporting. To mitigate this, the Company has acquired a new CFO & President of the MSO Operations.

- Recruiting – with the continuous growth, the Company must be able to find, train, and employ those team members that are the "right fit" for these professional clients. The labor shortage will not only impact the clients, but also may have ramifications for ZZZ.

- Technology – given the number of employees, processes, and client needs (i.e., scheduling), a more robust set of technology tools are required. Moreover, with this mobile workforce, additional focus needs to be placed on training.

- Focus on Profitability / Quality – too much emphasis on top line.

IV. INDUSTRY CONDITIONS

A. Competitors

A client typically chooses an operator in the Staffing and Temporary Agencies industry due to its suitable supply of qualified, trained, or experienced staff who are available at short notice, sometimes within an hour's notice.

In recent years, the industry has become increasingly concentrated. Over the five years to 2027, the number of enterprises is expected to grow, but this will likely be driven by the continued influx of small operators focusing on niche markets or narrowly defined geographic locations. [11] The following table summaries the number of staffing firms in the US, total market size, total employees, and total locations from 2018 through 2021, inclusive.[12]

Metrics	2018	2019	2020	2021
Market Size in Billions of USD	$207.87	$214.42	$210.68	$263.19
Total Firms	16,896	18,437	19,067	19,790
Total Locations	39,630	43,245	44,721	46,417
Total Employees	3,949,572	3,893,506	3,421,073	3,800,327

The following table delineates the market composition with regards to entities market share and size.[13]

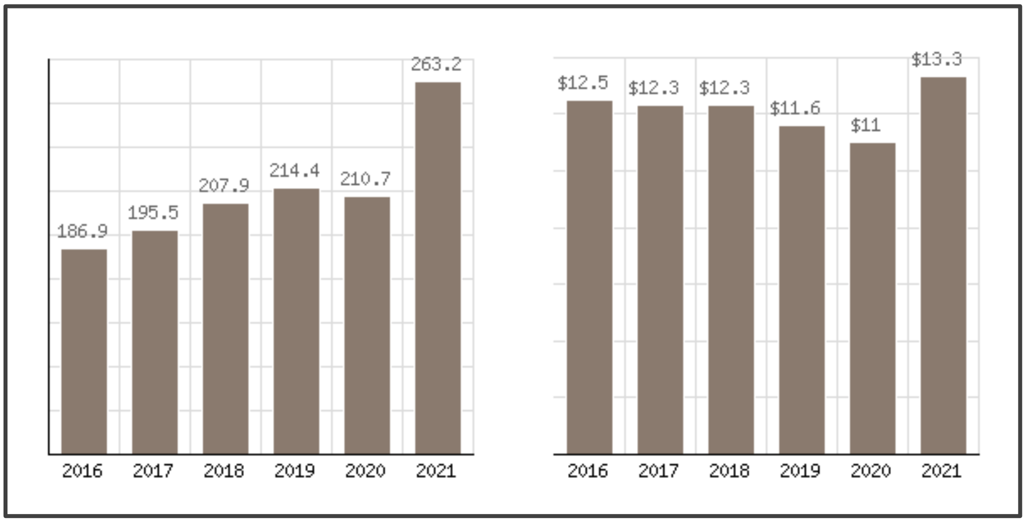
Company Size	# of Firms	Market Share (Revenue)
Small Business (less than 5 employees)	4,132	1%
Small Business (5-9 employees)	2,120	1%
Small Business (10-19 employees)	2,270	1%
Midsize Business (20-49 employees)	3,611	4%
Midsize Business (50-99 employees)	2,491	4%
Large Business (100-249 employees)	2,336	7%
Enterprise (250+ employees)	2,830	82%

[11] *"Office Staffing & Temp Agencies in the US,"* IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

[12] " *Premium Report on Temp Agencies & Staffing Services*", Anything Research, 2022.

[13] Ibid.

The following table summarizes the trends within the industry since 2016, inclusive.[14] The first chart reflects market size in billions of USD. The second chart illustrates the average revenue per company in this industry in million from 2016 – 2021, inclusive.



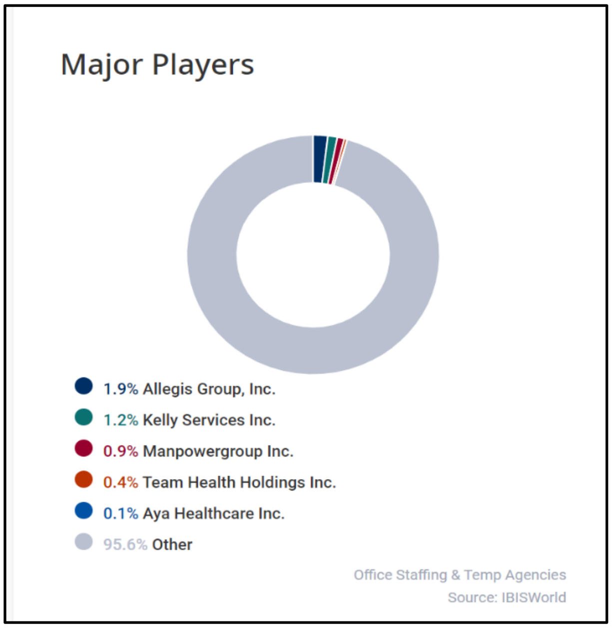
B. Industry Concentration and Major Players in in US

The following tables summarizes the major players in this industry.[15]

Competitors	Company Type	Employee Segment	Revenue ($M)	Market Share (%)	Profit ($M)
Allegis Group, Inc.	Incumbent	500+ Employees	4,114.1 ▲	1.87 ▼	156.9 ▲
Kelly Services Inc.	Incumbent	500+ Employees	2,849.3 ▼	1.21 ▼	-0.5 ▼
Manpowergroup Inc.	Incumbent	500+ Employees	2,094.6 ▼	0.89 ▼	10.5 ▼
Team Health Holdings Inc.	All Star	500+ Employees	862.2 ▲	0.37 ▲	23.3 ▲
Aya Healthcare Inc.	Golden Goose	500+ Employees	119.5 ▲	0.05 ▼	3.2 ▲
Ziprecruiter, Inc.	Golden Goose	500+ Employees	70.9 ▲	0.03 ▲	1.9 ▲
Day & Zimmermann	Golden Goose	500+ Employees	57.5 ▲	0.02 ▲	1.6 ▲
Career Partners International LLC	Golden Goose	500+ Employees	51.5 ▲	0.02 ▼	1.4 ▲
Adecco Group Ag	Golden Goose	500+ Employees	39.2 ▲	0.02 ▼	1.1 ▲
Challenger, Gray & Christmas Inc.	Laggard	100–499 Employees	18.1 ▲	0.01 ▼	0.5 ▲

[14] Source: Analysis of US Census and federal statistics.

[15] *"Office Staffing & Temp Agencies in the US,"* IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.



The largest players in the industry are multinational companies with extensive operations across the United States, Europe, and other parts of the world. In fact, the industry's largest player, the Adecco Group, is headquartered outside of the United States and their respective US operations represent only a small part of their overall business. Similarly, US-based Allegis Group, Inc. and ManpowerGroup have extensive operations in Europe, Asia Pacific, and Latin America. Industry operators with extensive operations are ideal matches for other companies with extensive operations and a need for temporary employees. This lets large industry operators secure contracts to provide a large number of temporary employees to a client, and as a result, secure a meaningful portion of industry revenue.[16]

With ZZZ's service offerings, the Company faces minimal competition in the current economic environment. Over the five years to 2027, improving macroeconomic trends are expected to lead to an acceleration in industry growth.

The number of businesses in the United States is projected to grow an annualized 1.0% over the five years to 2027, boosting the number of potential clients available to industry operators. As corporate profit is expected to rise in the outlook period, businesses are expected to become less confident in their long-term financial stability after a setback due to the coronavirus pandemic, sustaining demand for temporary employees. As time goes on and businesses become more confident, staffing for permanent employees is expected to increase as companies recover in the later stages of the outlook period.

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[16] "Office Staffing & Temp Agencies in the US," IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

C. The Life Cycle Stage of Industry

The Office Staffing and Temp Agencies industry is in the mature stage of its economic life cycle. Industry value added (IVA) is used to measure an industry's contribution to the overall economy and is projected to grow an annualized 2.0% over the 10 years to 2027. By contrast, US GDP is expected to grow an annualized 2.1% in the same 10-year period.[17]

"Over the five years to 2027, the industry has outperformed the economy due to a quick recovery in the domestic rate of employment. According to the American Staffing Association (ASA), demand for temporary employment is highest in the few years following an economic downturn, although demand subsides as the overall labor market stabilizes. Consequently, demand for temporary employees is expected to grow over the five years to 2027, as recovering economic conditions encourage companies to pursue contingent workers. Overall, IVA is expected to grow more in line with the economy in the latter half of the 10-year period, despite robust performance in the latter half.

"The industry is characterized by growth relatively in line with the overall economy, wholehearted market acceptance of services, and a low rate of technological innovation. These traits are all characteristic of an industry currently in the mature stage of its life cycle. As is the case with other mature industries, the number of industry participants is expected to grow at a steady pace over the 10 years to 2027. Accordingly, the number of industry enterprises is estimated to increase an annualized 1.9% to 16,092 companies over the 10 years to 2027."[18]

D. Barriers to Entry

Barriers to Entry in this industry are low and steady. There are few technical barriers to entry within the Staffing and Temp Agencies industry, although the well-entrenched position of some national operators may hinder growth opportunities for new entrants.

In terms of regulation, most states in the United States require a license to operate, and in some states a counselor's license is required for any person who interviews, counsels, or advises candidates and clients on any matter related to employment and contracts. However, day-to-day industry operations are largely self-regulated. After receiving a license from the relevant state's department of labor, industry operators typically align their practices with the American Staffing Association's Code of Ethics and Good Practices (see Regulation and Policy section). Despite very few technical barriers to entry, the industry does experience significant barriers to success, which

[17] Ibid.

[18] Ibid.

include competition from incumbent players and large staffing firms that benefit from economies of scale and a large pool of affiliated temporary workers.

E. Barriers to Success

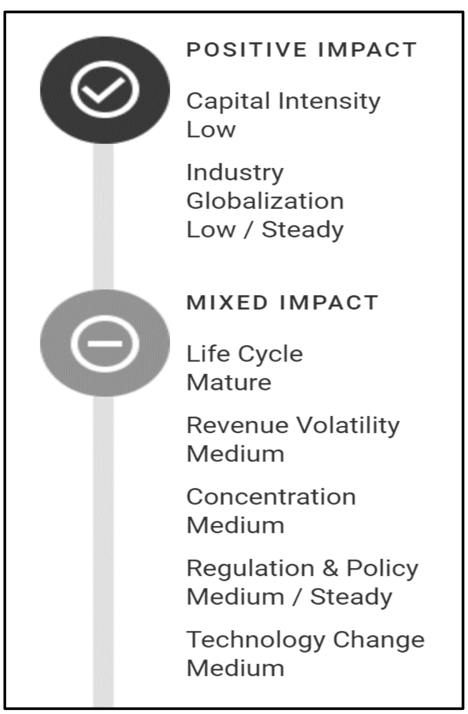
With an abundance of small operators, this industry is moderately fragmented, despite large operators controlling a medium share of industry revenue.

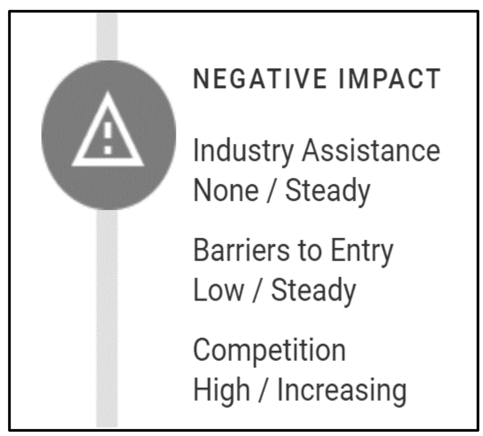
Some players have earned reputations for quality of candidates, especially in niche industries such as engineering and some medical fields.

Small industry players may not have access to major clients that generally use larger agencies with a preexisting global network. Furthermore, many well-established operators provide clients with a full range of employment services that go beyond temporary staffing, including permanent placement, executive search, outplacement services and leadership training. Clients that seek these value-added services are more likely to work with a larger firm that has the resources to provide the full range of employment services.

F. Industry Structure

The following chart summarizes the industry's environment.[19]





[19] Ibid.

G. Industry P&L as a % of Revenue

The following represents the Industry Average P&L as a percentage of Revenue.[20] A detailed comparison between the industry and ZZZ is presented below with discussion on key variances.

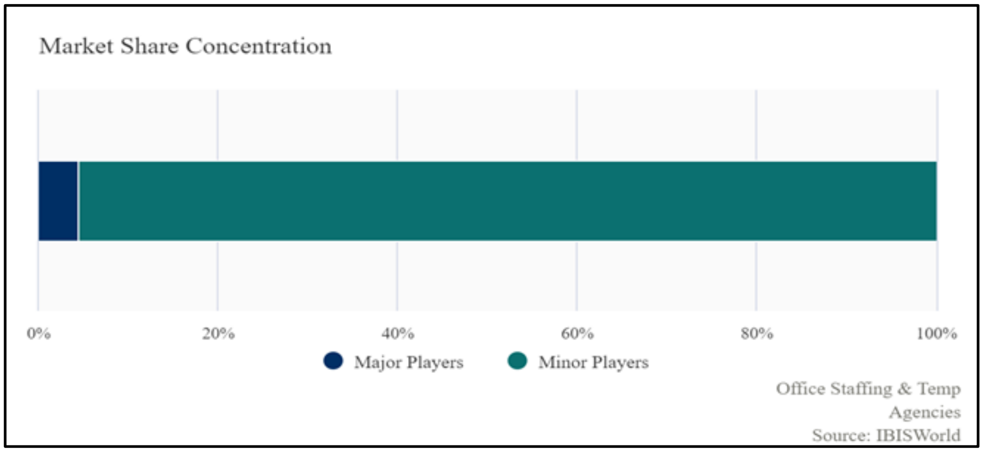
Throughout the financial comparisons, one needs to be cognizant that in this service industry, the component of Costs of Goods Services (Sold) significantly differs. Accordingly, one should place more prominence on revenue, net income, and operating parameters.

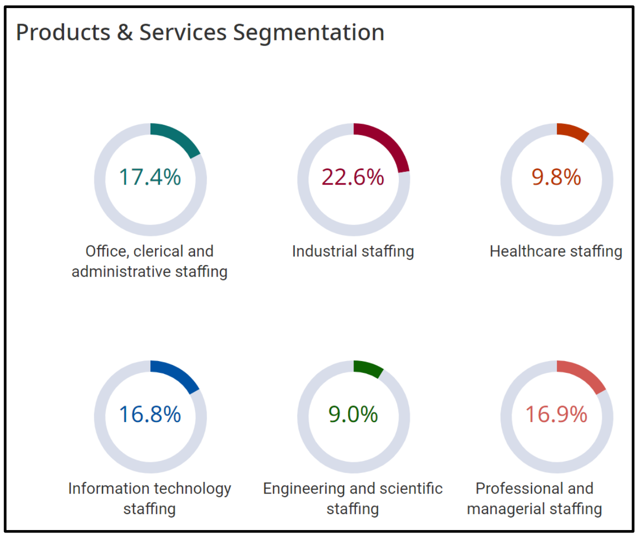
The following table is a summary of the P&L as a percentage to revenue for 19,000+ staffing entities in US without regards to size, market, and LOBs.

Industry 2021	**Industry Average Percent of Sales**
Total Revenue	100%
Cost of Goods Sold	45%
Gross Profit	55%
Operating Expenses	
Rent paid on business property	1%
Advertising	0%
Compensation of officers	1%
Salaries and wages	33%
Employee benefit programs	2%
Taxes and Licenses	6%
Bad Debts	0%
Depreciation	0%
Other Operating Expenses	7%
Total Operating Expenses	51%
EBIT (Earnings Before Interest and Taxes)	4%
Interest Expense	0%
Earnings Before Taxes	3%
Income Tax	0%
Net Profit	3%

[20] " Premium Report on Temp Agencies & Staffing Services", Anything Research, 2022.

H. Graphics of Industry Market Concentration & Composition





Over the five years to 2027, the number of enterprises is expected to grow, but this will likely be driven by the continued influx of small operators focusing on niche markets or narrowly defined geographic locations.[21]

I. Industry Opportunities & Growth

- Economic uncertainty has created an environment where hiring full time employees may not be the strategy answer – but the workforce is required immediately.

[21] "Office Staffing & Temp Agencies in the US," IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

- By 2025, the firm forecasts a shortage of more than 400,000 home health aides and 29,400 nurse practitioners. There will also be shortages in other healthcare professions.[22]

- The Pandemic has created an exceedingly high "burnout" ratio in the healthcare sector.

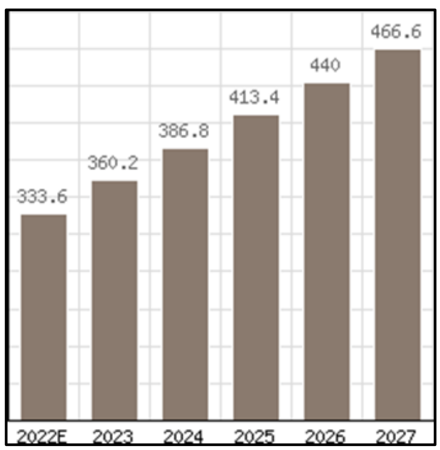
- Flexibility in the "temporary" workforce vs. working full time for a healthcare provider.

- "Temporary" worker is exposed to a host of different work environments.

- Ideal industry for strategy roll-ups leveraging the MSO concept.

The industry growth is forecasted to be:[23]

Forecast	2022	2023	2024	2025	2026	2027
Market Size ($ Billions)	**$333.60**	**$360.20**	**$386.80**	**$413.40**	**$440.00**	**$466.60**
Growth Rate	***26.8%***	***8.0%***	***7.4%***	***6.9%***	***6.4%***	***6.0%***



A second source outlining this industry's growth is US staffing revenue is projected to grow 14% this year.[24]

The industry is expected to experience revenue growth over the five years to 2027 as corporate profit is anticipated to grow an annualized 4.3%. More businesses will likely expand operations. Corporations will seek to preserve their profit after a difficult year in 2020 and hire temporary employees. Workers seeking to rejoin the labor force will likely continue to present an opportunity

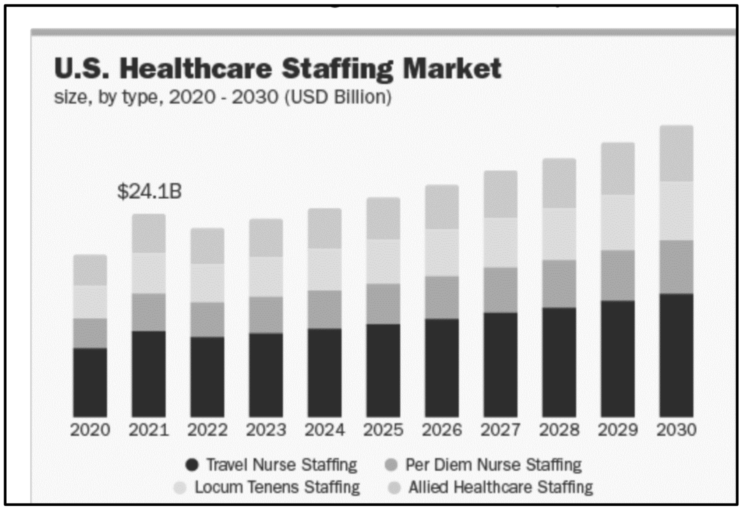
[22] "*The Shortage of Healthcare Workers in the U.S.*", Duquesne University – School of Nursing, https://onlinenursing.duq.edu/post-master-certificates/shortage-of-healthcare-workers/.

[23] " Premium Report on Temp Agencies & Staffing Services", Anything Research, 2022.

[24] "*US Staffing Industry Forecast: September 2022 Update,*" Staffing Industry Analysts, September 20, 2022.

for industry operators since they will remain open to temporary roles in hopes of securing a permanent position in the future. Overall, industry revenue is expected to increase an annualized 1.3% to $252.1 billion over the five years to 2027.[25]

Even with industry growth – the medical subset is growing faster.[26]



V. ECONOMIC OUTLOOK

This Section is based upon information obtained from KeyValueData[27]

Within the space of a single quarter, U.S. economic growth turned from dynamic to dismal. After improving in the first half of 2021 with growth of 6.3% in Q1 2021 and of 6.7% in Q2, growth in the U.S. Gross Domestic Product (GDP) sank to a modest 2.3% in Q3 2021. Growth thereafter tripled to 6.9% in Q4, but the rebound did not last as the economy shrank by 1.6% in Q1 2022, registering its worst non-pandemic performance since 2009, and then contracted by another 0.6% in Q2, bringing burgeoning recession fears closer to reality, although most Americans believe a recession is already here. The picture turned brighter in Q3, with government figures showing GDP surging by 2.6%. Restraint was in order, though, as all of that growth was due to U.S. energy exports and sales of weapons to Ukraine.

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[25] "*Office Staffing & Temp Agencies in the US*," IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

[26] U.S. Healthcare Staffing Market Size, Share & Trends Analysis Report By Type (Travel Nurse Staffing, Per Diem Nurse Staffing, Locum Tenens Staffing, Allied Healthcare Staffing), And Segment Forecasts, 2022 – 2030. Prepared by Grandview Research, https://www.grandviewresearch.com/industry-analysis/us-healthcare-staffing-market.

[27] "*National Economic Report*" , KeyValueData, September 2022, by Kevin R. Hopkins.

The jobs situation has been equally murky. A stunning 538,000 new jobs were created in July, leading the Biden Administration to claim that recession fears were overblown. But a closer reading revealed job numbers were this high mainly because workers were taking second jobs to make ends meet. Then in August, only 315,000 new jobs were created, and the number was even lower in September, at 263,000.

To make matters worse, inflation has been soaring. The 9.1% year-over-year increase in the Consumer Price Index in June was a 41-year high, while the Producer Price Index rose by 11.2% y/y, just below its all-time high. Conditions improved in July and August, with month/month prices largely unchanged and producer prices declining, but Inflation began to pick up again in September, meaning any gains may be temporary. Plus, the Fed's anti-inflation interest-rate boosts threaten to make a recession more likely.

In other areas:

- On the positive side, hourly wages rose, jobless claims were down, the dollar strengthened, the Federal budget deficit declined, industrial production increased, corporate profits jumped, the trade deficit decreased, auto sales rebounded, personal income and consumer spending moved higher, consumer confidence improved, and oil and gasoline prices continued lowering.
- On the negative side, real wages sank, job openings fell, labor productivity plunged, stocks tumbled again, mortgage interest rates soared, business sales, orders, and shipments all dropped, business investment and outlook deteriorated, retail sales were flat, and housing veered toward collapse.

A. Interest Rates

After almost two years of a nearly-zero interest-rate policy designed to fight the pandemic-induced slowdown, the U.S. Federal Reserve Board declared on January 26, 2022, that its ultra-low-rate strategy would soon end, and that higher interest rates would be needed to fight the surging inflation.

The interest-rate hikes began, as expected, in March, with the Fed increasing its benchmark interest rate by one-quarter of one percent — its first boost in rates since December 2018. The Fed pushed its benchmark rate up by one-half point in May, then by another 0.75 basis points each in June (to between 1.50% and 1.75%) and July (to between 2.25% and 2.5%), the Fed's most stringent such action since the early 1990s. The Fed, which envisions continuing rate hikes, is expected to raise rates at least once more in 2022, likely a 0.75% increase the first week of November.

B. Employment

After slowing to end 2021, U.S. labor market growth soared in January 2022, with 467,000 new jobs created and previous months' counts revised sharply upward. While astounding gains, they required caution, as January's revision was the largest in history (since 1939) and was more than 3 times the consensus estimate of 78 forecasters. Yet February's report of 714,000 new jobs was even more robust. But then cracks started to emerge, as March-to-June new jobs came in substantially lower.

Conditions turned positive again in July with a stunning, originally reported 538,000 new jobs, highest since February, leading the Biden Administration to claim that recession fears were overblown. But the good news did not last. In August, only 315,000 new jobs were created, while the June and July numbers were revised down by 107,000. And September's new-jobs figure was even more tepid, at 263,000. But conditions actually may be worse, as job numbers have been rising in large part because workers are taking second jobs to make ends meet, with multiple-job holders hitting a record high. Altogether, of the 5.8 million jobs "recovered" in the past year, some 1.3 million were the result of multiple job-holding—hence, of workers being double-counted—including 208,000 of August's 315,000 new positions. And still to come: 50% of U.S. firms say they are planning to cut jobs later this year.

C. Employment – Job Transitions

Job transitions were mostly depressed in the latest reports, although jobless claims continued to slow:

- Job openings: The number of unfilled U.S. nonfarm job openings, which had hit an all-time high of 11.855 million in March, have fallen for four of the past five months (latest figures).

- New hires: The number of new U.S. hires, which was down sharply in July, edged up from a downwardly revised 6.238 million in July to 6.277 million in August (latest figures).

- Job quits: After increasing last November—as they had through much of 2021—U.S. job quits fell from November's all-time high of 4.510 million to 4.258 million in January before climbing back to 4.449 million in March, then slipped to a revised 4.058 million in July before increasing to 4.158 million in August (latest figures).

- Jobless claims: End-of-month U.S. initial jobless claims dropped from 803,000 in January 2021 to 211,000 in December 2021, the lowest end-of-month total in more than a decade. They fell to a new low of 171,000 at the end of March 2022, then jumped to 248,000 at the end of July, an eight-month high, before slipping to 228,000 at the end of August and to 190,000 at the end of September.

D. Inflation

After tapering off in July and August after an early 2022 surge, inflation largely worsened in September:

- Consumer Price Index (CPI) for all goods: After peaking at 1.3% in June, the month-over-month CPI for all goods slowed in July to 0.0% and to 0.1% in August, then rebounded to 0.4% in September. The year-over-year CPI for all goods soared at 40-year highs in December, January, February, March, and May, then hit a new high of 9.0% in June before slipping to 8.2% in August, where it held in September. Inflation costs families $5,200 per year. Living costs are rising 3 times as fast as wages for low-income families, and two-thirds of Americans now live paycheck-to-paycheck. It's no wonder that 73% of Americans are "very concerned" about inflation.

- CPI less food and energy: The CPI less food and energy declined from 0.7% in June to 0.3% in July, then returned to 0.6% in August, where it stayed in September. Year-over-year, the CPI less food and energy hit 40-year highs of 6.4% in February and March, then ranged between rates of 5.9% and 6.3% through August before jumping to 6.7% in September.

- Producer Price Index (PPI) for all final demand/finished goods: After soaring by 1.7% from February to March, the PPI for all final demand/finished goods fell in July and August, then rose by 0.4% in September. The year-over-year rate, which reached an all-time high of 11.7% in March, slowed to between 11.0% and 11.2% in April to June. Thereafter, it fell to 9.8% in July, to 8.6% in August, and to 8.5% in September, as the decline slowed.

- PPI for final demand/finished goods, less food and energy: The change in the month-to-month PPI less food and energy fell from 1.0% in March to 0.1% in July, then increased to 0.2% in August and to 0.4% in September. The year-over-year rate, which had hit 7.1% in December and March—an all-time high—fell to 5.6% in August, then rose to 5.7% in September.

- CPI by product category, year-over-year: Among individual product classes, the CPI for apparel, energy, food, health care, household furnishings and operations, all housing, rental housing, and used vehicles all rose at a year-over-year rate of 5.0% or higher in June, while the CPI for recreation and new vehicles increased by a year-over-year rate of from 0.1% to 4.9%.

E. Housing & Automotive

After January's revised 18.8% gain, U.S. auto and light truck sales fell for three of the next four months, rose strongly in June and July (3.7% and 1.7%, respectively), declined by 1.1% in August, then jumped by 2.9% in September. By contrast, the housing market was on the verge of collapsing:

- Building permits fell by 3.3% in September after having decreased by 3.4% in August.

- Housing starts plunged by 4.7% in September after having gained 4.0% in August.

- New-home sales plummeted by 10.9% in September after soaring by 24.7% in August. Existing-home sales decreased by 1.5% in September, its eighth straight monthly decline.

- New-home prices, after multiple highs, slipped in May and June before hitting a new high of $479,800 in July. Prices dove to $435,800 in August, then rose back to $470,600 in September.

F. Energy Prices

After a six-month climb, U.S. crude-oil prices fell back in June through August, although the year-over-year U.S. energy price index nevertheless jumped by 19.9% (the 19th straight 13%+ year-over-year increase). These dramatically higher costs, despite the recent pullbacks in oil and gasoline prices, are already having widespread negative effects; for instance, more than 20 million U.S. families have fallen behind on their electric utility bills, leading to the possibility of widespread shutoffs this Fall.

G. Capital Market

Following August's falloff, U.S. stock markets continued down in September as recession fears mounted:

- The Dow Jones Industrial Index, after declining from 32,845 by the end of July to 31,510 by the end of August, plunged to 28,726 at the end of September, down by 8.7%.

- The S&P 500 Index, after diving from 4,130 at the end of July to 3,995 at the end of August, plummeted to 3,586 at the end of September, a decrease of 10.2%.

- The NASDAQ Composite Index, after falling from 12,391 at the end of July to 11,816 by the end of August, tumbled to 10,576 at the end of September, a skid of 10.5%.

- The Wilshire 5000 Total Market Index, after slipping from 203.6 by the end of July to 195.9 by the end of August, moved down to 177.6 at the end of September, a 9.3% nosedive.

- The 30-Year U.S. Treasury yield, which had jumped from 2.97% on the last day of July to 3.26% at the end of August, vaulted to 3.77% at the end of September, a nearly nine-year month-end high.

- The CBOE Volatility Index, which had spent most of 2022 in the high-volatility ranges (above 24.0), dropped to 21.3 by the end of June before rebounding to 31.6 by the end of September.

H. Outlook

Total U.S. industrial production increased in September to 105.2% of its 2017 average, a jump of 0.4% versus its revised August level. Manufacturing output rose by 0.4% in September, as it had in August. The output of mines was up by 0.6% in September, while the index for utilities dipped by 0.3%. Capacity utilization in the industrial sector was up by 0.2 percentage points in September to 80.3%, a rate that was 0.8 percentage points above its long-run (1972–2021) average of 79.5%.

VI. FINANCIAL ANALYSIS

Our financial analysis of ZZZ included an analysis of the Company's operating results, as presented in its financial statements for (i) the audited years ended December 31, 2018 through December 31, 2021; (ii) the reviewed six-month period ending June 30, 2022; (iii) management extrapolation for the year ending December 31, 2022 based upon the first six months of results and the additional business commitments for Q3 and Q4.; and (iv) the five-year projections for the years ending December 31, 2023 through December 31, 2027, inclusive. Recall that all currency amounts are in 000s of USD – unless specially stated otherwise.

In addition, our work included obtaining and understanding the "Internal Control Letter" prepared by the Independent Accounts for the aforenoted periods. Based upon the work performed by the Independent Accounts and their noted results – the Firm is not aware of any material internal controls that would lead us not to accept said financial statements and their surrounding processes.

Financial Statement Adjustments

During our analysis of the financial statements, conversations with the Company's auditors and CFO – in the Firm's opinion there are two material adjustments that should have been made to the financial statements to ensure that they are in accordance with US Generally Accepted Accounting Principles ("GAAP"). These being:

- For the year ending December 31, 2019, the costs of the acquisitions should have been capitalized and not expensed. Note in the supporting documents (Schedule on Selling, Administrative and Administrative) for this period, the Company expensed $922. Since our valuation methods exclude the Capitalization of Cash Flow Method – this adjustment would not have had an impact on the overall methods that were selected.
- As stated on page 59 - the Employee Retention Tax Credit of $2,361 in the fiscal year ended December 20221 was not accounted for as a future tax credit. The Client opted for this approach to standardize the liabilities and simplify the accounting process.

Please note that the aforenoted two adjustments were accounted for in accordance with GAAP in the accountants official report – for internal purposes and comparative analysis, the Client has opted to account for them as delineated above.

As a result – the Independent Accountants opinions (both audited and reviewed) were unqualified for the periods in question.

A. Historical Balance Sheets

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
ASSETS					
Current Assets					
Cash	3,234	1,524	1,044	6,088	11,029
Accounts receivable, Net	12,440	13,248	13,849	7,975	6,154
Prepaid expenses	364	288	111	73	144
Other current assets	352	483	456	266	512
Total current assets	16,390	15,544	15,460	14,402	17,839
Property and Equipment					
Capital improvements	1,355	889	2,848	834	766
Property and Equipment	2,113	3,468	4,357	7,205	8,039
Total Fixed Assets	3,468	4,357	7,205	8,039	8,805
Less: Accumulated Depreciation	488	1,043	1,883	2,822	3,839
Total Property and Equipment	2,980	3,314	5,322	5,217	4,966
Other Assets					
Goodwill & Intangible Assets	7,466	12,668	16,378	16,378	28,921
Total Other Assets	7,466	12,668	16,378	16,378	28,921
TOTAL ASSETS	26,836	31,526	37,160	35,997	51,726

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022	Annualized 2022
LIABILITIES						
Current Liabilities						
Accounts payable	5,778	6,127	7,644	1,779	1,427	5,677
LOC	1,344	747	522	901	-	-
Accruals	4,220	3,446	2,771	2,897	1,978	1,780
Other Liabilities	234	160	244	189	78	126
Current Portion of LTD	1,990	3,045	808	1,880	5,890	4,680
Current Liabilities	13,566	13,525	11,989	7,646	9,373	12,263
Long-Term Liabilities						
Long-term Debt / Loan						
Loan	-	-	1,800	812	14,782	3,216
SMT Loan	840	3,000	-	-	-	
FG Bank	1,871	877	581	1,642	2,644	3,200
SMG Loan						16,000
Debt	2,711	3,877	2,381	2,454	17,426	22,416
Current Portion of Long Term Debt	(1,990)	(3,045)	(808)	(1,880)	(5,890)	(4,680)
Total Long Term Debt	721	832	1,573	574	11,536	17,736
TOTAL LIABILITIES	14,287	14,357	13,562	8,220	20,909	29,999
EQUITY						
Common	3,500	3,500	3,500	3,500	3,500	3,500
Add'l Paid in/(Treasury Stock)				5,000	5,000	5,000
Cumulative R/E	(9)	9,049	13,669	20,098	19,277	22,317
Current Year Income/(Loss)	9,058	4,620	6,430	(822)	3,040	4,955
TOTAL EQUITY	12,549	17,169	23,598	27,777	30,817	35,772
TOTAL LIABILITIES AND EQUITY	**26,836**	**31,526**	**37,160**	**35,997**	**51,726**	**65,771**

B. Historical Profit & Loss Statement

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Revenue					
Medical	$ 24,876	$ 33,244	$ 38,452	$ 45,212	$ 38,666
Industrial	18,014	12,882	2,447	1,325	2,322
IT & Administrative	18,966	6,334	689	885	1,367
Other	344	533	84	427	722
Total Revenue	62,200	52,993	41,672	47,849	43,077
Cost of Sales	23,014	17,488	13,335	17,226	17,097
Gross Profit	**39,186**	**35,505**	**28,337**	**30,623**	**25,980**
GP as a % of Revenue	*63%*	*67%*	*68%*	*64%*	*60%*
Operating Expenses					
Expenses - See Supporting Schedule	25,111	27,858	29,202	30,026	19,747
Depreciation	466	555	840	940	1,016
Interest expense Debt Obligations & Preferre	385	568	261	355	1,912
Operating Income	25,962	28,981	30,303	31,321	22,675
Pre-Tax Net Income - Before PPP / ERTC	**13,224**	**6,525**	**(1,966)**	**(698)**	**3,305**
Non-Recurring Revenue (PPP)			8,534		
Net Income Pre-Tax	13,224	6,525	6,568	(698)	3,305
Taxes - Income (Federal + State)	4,165	1,905	138	124	264
Net Income	**$9,058**	**$4,620**	**$6,430**	**($822)**	**$3,040**
EBITDA	**$14,075**	**$7,647**	**$7,669**	**$597**	**$6,233**
EBIT	**$13,609**	**$7,092**	**$6,829**	**($342)**	**$5,216**

C. Historical Selling, General and Administrative Statement

Currency Amounts in 000s USD	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Officers Salaries	2,275	3,012	2,699	1,488	1,402
Salaries & Wages - Excludes CGS	11,456	13,607	10,988	10,464	7,211
Bad Debt	522	1,080	726	2,144	1,321
Rent	540	540	880	880	562
Taxes & Licenses	646	696	1,244	1,622	802
Advertising	1,980	622	2,222	1,667	1,288
Accounting & Legal - w/ Audit	245	244	88	244	145
Data Process / IT	1,122	1,855	2,122	1,288	1,327
Dues & Subscriptions	272	268	124	244	176
Meals / Entertainment	466	177	121	388	661
Travel / Lodging	288	312	16	344	502
Utilities	697	722	978	1,131	648
Vehicle	136	142	139	141	84
Insurance	4,465	3,659	6,277	7,893	3,566
Acquisition Costs / Expenses	-	922	578	88	52
Total	$ 25,111	$ 27,858	$ 29,202	$ 30,026	$ 19,747

D. Historical Cash Flow Loss Statement

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Operating activities					
Net income post Tax	$ 9,058	$ 4,620	$ 6,430	$ (822)	$ 3,040
Depreciation	466	555	840	940	1016
Accounts receivable	459	(808)	(601)	5,874	1,821
Accounts payable	3,934	349	1,517	(5,865)	(352)
Prepaid expenses	(336)	76	177	38	(71)
Other current assets	(310)	(131)	27	190	(246)
Accruals	999	(774)	(675)	126	(919)
Other liabilities - Excluding Financing	234	(74)	84	(55)	(111)
Total operating activities	14,504	3,812	7,799	426	4,179
Investing activities					
Capital expenditures	(1,355)	(889)	(2,848)	(834)	(766)
Expansion - Acquisitions	-	(5,202)	(3,710)	-	(12,543)
Total investing activities	(1,355)	(6,091)	(6,558)	(834)	(13,309)
Financing activities					
Long-term debt/financing	(10,737)	1,166	(1,496)	73	14,972
LOC	144	(597)	(225)	379	(901)
Add'l Paid in/(Treasury Stock)	-	-	-	5,000	-
Total financing activities	**(10,593)**	**569**	**(1,721)**	**5,452**	**14,071**
Cumulative cash flow	**2,556**	**(1,710)**	**(480)**	**5,044**	**4,941**
Beginning cash balance	**678**	**3,234**	**1,524**	**1,044**	**6,088**
Ending cash balance	**3,234**	**1,524**	**1,044**	**6,088**	**11,029**

E. Projected Balance Sheet - June 30 – December 31, 2022 and Next Five Fiscal Years

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS						
Current Assets						
Cash	20,251	18,735	19,574	14,936	16,081	22,127
Accounts receivable, Net	11,896	12,584	13,047	13,640	14,387	17,713
Prepaid expenses	186	246	326	326	326	326
Other current assets	128	212	232	232	232	232
Total current assets	32,461	31,776	33,179	29,134	31,026	40,399
Property and Equipment						
Capital improvements	488	840	840	1,240	1,600	2,180
Property and Equipment	8,805	9,293	10,133	10,973	12,213	13,813
Total Fixed Assets	9,293	10,133	10,973	12,213	13,813	15,993
Yrly Depreciation expense	1,065	1,149	1,233	1,357	1,517	1,735
Less: Accumulated Depreciation	4,904	6,053	7,286	8,643	10,161	11,896
Total Property and Equipment	4,389	4,080	3,687	3,570	3,652	4,097
Other Assets						
Goodwill & Intangible Assets	28,921	33,487	33,487	42,787	42,787	42,787
Total Other Assets	28,921	33,487	33,487	42,787	42,787	42,787
TOTAL ASSETS	65,771	69,343	70,353	75,491	77,465	87,283

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
LIABILITIES						
Current Liabilities						
Accounts payable	5,677	5,122	6,466	7,079	7,252	7,432
LOC	-	1,200	500	500	75	215
Accruals	1,780	1,700	1,700	1,890	1,890	1,890
Other Liabilities	126	120	120	120	120	120
Current Portion of LTD	4,680	2,966	2,355	8,866	2,100	2,444
Current Liabilities	12,263	11,108	11,141	18,455	11,437	12,101
Long-Term Liabilities						
Long-term Debt / Loan						
Loan	3,216	1,866	238			
SMT Loan		3,235	2,855	1,866	1,200	866
FG Bank	3,200	2,000	1,366	-	-	-
SMG Loan	16,000	13,600	11,560	9,826	3,100	1,987
Debt	22,416	20,701	16,019	11,692	4,300	2,853
Current Portion of Long Term Debt	(4,680)	(2,966)	(2,355)	(8,866)	(2,100)	(2,444)
Total Long Term Debt	17,736	17,735	13,664	2,826	2,200	409
TOTAL LIABILITIES	29,999	28,843	24,805	21,281	13,637	12,510
EQUITY						
Common	3,500	3,500	3,500	3,500	3,500	3,500
Add'l Paid in/(Treasury Stock)	5,000	5,000	5,000	5,000	5,000	5,000
Cumulative R/E	22,317	27,272	32,000	37,048	45,709	55,329
Current Year Income/(Loss)	4,955	4,728	5,048	8,662	9,619	10,944
TOTAL EQUITY	35,772	40,500	45,548	54,209	63,829	74,773
TOTAL LIABILITIES AND EQUITY	**65,771**	**69,343**	**70,353**	**75,491**	**77,465**	**87,283**

F. Projected Profit & Loss Statements - June 30 – December 31, 2022 and Next Five Fiscal Years

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue						
Total Revenue	83,271	**88,086**	**91,332**	**95,479**	**$ 100,711**	**$ 106,280**
Cost of Sales	34,194	38,037	39,426	37,896	38,856	40,892
Gross Profit	**49,077**	**50,050**	**51,906**	**57,584**	**61,855**	**65,388**
GP as a % of Revenue	*59%*	*57%*	*57%*	*60%*	*61%*	*62%*
Operating Expenses						
Expenses - See Supporting Schedule	39,494	40,551	41,490	42,475	43,509	44,594
Depreciation	1,065	1,149	1,233	1,357	1,517	1,735
Interest expense Debt Obligations & Preferre	2,822	2,915	3,381	3,795	3,651	4,067
Operating Income	43,381	44,615	46,104	47,628	48,678	50,396
Net Income Pre-Tax	5,696	5,435	5,802	9,956	13,177	14,992
Taxes - Income (Federal + State)	740	706	754	1,294	3,558	4,048
Net Income	**$4,955**	**$4,728**	**$5,048**	**$8,662**	**$9,619**	**$10,944**
EBITDA	**$9,583**	**$9,499**	**$10,416**	**$15,108**	**$18,345**	**$20,793**
EBIT	**$8,518**	**$8,350**	**$9,182**	**$13,751**	**$16,828**	**$19,058**

G. Projected Selling, General and Administrative Statement - June 30 – December 31, 2022 and Next Five Fiscal Years

Currency Amounts in 000s USD	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Officers Salaries	2,804	2,944	3,091	3,246	3,408	3,579
Salaries & Wages - Excludes CGS	14,422	15,143	15,900	16,695	17,530	18,407
Bad Debt	2,642	2,642	2,642	2,642	2,642	2,642
Rent	1,124	1,158	1,192	1,228	1,265	1,303
Taxes & Licenses	1,604	1,604	1,604	1,604	1,604	1,604
Advertising	2,576	2,576	2,576	2,576	2,576	2,576
Accounting & Legal - w/ Audit	290	290	290	290	290	290
Data Process / IT	2,654	2,654	2,654	2,654	2,654	2,654
Dues & Subscriptions	352	352	352	352	352	352
Meals / Entertainment	1,322	1,322	1,322	1,322	1,322	1,322
Travel / Lodging	1,004	1,004	1,004	1,004	1,004	1,004
Utilities	1,296	1,296	1,296	1,296	1,296	1,296
Vehicle	168	168	168	168	168	168
Insurance	7,132	7,132	7,132	7,132	7,132	7,132
Acquisition Costs / Expenses	104	266	266	266	266	266
Total	$ 39,494	$ 40,551	$ 41,490	$ 42,475	$ 43,509	$ 44,594

H. Projected Cash Flow Statements - June 30 – December 31, 2022 and Next Five Fiscal Years

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Operating activities						
Net income post Tax	$ 4,955	$ 4,728	$ 5,048	$ 8,662	$ 9,619	$ 10,944
Depreciation	1065	1149	1,233	1,357	1,517	1,735
Accounts receivable	(5,742)	(688)	(464)	(592)	(747)	(3,326)
Accounts payable	4,250	(555)	1,344	613	172	181
Prepaid expenses	(42)	(60)	(80)	-	-	-
Other current assets	384	(84)	(20)	-	-	-
Accruals	(198)	(80)	-	190	-	-
Other liabilities - Excluding Financing	48	(6)	-	-	-	-
Total operating activities	4,720	4,404	7,061	10,230	10,561	9,534
Investing activities						
Capital expenditures	(488)	(840)	(840)	(1,240)	(1,600)	(2,180)
Expansion - Acquisitions	-	(4,566)	-	(9,300)	-	-
Total investing activities	(488)	(5,406)	(840)	(10,540)	(1,600)	(2,180)
Financing activities						
Long-term debt/financing	4,990	(1,715)	(4,682)	(4,327)	(7,392)	(1,447)
Current Portion of LTD						
LOC	-	1,200	(700)	-	(425)	140
Equity	-	-	-	-	-	-
Earn-Out Adjust	-	-	-	-	-	-
Distributions / Dividends	0	0	0	0	0	0
Total financing activities	**4,990**	**(515)**	**(5,382)**	**(4,327)**	**(7,817)**	**(1,307)**
Cumulative cash flow	**9,222**	**(1,517)**	**839**	**(4,637)**	**1,144**	**6,047**
Beginning cash balance	**11,029**	**20,251**	**18,735**	**19,574**	**14,936**	**16,081**
Ending cash balance	**20,251**	**18,735**	**19,574**	**14,936**	**16,081**	**22,127**

I. Historical Balance Sheets as a % of Total Assets

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
ASSETS					
Current Assets					
Cash	12.1%	4.8%	2.8%	16.9%	21.3%
Accounts receivable, Net	46.4%	42.0%	37.3%	22.2%	11.9%
Prepaid expenses	1.4%	0.9%	0.3%	0.2%	0.3%
Other current assets	1.3%	1.5%	1.2%	0.7%	1.0%
Total current assets	61.1%	49.3%	41.6%	40.0%	34.5%
Property and Equipment					
Capital improvements	5.0%	2.8%	7.7%	2.3%	1.5%
Property and Equipment	7.9%	11.0%	11.7%	20.0%	15.5%
Total Fixed Assets	12.9%	13.8%	19.4%	22.3%	17.0%
Less: Accumulated Depreciation	1.8%	3.3%	5.1%	7.8%	7.4%
Total Property and Equipment	11.1%	10.5%	14.3%	14.5%	9.6%
Other Assets					
Goodwill & Intangible Assets	27.8%	40.2%	44.1%	45.5%	55.9%
Total Other Assets	27.8%	40.2%	44.1%	45.5%	55.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
LIABILITIES					
Current Liabilities					
Accounts payable	21.5%	19.4%	20.6%	4.9%	2.8%
LOC	5.0%	2.4%	1.4%	2.5%	
Accruals	15.7%	10.9%	7.5%	8.0%	3.8%
Other Liabilities	0.9%	0.5%	0.7%	0.5%	0.2%
Current Portion of LTD	7.4%	9.7%	2.2%	5.2%	11.4%
Current Liabilities	50.6%	42.9%	32.3%	21.2%	18.1%
Long-Term Liabilities					
Long-term Debt / Loan					
Loan			4.8%	2.3%	28.6%
SMT Loan	3.1%	9.5%			
FG Bank	7.0%	2.8%	1.6%	4.6%	5.1%
SMG Loan					
Debt	10.1%	12.3%	6.4%	6.8%	33.7%
Current Portion of Long Term Debt	-7.4%	-9.7%	-2.2%	-5.2%	-11.4%
Total Long Term Debt	2.7%	2.6%	4.2%	1.6%	22.3%
TOTAL LIABILITIES	53.2%	45.5%	36.5%	22.8%	40.4%
EQUITY					
Common	13.0%	11.1%	9.4%	9.7%	6.8%
Add'l Paid in/(Treasury Stock)				13.9%	9.7%
Cumulative R/E	0.0%	28.7%	36.8%	55.8%	37.3%
Current Year Income/(Loss)	33.8%	14.7%	17.3%	-2.3%	5.9%
TOTAL EQUITY	46.8%	54.5%	63.5%	77.2%	59.6%
TOTAL LIABILITIES AND EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%

J. Historical Profit & Loss as a % of Revenue

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Revenue					
Medical	40.0%	62.7%	92.3%	94.5%	89.8%
Industrial	29.0%	24.3%	5.9%	2.8%	5.4%
IT & Administrative	30.5%	12.0%	1.7%	1.8%	3.2%
Other	0.6%	1.0%	0.2%	0.9%	1.7%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of Sales	37.0%	33.0%	32.0%	36.0%	39.7%
Gross Profit	**63.0%**	**67.0%**	**68.0%**	**64.0%**	**60.3%**
Operating Expenses					
Expenses - See Supporting Schedule	40.4%	52.6%	70.1%	62.8%	45.8%
Depreciation	0.7%	1.0%	2.0%	2.0%	2.4%
Interest expense Debt Obligations & Preferre	0.6%	1.1%	0.6%	0.7%	4.4%
Operating Income	41.7%	54.7%	72.7%	65.5%	52.6%
Pre-Tax Net Income - Before PPP / ERTC	21.26%	12.31%	-4.72%	-1.46%	7.67%
Non-Recurring Revenue (PPP)	0.0%	0.0%	20.5%	0.0%	0.0%
Net Income Pre-Tax	21.3%	12.3%	15.8%	-1.5%	7.7%
Taxes - Income (Federal + State)	6.7%	3.6%	0.3%	0.3%	0.6%
Net Income	14.6%	8.7%	15.4%	-1.7%	7.1%
EBITDA	**22.6%**	**14.4%**	**18.4%**	**1.2%**	**14.5%**
EBIT	21.9%	13.4%	16.4%	-0.7%	12.1%

K. Historical Selling, General & Administrative Expenses as a % of Projected Revenue

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Officers Salaries	3.66%	5.68%	6.48%	3.11%	3.25%
Salaries & Wages - Excludes CGS	18.42%	25.68%	26.37%	21.87%	16.74%
Bad Debt	0.84%	2.04%	1.74%	4.48%	3.07%
Rent	0.87%	1.02%	2.11%	1.84%	1.30%
Taxes & Licenses	1.04%	1.31%	2.99%	3.39%	1.86%
Advertising	3.18%	1.17%	5.33%	3.48%	2.99%
Accounting & Legal - w/ Audit	0.39%	0.46%	0.21%	0.51%	0.34%
Data Process / IT	1.80%	3.50%	5.09%	2.69%	3.08%
Dues & Subscriptions	0.44%	0.51%	0.30%	0.51%	0.41%
Meals / Entertainment	0.75%	0.33%	0.29%	0.81%	1.53%
Travel / Lodging	0.46%	0.59%	0.04%	0.72%	1.17%
Utilities	1.12%	1.36%	2.35%	2.36%	1.50%
Vehicle	0.22%	0.27%	0.33%	0.29%	0.19%
Insurance	7.18%	6.90%	15.06%	16.50%	8.28%
Acquisition Costs / Expenses	0.00%	1.74%	1.39%	0.18%	0.12%
Total	40.37%	52.57%	70.08%	62.75%	45.84%

L. Projected Balance Sheets as a % of Total Assets

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS						
Current Assets						
Cash	30.8%	27.0%	27.8%	19.8%	20.8%	25.4%
Accounts receivable, Net	18.1%	18.1%	18.5%	18.1%	18.6%	20.3%
Prepaid expenses	0.3%	0.4%	0.5%	0.4%	0.4%	0.4%
Other current assets	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
Total current assets	49.4%	45.8%	47.2%	38.6%	40.1%	46.3%
Property and Equipment						
Capital improvements	0.7%	1.2%	1.2%	1.6%	2.1%	2.5%
Property and Equipment	13.4%	13.4%	14.4%	14.5%	15.8%	15.8%
Total Fixed Assets	14.1%	14.6%	15.6%	16.2%	17.8%	18.3%
Yrly Depreciation expense	1.6%	1.7%	1.8%	1.8%	2.0%	2.0%
Less: Accumulated Depreciation	7.5%	8.7%	10.4%	11.4%	13.1%	13.6%
Total Property and Equipment	6.7%	5.9%	5.2%	4.7%	4.7%	4.7%
Other Assets						
Goodwill & Intangible Assets	44.0%	48.3%	47.6%	56.7%	55.2%	49.0%
Total Other Assets	44.0%	48.3%	47.6%	56.7%	55.2%	49.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
LIABILITIES						
Current Liabilities						
Accounts payable	8.6%	7.4%	9.2%	9.4%	9.4%	8.5%
LOC		1.7%	0.7%	0.7%	0.1%	0.2%
Accruals	2.7%	2.5%	2.4%	2.5%	2.4%	2.2%
Other Liabilities	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Current Portion of LTD	7.1%	4.3%	3.3%	11.7%	2.7%	2.8%
Current Liabilities	18.6%	16.0%	15.8%	24.4%	14.8%	13.9%
Long-Term Liabilities						
Long-term Debt / Loan						
Loan	4.9%	2.7%	0.3%			
SMT Loan		4.7%	4.1%	2.5%	1.5%	1.0%
FG Bank	4.9%	2.9%	1.9%			
SMG Loan	24.3%	19.6%	16.4%	13.0%	4.0%	2.3%
Debt	34.1%	29.9%	22.8%	15.5%	5.6%	3.3%
Current Portion of Long Term Debt	-7.1%	-4.3%	-3.3%	-11.7%	-2.7%	-2.8%
Total Long Term Debt	27.0%	25.6%	19.4%	3.7%	2.8%	0.5%
TOTAL LIABILITIES	45.6%	41.6%	35.3%	28.2%	17.6%	14.3%
EQUITY						
Common	5.3%	5.0%	5.0%	4.6%	4.5%	4.0%
Add'l Paid in/(Treasury Stock)	7.6%	7.2%	7.1%	6.6%	6.5%	5.7%
Cumulative R/E	33.9%	39.3%	45.5%	49.1%	59.0%	63.4%
Current Year Income/(Loss)	7.5%	6.8%	7.2%	11.5%	12.4%	12.5%
TOTAL EQUITY	54.4%	58.4%	64.7%	71.8%	82.4%	85.7%
TOTAL LIABILITIES AND EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

M. Projected Profit & Loss as a % of Total Revenue

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue						
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of Sales	41.1%	43.2%	43.2%	39.7%	38.6%	38.5%
Gross Profit	**58.9%**	**56.8%**	**56.8%**	**60.3%**	**61.4%**	**61.5%**
Operating Expenses						
Expenses - See Supporting Schedule	47.4%	46.0%	45.4%	44.5%	43.2%	42.0%
Depreciation	1.3%	1.3%	1.4%	1.4%	1.5%	1.6%
Interest expense Debt Obligations & Preferre	3.4%	3.3%	3.7%	4.0%	3.6%	3.8%
Operating Income	52.1%	50.6%	50.5%	49.9%	48.3%	47.4%
Net Income Pre-Tax	6.8%	6.2%	6.4%	10.4%	13.1%	14.1%
Taxes - Income (Federal + State)	0.9%	0.8%	0.8%	1.4%	3.5%	3.8%
Net Income	6.0%	5.4%	5.5%	9.1%	9.6%	10.3%
EBITDA	**11.5%**	**10.8%**	**11.4%**	**15.8%**	**18.2%**	**19.6%**
EBIT	10.2%	9.5%	10.1%	14.4%	16.7%	17.9%

N. Projected Selling, General & Administrative Expenses June 30 – December 31, 2022 and Next Five Fiscal Years as a % of Projected Revenue

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Officers Salaries	3.37%	3.34%	3.38%	3.40%	3.38%	3.37%
Salaries & Wages - Excludes CGS	17.32%	17.19%	17.41%	17.49%	17.41%	17.32%
Bad Debt	3.17%	3.00%	2.89%	2.77%	2.62%	2.49%
Rent	1.35%	1.31%	1.31%	1.29%	1.26%	1.23%
Taxes & Licenses	1.93%	1.82%	1.76%	1.68%	1.59%	1.51%
Advertising	3.09%	2.92%	2.82%	2.70%	2.56%	2.42%
Accounting & Legal - w/ Audit	0.35%	0.33%	0.32%	0.30%	0.29%	0.27%
Data Process / IT	3.19%	3.01%	2.91%	2.78%	2.64%	2.50%
Dues & Subscriptions	0.42%	0.40%	0.39%	0.37%	0.35%	0.33%
Meals / Entertainment	1.59%	1.50%	1.45%	1.38%	1.31%	1.24%
Travel / Lodging	1.21%	1.14%	1.10%	1.05%	1.00%	0.94%
Utilities	1.56%	1.47%	1.42%	1.36%	1.29%	1.22%
Vehicle	0.20%	0.19%	0.18%	0.18%	0.17%	0.16%
Insurance	8.56%	8.10%	7.81%	7.47%	7.08%	6.71%
Acquisition Costs / Expenses	0.12%	0.30%	0.29%	0.28%	0.26%	0.25%
Total	47.43%	46.04%	45.43%	44.49%	43.20%	41.96%

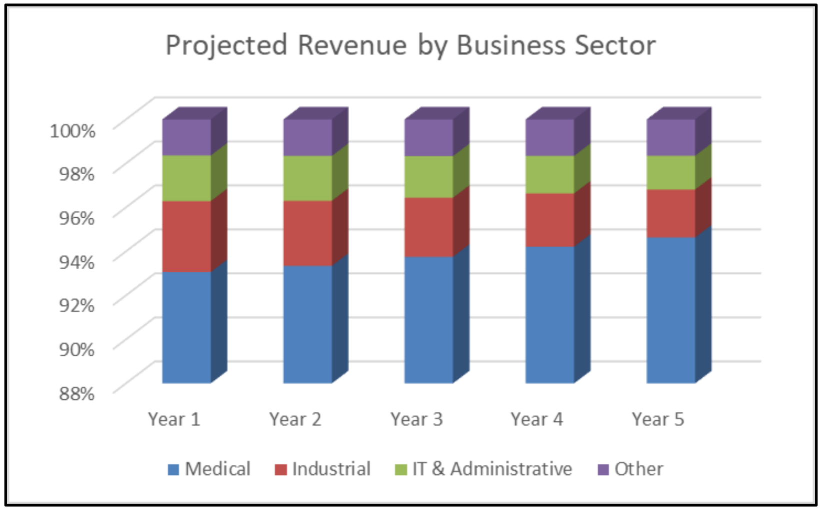
O. Key Financial Assumptions & Issues Historical & Projections

- The following tables summarize the revenue stream for the actual periods plus the Extrapolated 2022.

Currency Amounts in 000s of USD		12/31/2018		12/31/2019		12/31/2020		12/31/2021		6/30/2022
Revenue										
Medical	$	24,876	$	33,244	$	38,452	$	45,212	$	38,666
Industrial		18,014		12,882		2,447		1,325		2,322
IT & Administrative		18,966		6,334		689		885		1,367
Other		344		533		84		427		722
Total Revenue		62,200		52,993		41,672		47,849		43,077

Currency Amounts in 000s of USD	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue						
Medical	92.9%	93.1%	93.3%	93.8%	94.2%	94.6%
Industrial	3.3%	3.2%	3.0%	2.7%	2.4%	2.2%
IT & Administrative	2.1%	2.1%	2.0%	1.9%	1.7%	1.5%
Other	1.7%	1.6%	1.7%	1.7%	1.7%	1.7%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

- The following chart highlight the Percentage of Revenue by LOB



2019

- Cash – In 2019 to 2018, the increase in cash was due principally to increase in debt of $3,000.
- ZZZ acquired a medical staffing entity.
- The key assets of the Company being the management of the Accounts Receivable and the Goodwill achieved from the acquisition of ZZZ and ZZZ's acquisition. As noted in the industry comparison – on average over the past 3 years their Intangible Assets were 37.4% of the total assets with an industry average being 31.6%. Accordingly, this asset composition is nor unusual in this type of service industry.
- Shifted its customer profiles from Industrial and IT & Administrative to Medical – this decreased revenue approximately $9,207.
- Expenses of approximately $922 were associated with the acquisition costs.

- Increase in a write off ((approximately $500) of bad debt associated with Industrial client.

2020

- Capital Improvements were increased by approximately $2,000. This was the investment made in technology – consolidation of servers, staffing software, upgraded laptops for all employees.
- Goodwill increased approximately $3,700 due to acquisition, refer to above for details on acquisitions.
- Debt decreases by approximately $1,500. This is the net of paying the SMT Loan of $3,000 and obtaining an additional loan of $1,800.
- Revenue – despite an increase in Medical LOB increasing approximately $5,208 – overall revenue was decreased over $11,000. As a result of the pandemic Industrial decreased over $10,400; IT & Administrative decreased over $5,600; with Other decreasing approximately $449.
- As a result of the pandemic Operating Loss was approximately $1,966. This was significantly offset by the federal PPP which provided the Company with $8,534.

2021

- Decrease in A/R due to decrease in revenue from 2020.
- Overall Capital Improvements were $834.
- As a result of the PPP (2020) the Company paid the A/P approximately $5,865.
- Given its acquisition strategy and its cash flow limitation from prior period due to pandemic, the owners have injected $5,000 as equity (Additional Paid In Capital) into the Company.
- The Employee Retention Tax Credit ($2,361) was excluded from the balance sheets to ensure allow for more comparable results with projections and other entities. This tax credit was accounted for as a reduction in 2022 tax and the projections.
- Revenue increased approximately $6,100 primarily due to the increase in the Medical LOB.
- Costs of Goods Sold increased by over 4% primarily due to the challenges in obtaining and paying for the medical support

of the Medical LOB resulting from the pandemic.

- ZZZ obtained the federal EIDL program which provide for tax credits for the next few years.

June 30, 2022

- On a monthly run rate the Medical LOB has increased significantly. The Industrial LOB virtually doubled due to the labor forces "back at work".
- ZZZ was able to restructure it Medical COGS wages, benefits and flex time.
- Capital Improvements increased $766. Primarily due to acquisition.
- Acquisition – see acquisition materials above.
- Debt increased approximately $15,000 to pay for the aforenoted acquisition and capital improvements.
- Due to NOLs of acquired entities and the EIDL – Income Taxes pertain the states.

Annualized 2022

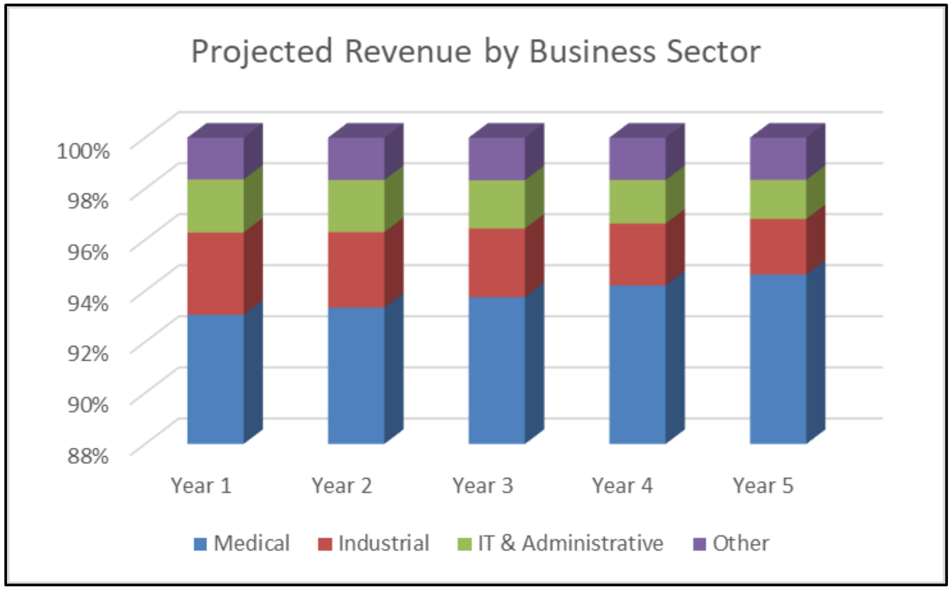
- A/R materially increased as a direct correlation to the increase in revenue.
- Decreased debt by approximately $11,000 based upon result of the full 2022 fiscal year.
- Due to the recent acquisition and the Medical LOB revenue – this LOB has a 71% year-to-year increase.

Projections

- The following tables summarize the projected revenues.

Projected Revenues Assumptions		Year 1		Year 2		Year 3		Year 4		Year 5
Medical										
% Increase in Current Product Revenue from prior year		6.0%		4.0%		5.0%		6%		6%
Business - Beginning of Year	$	77,332	$	81,972	$	85,251	$	89,513	$	94,884
Total Revenue	**$**	**81,972**	**$**	**85,251**	**$**	**89,513**	**$**	**94,884**	**$**	**100,577**
Industrial										
% Increase in Current Product Revenue from prior year		2.0%		-5.0%		-5.0%		-5%		-5%
Business - Beginning of Year	$	2,786	$	2,842	$	2,700	$	2,565	$	2,437
Total Revenue	**$**	**2,842**	**$**	**2,700**	**$**	**2,565**	**$**	**2,437**	**$**	**2,315**
IT & Administrative										
% Increase in Current Product Revenue from prior year		7.0%		2.0%		-3.0%		-5.0%		-5.0%
Business - Beginning of Year	$	1,709	$	1,828	$	1,865	$	1,809	$	1,719
Total Revenue from New Products	**$**	**1,828**	**$**	**1,865**	**$**	**1,809**	**$**	**1,719**	**$**	**1,633**
Other										
% Increase in Current Product Revenue from prior year		0.0%		5.0%		5.0%		5%		5%
Business - Beginning of Year	$	1,444	$	1,444	$	1,516	$	1,592	$	1,672
Total Revenue	**$**	**1,444**	**$**	**1,516**	**$**	**1,592**	**$**	**1,672**	**$**	**1,755**
TOTAL PROJECTED REVENUE	**$**	**88,086**	**$**	**91,332**	**$**	**95,479**	**$**	**100,711**	**$**	**106,280**

		Year 1		Year 2		Year 3		Year 4		Year 5
Medical	$	81,972	$	85,251	$	89,513	$	94,884	$	100,577
Industrial	$	2,842	$	2,700	$	2,565	$	2,437	$	2,315
IT & Administrative	$	1,828	$	1,865	$	1,809	$	1,719	$	1,633
Other	$	1,444	$	1,516	$	1,592	$	1,672	$	1,755
Total Projected Revenue	**$**	**88,086**	**$**	**91,332**	**$**	**95,479**	**$**	**100,711**	**$**	**106,280**



- The following tables summarize the projected Costs of Services.

COST OF GOODS SOLD		Year 1	Year 2	Year 3	Year 4	Year 5
Medical						
	COGS as a % of Revenue	41.5%	41.5%	38.0%	37.0%	37.0%
	COGS	34,018	35,379	34,015	35,107	37,214
Industrial						
	COGS as a % of Revenue	64%	65%	62%	60%	60%
	COGS	1,819	1,755	1,590	1,462	1,389
IT & Administrative						
	COGS as a % of Revenue	65%	66%	65%	65%	65%
	COGS	1,188	1,231	1,176	1,117	1,061
Other						
	COGS as a % of Revenue	70%	70%	70%	70%	70%
	COGS	1,011	1,061	1,114	1,170	1,229
	Total COGS	**38,037**	**39,426**	**37,896**	**38,856**	**40,892**
		43%	43%	40%	39%	38%

- Capital Improvements in Year #1 are projected to be $840. In all future years, this amount is projected to be $1,200.
- ZZZ is seeking an acquisition in Years #1 (Acquisition #4) and #3 (Acquisition #5) refer to the following tables for summary ramification to revenue. Recall that the acquisitions are focused on the medical LOB.

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue by Acqisition - Medical						
ZZZ	$ 42,533	$ 44,265	$ 46,888	$ 43,862	$ 45,544	$ 49,283
Acquisition #1	10,053	9,017	10,230	6,266	7,591	8,046
Acquisition #2	9,280	7,377	7,673	7,161	8,540	8,046
Acquisition #3	15,466	14,755	15,345	12,532	13,284	15,087
Acquisition #4	-	6,558	5,115	3,581	4,744	6,035
Acquisition #5	-	-	-	16,112	15,181	14,081
	$ 77,332	$ 81,972	$ 85,251	$ 89,513	$ 94,884	$ 100,577

Revenue by Acquisition as a Percentage of Total Medical LOB

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022
Revenue by Acqisition - Medical					
ZZZ	100%	78%	72%	71%	51%
Acquisition #1		22%	10%	13%	11%
Acquisition #2			18%	16%	14%
Acquisition #3					24%
Acquisition #4					
Acquisition #5					
	100%	100%	100%	100%	100%

	Annualized 2022	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue by Acqisition - Medical						
ZZZ	55%	54%	55%	49%	48%	49%
Acquisition #1	13%	11%	12%	7%	8%	8%
Acquisition #2	12%	9%	9%	8%	9%	8%
Acquisition #3	20%	18%	18%	14%	14%	15%
Acquisition #4		8%	6%	4%	5%	6%
Acquisition #5				18%	16%	14%
	100%	100%	100%	100%	100%	100%

- Management projects to decrease debt as illustrated below.

	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/financing	(1,715)	(4,682)	(4,327)	(7,392)	(1,447)

VII. COMPANY VS. INDUSTRY KEY RATIOS

The following table compares ZZZ with other within this industry. [28]

Company vs. Industry Ratios	2018	2019	2020	3-Year Average	Explanation – Key Variances
EBIT/Revenue					
Industry	18.6%	15.8%	14.0%	16.1%	
Company	21.9%	13.4%	16.4%	17.2%	
EBITDA/Revenue					
Industry	22.3%	19.4%	17.2%	19.6%	
Company	14.4%	18.4%	18.4%	17.1%	
Taxes Paid/Revenue					
Industry	3.9%	3.5%	3.2%	3.5%	
Company	3.6%	0.3%	0.3%	1.4%	This was due to a material NOLs from acquired entity
Cost of goods					
Industry	26.0%	28.4%	31.1%	28.5%	
Company	37.0%	33.0%	32.0%	34.0%	Salaries for the medical team > non-medical
Gross Profit					
Industry	74.0%	71.6%	68.9%	71.5%	
Company	63.0%	67.0%	68.0%	66.0%	Prior acquisition had lower GPM
Salaries and wages					
Industry	22.1%	21.6%	21.0%	21.6%	

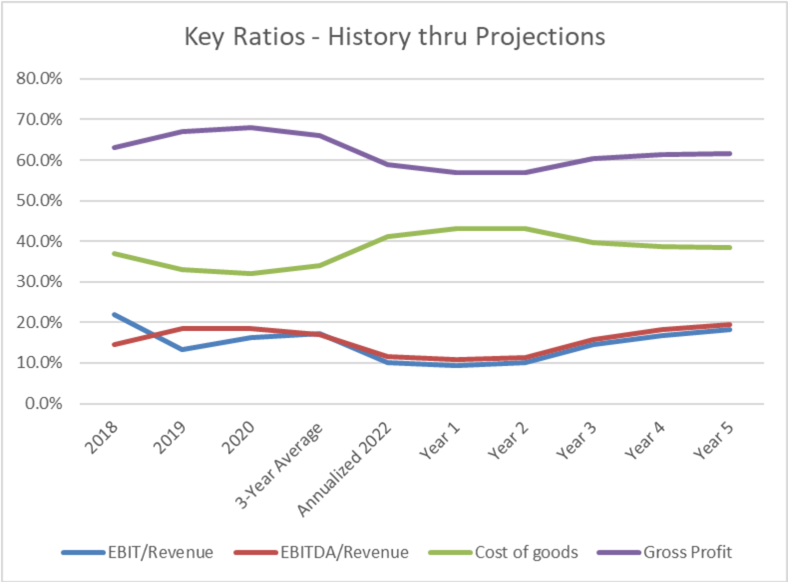
[28] "Office Staffing & Temp Agencies in the US," IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

Company vs. Industry Ratios	2018	2019	2020	3-Year Average	Explanation – Key Variances
Company	18.4%	25.7%	26.4%	23.5%	
Advertising					
Industry	4.7%	4.2%	3.8%	4.2%	
Company	3.2%	1.2%	5.3%	3.2%	
Bad debts					
Industry	3.0%	2.7%	2.5%	2.7%	
Company	0.8%	2.0%	1.7%	1.5%	ZZZ is aggressive in collections
Net Income					
Industry	11.7%	9.8%	8.2%	9.9%	
Company	14.6%	8.7%	15.4%	12.9%	Due to focus on medical revenue (> Overall profitability.
Cash and Equivalents					
Industry	12.0%	12.4%	12.8%	12.4%	
Company	12.1%	4.8%	2.8%	6.6%	
Notes and accounts receivable					
Industry	30.0%	30.0%	30.2%	30.0%	
Company	46.4%	42.0%	37.3%	41.9%	
Allowance for bad debts as % of Revenue					
Industry	0.7%	0.7%	0.7%	0.7%	
Company	1.3%	2.3%	1.7%	1.7%	
Other current assets					
Industry	8.7%	8.6%	8.7%	8.7%	
Company	1.3%	1.5%	1.2%	1.4%	ZZZ has little other current assets
Property, Plant and Equipment					

Company vs. Industry Ratios	2018	2019	2020	3-Year Average	Explanation – Key Variances
Industry	10.7%	10.6%	10.1%	10.5%	
Company	11.1%	10.5%	14.3%	12.0%	
Intangible assets (Amortizable)					
Industry	31.2%	31.5%	32.0%	31.6%	
Company	27.8%	40.2%	44.1%	37.4%	
Capital stock					
Industry	5.0%	5.1%	5.3%	5.1%	
Company	13.0%	11.1%	9.4%	11.2%	Investors and lenders required owners to contribute more capital – see balance sheets
Net worth					
Industry	34.0%	34.7%	35.2%	34.6%	
Company	46.8%	54.5%	63.5%	54.9%	See above
Current Ratio					
Industry	1.5	1.5	1.5	1.5	
Company	1.2	1.1	1.3	1.2	
Sales/Receivables					
Industry	3.6	3.6	3.5	3.6	
Company	5.0	4.0	3.0	4.0	
Days' Receivables					
Industry	102.3	102.5	103.2	102.7	
Company	73.0	91.3	121.3	95.2	Overall, ZZZ is aggressive on collections. 2020 challenges with pandemic affiliated clients.
Sales / Working Capital					
Industry	5.6	5.5	5.4	5.5	

Company vs. Industry Ratios	2018	2019	2020	3-Year Average	Explanation – Key Variances
Company	12.7	21.9	15.2	16.6	Relatively good efficiency of firm's sales support with use of its current assets and liabilities.
Interest Coverage					
Industry	61.8	63.1	59.0	61.5	
Company	35.3	12.5	26.1	24.6	
Sales/Total Assets					
Industry	1.1	1.1	1.1	1.1	
Company	2.3	1.7	1.1	1.7	

Key Financial Ratios for ZZZ from Historical thru Projections



VIII. OPINION OF VALUE

A. Overview of Methodologies

At a minimum, the following factors were considered in determining the values of closely-held businesses. They are typified by the Internal Revenue Service Ruling 59-60, which has issued these factors as a valuation guideline:

- The nature of the business and the history of the enterprise from its inception;
- The economic outlook in general and the conditions and outlook of the industry in particular;
- The book value of the stock and the financial condition of the business;
- The earnings capacity of the business;
- The dividend-paying capacity of the business;
- Whether the enterprise has goodwill or other intangible value;
- Prior sales of the stock and the size of the block of stock to be valued; and
- The market price of stocks and the sizes of corporations engaged in the same or a similar line of business having their stocks actively traded on an exchange or over-the-counter market.

There are a variety of business valuation techniques used for determining a Fair Market Value for the business. Generally, there are three fundamental ways to measure the value of a business such as the Company's:

- Income Approach;
- Market Approach; and
- Asset Approach.

No one business valuation approach or method is definitive. Hence, it is customary practice to use a number of business valuation methods under each approach. The business value then is determined by reconciling the results obtained from the selected methods. Typically, a weight is assigned to the result of each business valuation method. Finally, the sum of the weighted results is used to determine the value of the subject business.

Income Approach

There are two income-based approaches that are primarily used when valuing a business, (i) Capitalization of Cash Flow Method and (ii) the Discounted Cash Flow Method. These methods are used to value a company based on the amount of income the company is expected to generate in the future.

- **Capitalization of Cash Flow Method**

  The Capitalization of Cash Flow Method is most often used when a company is expected to have a relatively stable level of margins and growth in the future – it effectively takes a single benefit stream and assumes that it grows at a steady rate into perpetuity.

  This particular method is described as an income-based approach to value companies and is contingent on the projection that the company will have similar streams of income in the coming future.

- **Discounted Cash Flow Method**

  The Discounted Cash Flow Method is an income-based approach to valuation that is based upon the theory that the value of a business is equal to the present value of its projected future benefits (including the present value of its terminal value).

Market Approach

The Market Approach looks at the prices of comparable assets and makes proper adjustments for different quantities, qualities, or sizes. For instance, when one wants to determine the value of a share of stock, you should look at the recent selling price of shares of stock that are similar. Since ownership shares of a company are usually identical, the recent selling price of the shares will provide a good estimation of their fair value.

"*In the market determined price of a stock, thousands of investors act through Adam Smith's 'invisible hand' to arrive at an equitable value*."[29]

There are two (2) utilized methodologies that may be used by a valuation analyst under the Market Approach, these being (i) the Guideline Public Company Method ("GPCM") and (ii) the Merger

[29] Kent Hickman and Glenn H. Perry, *A Comparison of the Stock Price Predictions Using Court Accepted Formulas, Dividend Discount, and P/E Models,* Financial Management, Sumer 1990, Page 84.

and Acquisition Method.

- **Merger and Acquisition Method**

  The Merger and Acquisition Method is utilized when detailed information is available for comparable company merger and acquisition transactions. Ideally, transactions are identified for companies in the same or similar line of business as ZZZ and each transaction is analyzed individually. The price multiples derived from each transaction are analyzed and multiples are selected to be applied to the subject company's measures of profitability and/or financial position.

- **Public Company Comparable**

  The Public Company Comparable method entails using valuation metrics from companies that have been traded publicly, which are rightly similar to the subject entity.

  "*The use of comparable publicly held corporations as a guide to a valuation, as a practical matter, may be the most important and appropriate technique for valuing a privately held operating business. Obviously finding a business exactly the same as the enterprise to be valued is an impossibility. The standard sought is usually one of reasonableness and justifiable similarity. This degree of likeness is attainable in most cases*."[30]

Asset Approach

Asset-based valuation is a form of valuation in business that focuses on the value of a company's assets or the fair market value of its total assets after deducting liabilities. Assets are evaluated (or appraised), and the FMV is obtained.

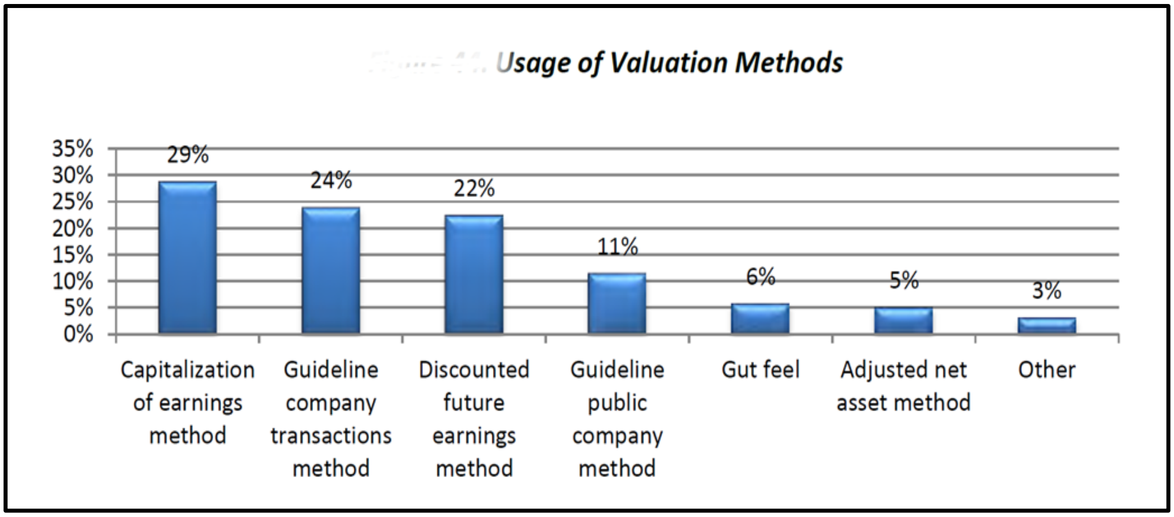
The Asset-Based Approach encompasses a set of methods that value the Company by reference to its balance sheet. In contrast, Income Approach and Market Approach valuation methods primarily focus on the company's income statement and/or cash flow statement.

B. Common Utilization of Methodologies

The following chart summarizes the utilization of valuation methods in 2021 for private entities.[31]

[30] Frank M. Burke, Jr., *Valuation and Valuation Planning for Closely Held Business* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1981) Page 49.

[31] Pepperdine Private Capital Markets Project | Private Capital Markets Report – 2021. by Professor Craig R. Everett



C. Valuation Methods Considered but Not Utilized

Capitalization of Cash Flow Method – This methodology requires that the revenue/income stream is relatively consistent over the past few years. The Capitalization of Cash Flow Method is most often used when a company is expected to have a relatively stable level of margins and growth in the future – it effectively takes a single benefit stream and assumes that it grows at a steady rate into perpetuity.

As noted in the following table, the revenue over the past few years has changed materially due to acquisitions, pandemic, and shift to medical LOB.

Currency Amounts in 000s of USD	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Overal Gross Revenue	$ 62,200	$ 52,993	$ 41,672	$ 47,849
% of Change		-14.8%	-21.4%	14.8%

Accordingly, this specific business valuation methodology was not applied given the aforenoted acquisitions, pandemic, material change in revenue, and the other economic issues.

Asset Method - Many believe that the asset-based approach is only applicable to so-called asset-intensive companies, and not service a service entity like ZZZ. This statement is technically correct. However, this conclusion ignores the reality that virtually every company is an asset-intensive company (either tangible or intangible assets). That said, asset-based valuation is not without its drawbacks. Unlike other methods, such as the income approach, the asset-based method

Pepperdine University, August 18, 2021.

disregards a company's prospective earnings. Putting concerns aside, an entity's business value can be much higher compared to when its existing assets are disposed of item by item.

The key factors in not utilizing the Asset Based Methodology are:

- Disregards Future Earnings.
- Measuring intangible resources is complex. ZZZ has significant intangible assets. See following table.

	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Intangible as % ot Total Assets	27.8%	33.3%	37.5%	38.5%

- Given ZZZ's strategy and current trend, the Company's business value is much higher than its existing net assets.
- Nature of the services provided are not asset-based.
- Does not allocate a proportionate value to the MSO (due the limited assets in place in this component of the Company). Moreover, the MSO being a major value-added differentiator for this Company.

D. Valuation Methods Utilized

Discounted Cash Flow Method ("DCF") - This is an income-based approach that is premised on the concept that the estimated value of a business is the present value of its discretely projected future earnings/net free cash flow plus the present value of the company's terminal value. This method is suitable in situations where the future earnings are expected to change significantly from year-to-year, and where such year-to-year changes are reasonably predictable. This method typically relies upon a projection of potential future earnings based upon historical earnings, which may or may not be realistic in any given case.

In general, the discounted cash flow method provides greater flexibility if management expects short-term fluctuations in growth, revenue and expenses, leverage, working capital needs, and capital expenditures. It is particularly useful for high-growth businesses (i.e., ZZZ) and start-ups that are not yet profitable, or when calculating damages over a finite period.

Merger and Acquisition Method[32] – the utilization of this methodology for the business valuation will be exploring the Merger and Acquisition Method. The process will entail examining several relatively recent Mergers and/or Acquisition of companies in this specific industry. From this list of merged/acquired entities – with possible adjustments, one can extrapolate the valuation.

Public Company Comparable – there exists several public companies that are in this industry and have similar characteristic of the Company. Accordingly, these public entities were examined with regards to their financial attributes / value drives and, if relevant, with possible adjustments, extrapolate them to ZZZ.

IX. CALCULATION OF THE DCF

Note for our purposes, unless specifically stated otherwise, our analysis is addressing the Free Cash Flow to the Firm or known as the Unleveraged Free Cash Flow.

Discounted cash flow is "a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate." This method entails these basic steps:

A. Obtain Projections for the Future Periods and Compute Future Cash Flows

Historical earnings are often the starting point for estimating expected cash flow over a discrete discounting period. From a practical matter, considering the projected transaction – the client provided us with five years of P&L, Balance Sheet, Cash Flow Statements, and Supporting Schedules for Selling General & Administrative. As obtained above, the projections for the future five years have been prepared by management of ZZZ.

B. Calculate the Unleveraged Net Free Cash Flow ("NFCF")

With the aforenoted projections, one needs to determine the Unleveraged Net Free Cash Flow/Net Free Cash Flow ("NFCF"). This NFCF is equal to:

Earnings Before Interest and Taxes
    Less: Taxes
Profit Before Depreciation
Adjustments

[32] Generally, one values based upon the Market Approach utilizing either the GPCM or the M&A Method. However, given the unique aspects as stated in the following sentences, this valuation included both in our overall assessment. This industry includes over 19,000 entities in the US with the public entities covering a fraction of the market. ZZZ's revenue and future projections are exceeding the smaller firms yet have many of their characteristics Yet , the GPCM has three entities that are impressive "matches" with ZZZ, and it would behoove us to us this information as a component of our valuation.

Depreciation & Amortization
Capital Expenditures
Targeted Acquisitions
Change in Working Capital (excludes Cash)
Total Adjustments
Net Free Cash Flow

	7/1/2022 - 12/31/2022	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Value
Period	0.5	1.0	2.0	3.0	4.0	5.0	
EBIT	$ 3,301	$ 8,350	$ 9,182	$ 13,751	$ 16,828	$ 19,058	$ 19,058
Taxes	(910)	(2,915)	(3,381)	(3,795)	(3,651)	(4,067)	(4,067)
Profit Before Depreciation	2,391	5,435	5,802	9,956	13,177	14,992	14,992
Adjustments							
Depreciation & Amortization	1,065	1,149	1,233	1,357	1,517	1,735	1,735
Capital Expenditures	(488)	(840)	(840)	(1,240)	(1,600)	(2,180)	(2,180)
Targeted Acquisitions	0	(4,566)	0	(9,300)	0	0	0
Dividends / Distributions							
Change in Working Capital (excludes Cash)	(2,510)	(1,987)	(531)	6,722	(7,766)	(2,661)	(2,661)
Total Adjustments	**(1,933)**	**(6,244)**	**(137)**	**(2,461)**	**(7,849)**	**(3,106)**	**(3,106)**
Net Free Cash Flow	**$ 458**	**$ (809)**	**$ 5,664**	**$ 7,495**	**$ 5,328**	**$ 11,886**	**$ 11,886**

Depreciation & Amortization are non-cash expenses. Thereby, they are added back to our attempt to convert the Profits & Losses to reflect the NFCF.

Capital Expenditures – to maintain the future revenue streams such as the infrastructure and facilities, the Company needs to "invest" capital into the business. This necessary capital is subtracted as an adjustment.

Target Acquisitions – Generally, acquisition costs are excluded to get a more representative "Normalized Cash Flow". However, without said investments, the future earnings could not be achieved nor would ZZZ's roll-up strategy be viable. In our opinion, it was necessary to accommodate the costs of the acquisitions. Otherwise, one would be accounting only for the additional revenue streams without recognizing the significant costs/expenditures.

Changes in Working Capital simply shows the net affect on cash flows of this adding and subtracting from current assets (except for Cash) and current liabilities. In other words, the change in Working Capital dollar for dollar impacts the NFCF. If the change in Working Capital is negative, the company is investing heavily in its current assets or a material change in Accounts Receivable, or else drastically reducing its current liabilities. Given the significant/material transactional impact the debt (or the changes of the current portion of debt), the current debt was considered a component of the current liabilities. In several cases, a justification could be presented to exclude said current debt/current liabilities – but with the current set of circumstances, excluding the significant changes in current debt would distort the NFCF results.

C. RISKS AND OTHER FACTORS

Once cash flows have been forecasted, it is adjusted to present value using a discount rate based on the risks of the economy, industry, and company.

The sum of those present values (with the accounting for the Terminal Value) represents the PV of the business before accounting the specific discounts associated with entity in question.

In developing the discount and capitalization rates to apply to the benefit stream of the Company, the build-up model was used. The build-up model is based on a combination of risk factors including a risk-free rate, an equity risk premium, a size premium, and other identifiable risk factors specific to the subject company.

In other words, the build-up approach summarizes the risks of the overall economy (long-term Treasury Bonds), market risks, industry, and specific risks associated with the company being valued. When these risks are aggregated, the results provide an indication of the discount rate for the subject company within its operating environment (Economy, market, industry, etc.). This aggregated discount rate represents the total return, in terms of cash flows and increase in value, that an investor would require in order to rationally invest in the subject company.

Risk-free Rate

As of the Valuation Date, the risk-free rate was 2.98% based upon 10-year U.S. Treasury yield.[33]

Market Equity Risk Premium

The next risk component is the Market Equity Risk Premium ("ERP"). The ERP is an excess return earned by an investor when they invest in the stock market over a risk-free rate. This return compensates investors for taking on the higher risk of equity investing. As of the Valuation Date, the ERP was 4.8%.[34]

Size Premium Rate

"Substantial bodies of research indicate that the size of the company is important in that stocks of smaller companies are riskier than those of larger ones and that small-company stocks command

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[33] Based upon the Kroll (formerly *Duff & Phelps) database as of the Valuation Date.*

[34] Based upon the Kroll (*formerly Duff & Phelps*) database as of the Valuation Date.

a higher expected rate of return in the market."[35] Given the detailed characteristics of ZZZ, the size premium was derived to be 3.02%[36]

Industry Risks

The industry risk premium for such a typical service company was determined to be 2.4%.[37]

Company Risks

The remaining risk factor considered in the build-up method is the risks associated with the company itself. In addition to the cumulative knowledge of this industry and the work performed, the following characteristics of ZZZ were addressed to determine its specific rate. These being:

- Management depth and expertise
- Leverage and access to capital
- Quality and volatility of financial information
- Customer concentration, pricing leverage, loyalty and stability
- Level of current and potential new competition
- Supplier concentration and pricing advantages
- Product/service diversification and life cycle
- Availability of labor and employee stability
- Acquisition Strategy
- Customer base contracted vs. non-contracted
- Internal and external culture
- Economic and political factors
- Industry and government regulations
- Strength of intangible assets
- Distribution systems

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[35] *Valuing a Business – The Analysis and Appraisal of Closely Held Companies*", by Shannon P. Bratt with Alina V. Niculita, Published by McGraw Hill, [5th Edition],Page 212.

[36] Based upon the Kroll (formerly *Duff & Phelps) database as of the Valuation Date.*

[37] 20. "Pepperdine Private Capital Markets Project | Private Capital Markets Report – 2021", by Professor Craig R. Everett., Pepperdine University, August 18, 2021.

- Risks of handling its growth
- Developing the necessary economies of scale to optimize the MSO
- IT systems and technology life cycle
- Legal issues
- Company ensuring that all key players have equity to ensure their long-term motivation
- Internal controls
- Is the Company dependent upon any one or a few key employees?

The key elements in determining the specific risks of ZZZ are:

- Excellent Management Team in place that has not only experience in this industry but also optimizing roll-up, MSO and preparing for exits strategies.
- The overall staffing – especially for Healthcare, has unparalleled opportunities.
- The risk associated with ZZZ is in its ability to continue to obtain the healthcare staff in the current market. As the demand for healthcare workers increases so does the costs to acquire healthcare staffing, Accordingly, the margins will see some erosion.
- The supporting integration of accounting control has been a significant challenge for ZZZ.

Based upon the aforenoted, as it pertains to the company's risk component, it was determined that the assigned risk rate should be 6.15%.

Build-Up Risks Rate

The summation of the aforenoted risks is summarized in the following table.

"Costs of Equity"	
Risk-free return - Kroll - Spot 10-year Treasury Yield	2.98%
Market ERP	4.80%
Kroll Calculated Small Risk Premium	3.02%
Industry	2.40%
Company Risk	6.15%
	19.35%

Terminal Rate

Before calculating the valuations on the alternative methodologies, one final overall factor must be obtained to calculate the Income Approach methodology – that being the terminal percentage for the growth rate beyond the projected periods. The Terminal Value ("TV") is the value of a business projected beyond the forecast period when future cash flows can be estimated. Recall, one of critical assumptions is that ZZZ is a "Going Concern" Accordingly, by definition – it will be operating beyond the five-year projections. TV assumes a business will grow at a set growth rate forever after the forecasted period.

A positive terminal growth rate implies that the Company will grow in perpetuity, whereas a negative terminal growth rate implies the discontinuance of the company's operations. The terminal growth rates typically range between the historical inflation rate (2%-3%) and the average GDP growth rate (3%-4%) at this stage.

However, for this entity, the numerous industry indices and Company-specific factors were considered in generating our overall growth rate of 2.0%.[38] This approach to measure the value post the projected periods is referred to as the Gordon Principle.

This is the formula for calculating the Terminal Value utilizing the Gordon Growth Model:

Terminal Value (TV) = NFCF / (WACC – g)

> FCF stands for the Free Cash Flow (at it appropriate Present Value)
> WACC refers to the Weighted Average Cost of Capital or the discount rate [15%] Calculated in the following section.
> g refers to the constant growth rate of FCF. [2%]

[38] As a sanity check on this terminal value growth rate, the "Pepperdine Private Capital Markets Project | Private Capital Markets Report – 2021", by Professor Craig R. Everett., Pepperdine University, August 18, 2021 has stated that the overall average in 2021 was 2.5% for all industries..

D. Combining the Rates and Determining the Weighted Average Costs of Capital

"Costs of Equity"	
Risk-free return - Kroll - Spot 10-year Treasury Yield	2.98%
Market ERP	4.80%
Kroll Calculated Small Risk Premium	3.02%
Industry	2.40%
Company Risk	6.15%
	19.35%

Cost of debt	
Weighted Average Interest Rate	8.20%
Corporate Taxes Rate (Average with Credits & NOLs)	24.00%
= Cost of debt after taxes	**6.23%**

With the weighted average of interest rate of 8.2% and the projected average Tax Rate of 24% (this tax rate includes the NOLs, Employee Tax Credits, and State Income Taxes). Recall that the interest is tax deductible at the prevailing effective tax rate. Therefore, this "tax savings" needs to be accounted for.

The next step in determining the Weighted Average Costs of Capital ("WACC") is to apply the above Costs of Equity and Cost of Debt based upon the percentage of the Company's Equity and Debt as of the Valuation Date.

As of Valuation Date			
Total Debt	$	17,426	36%
Equity	$	30,982	64%
	$	48,408	100%

To derive the percentage of equity capital vs. debt capital, the equity and debt balances as of the valuation date were utilized per the valuation date balance sheet. From the above, 36% of the financings (Capital) is associated with Debt, with the remaining 64% being Equity. Based upon this calculation – one adds the Costs of Equity (19.35% times 64% equates to 12.7%) to Costs of Debt (6.2% times 36% equals to 2.3%), **yielding a WACC of ~15%.**

E. Deriving the DCF

With the WACC being 15% and the TV being 2%, the Present Value of the future NFCF per each fiscal period is calculated. Note that for the 6-month projection period - July 1, 2022, to December

31, 2022, the factor was assigned a 0.5 for the period. Each subsequent period (years) was assigned 1 – 5, inclusive.

This PV factor was multiplied by the NFCF for each period to obtain the PV of the NFCF. As for the Terminal Value, the PV factor associated with the last time period of the projections was utilized. This TV PV also took the Gordon Model calculated stated above.

Net Free Cash Flow	**$ 458**	**$ (809)**	**$ 5,664**	**$ 7,495**	**$ 5,328**	**$ 11,886**	**$ 11,886**
Factor	*0.9325*	*0.8696*	*0.7561*	*0.6575*	*0.5718*	*0.4972*	*0.4972*
Present Values by Period	**$ 427**	**$ (704)**	**$ 4,283**	**$ 4,928**	**$ 3,046**	**$ 5,909**	**$ 45,456**
					Summation of the PVs		$ 63,346

As for the PV of the TV, the calculation is as follows:

		TV
NFCF - Period 5 - No Adjustments	$	11,886
PV Factor @ Year 5		0.4972
	$	5,909
1/(WACC - Growth Rate)		7.692
PV of the TV	**$**	**45,456**

The summation of the PVs for the periods plus the TV was $63,346. From this amount, one needs to adjust for the Discounted Lack of Marketability[39] ("DLOM"). The DLOM – all things being equal, an investment is worth more if it is marketable with an established "exit." Given the industry, the interest expressed in a strategic transaction, growth projected for Healthcare workers[40] and the current employment challenges in the US – a DLOM of 10% was utilized.

Summation of the PVs	$	63,346
Discounted - Marketability		10%
Net	$	57,011.50
Rounded	**$**	**57,000**

[39] Considered the asking price / sales price in RMA, the number of transactions in this specific LOB, unsolicited offers, Firm's cumulative knowledge in this industry, ZZZ's financials, acquisition made by ZZZ.

[40] Refer to the Section – Sanity Check on Valuation to see the significant market for this size staffing entities focused om medical sector.

Generally, at this stage, the valuator also accounts for a Discount for Lack of Control ("DLOC"). The DLOC is offered to reflect the non-controlling position that one has within the company or organization. Depending on the type of company, the discount offer will often range from 5 to 40%. Our engagement was to value 100% of the entity. Accordingly, there is no DLOC. Moreover, the shareholders agreement specifically states, "that the minority shareholder(s) are to receive a pro-rata allocation with regards to business valuation, allocation of a strategic transaction (including, but not limited to, a sale)….." [41]

X. MARKET APPROACH – M&A IN THIS INDUSTRY

As previously stated the market approach has two viable means of deriving an Enterprise Value. These being:

- Examining other recent M&A transactions in this industry and apply the results to ZZZ; and
- Examining several public entities in this industry with somewhat similar characteristics and then extrapolating said analysis to ZZZ.

This section addresses the former. To ensure better compatibility with the M&A transactions, the trailing twelve months ("TTM") as of July 1, 2021 through June 30, 2022 was utilized.

A summary TTM for ZZZ follows:

	TTM
Revenue	
Total Revenue	67,002
Cost of Sales	25,710
Gross Profit	**41,291**
GP as a % of Revenue	*62%*
Operating Expenses	
Expenses - See Supporting Schedule	34,760
Depreciation	1,486
Interest expense Debt Obligations & Preferre	2,090
Operating Income	38,336
Net Income Pre-Tax	2,956
Taxes - Income (Federal + State)	384
Net Income	**$2,571**
EBITDA	**$6,531**
EBIT	**$5,045**

[41] ZZZ's Shareholder's Agreement – revised as of December 2019.

To generate an array of M&A transactions in this specific industry (within the SIC 7361) – the Risk Management Association's ("RMA")[42] database of transactions was utilized pre-Valuation Date. From this listing obtained from the RMA, those transactions that had no income nor transactional values assigned were eliminated. Furthermore, given the geographical presence of ZZZ, our search included the entire US.

This list was trimmed down to account for only those entities with more than $20 million in Revenue since 2015. This time length for inclusion of the M&A transactions was longer than normally accounted for. However, a more inclusive sample of pre-pandemic entities provided a more accurate portrayal of the market. This generated 15 M&A transactions within the same SIC as that of ZZZ with the aforenoted characteristics.

Transaction - Note All Included 100% Sale - SIC 7361 im Million EXCEPT FINAL VALUE				TTM Income				Enterprise Value Ratios		
Acquirer	Target	Purchase Metho	Closed Dat	Reven	EBITI	EI	Net Incor	V / Revenu	V / EBITD	V / EBI
TELEPERFORMANCE	PSG GLOBAL SOLUTIONS	Stock Purchase	2022-10-27	75		0		4.0x		
STAFFING 360 SOLUTIONS, INC.	HEADWAY WORKFORCE SOLUTIONS	Stock Purchase	2022-05-19	85		0		0.2x		
GARNET FAITH LIMITED	51JOB, INC.	Stock Purchase	2022-05-06	565	146	133	164	5.6x	21.8x	24.0x
HIREQUEST, INC.	LINK STAFFING	Stock Purchase	2021-03-23	57		0		0.2x		
XALLES HOLDINGS INC.	CROWN SOLUTIONS INDIA PRIVATE LIN	Stock Purchase	2021-01-26	10	2	0		0.6x	3.4x	
GUIDEHOUSE	NAVIGANT CONSULTING INC	Stock Purchase	2019-10-11	807	66	41	93	1.3x	15.8x	25.4x
SCIENCE APPLICATIONS INTERNATIONAL C	ENGILITY HOLDINGS, INC.	Stock Purchase	2019-01-14	1,917	173	129	(31)	1.1x	12.2x	16.3x
GP STRATEGIES CORP	TTI GLOBAL, INC.	Stock Purchase	2018-11-30	50		0		0.2x		
AMN HEALTHCARE SERVICES INC	B.E. SMITH	Stock Purchase	2016-01-04	100	15	0		1.6x	10.8x	
CROSS COUNTRY HEALTHCARE INC	MEDISCAN	Stock Purchase	2015-10-30	40	4	0		0.9x	9.2x	
MANPOWERGROUP INC.	7S GROUP GMBH	Stock Purchase	2015-09-03	350		0		0.4x		
DHR INTERNATIONAL INC.	CTPARTNERS EXECUTIVE SEARCH INC.	Stock Purchase	2015-06-22	177	8	6	3	0.4x	8.9x	12.6x
ASGN INC	CREATIVE CIRCLE	Stock Purchase	2015-06-05	226	47	0		2.6x	12.3x	
SITEONE LANDSCAPE SUPPLY, INC.	CLP SN HOLDINGS, INC	Stock Purchase	2015-02-27	137		0	(2)	0.4x		
ENVISION HEALTHCARE HOLDINGS, INC.	VISTA STAFFING SOLUTIONS	Stock Purchase	2015-02-01	135		0		0.9x		
	Count			15	8	26	5	15	8	4

From these transactions, the following summary table was developed. Note that the Revenue, EBIDTA, EBIT and Net Income of the transaction were within the statistic ranges of the Company.

	Transaction - Note All Included 100% Sale - SIC 7361 im Million EXCEPT FINAL VALUE						
	TTM Income				Enterprise Value Ratios		
Target	Reven	EBITI	EI	Net Incor	V / Revenu	V / EBITDA	V / EBI
Count	15	8	26	5	15	8	4
Average	315	58	12	46	1.6x	1.6x	12.5x
Max	1,917	173	133	164	5.6x	21.8x	25.4x
Min	10	2	0	(31)	0.2x	3.4x	12.6x
Median	135	31	85	3	0.9x	11.5x	20.1x
ZZZ	**67.0**	**6.5**	**5**	**3**	**61**	**75**	**102**
	Average Enterprise Value in Millions						**79**
	Market Transaction Approach Value in 000s of USD						**$ 79,000**

Accordingly, the median of the Revenue, EBIDTA, and EBIT derived from the sample of 15 was extrapolated to ZZZ. Based upon this "fit," no additional adjustments were deemed warranted.

[42] Data © 2022 The Risk Management Association.

From this resulting set of values, the average of the three extrapolated values ($61,000, $75,000 and $102,000) was calculated with an estimated value of $79,000.

Note that with the nature of these smaller transactions (comparable size to ZZZ and transaction elements), a DLOM is not applicable.

XI. MARKET APPROACH – GPCM

The Guideline Publicly Company Method ("GPCM") collects data on comparable firms, such as the Market Value to EBITDA multiple and then adjusts these multiples for differences between the comparable companies and the subject company. Thus, there is no specific formula associated with the Guideline Public Company Method.

The Guideline Public Company Method uses dynamic comparable equity transactions as of the valuation date. This type of comparison provides the valuation analyst with value data inclusive of industry and market components. This reduces the number of areas for adjustment and degree of adjustment subjectivity inherent in other approaches. When compared to the Income Approach, for example, the discount rate is already factored into the Guideline Public Company Method pricing model based on arms-length transactions observed on the valuation date. In minority, non-marketable valuations, analyst subjectivity could be narrowed to the degree to which the valuation analyst applies a lack of marketability discount.

As noted in the Industry Section of this document, there are relatively few public traded companies.

Nevertheless, these public entities are the key industry players, despite the limited number of such public entities – they did have many of the characteristics of ZZZ – refer to the following table. From the "BVDataWorld – Guideline Public Company[43]" database, our selection of the public entities valuation and financial data (refer to Appendix C), obtained the following:

- As of the Valuation Date, the aforenoted database, provide us with 8 public entities within this SIC;

- Of those 8 entities, five (5) were immediately ruled out due to the fact that they had significant international presence and/or their business focused on executive recruiting and not the temporary staffing; and

- After examining the three remaining "comparable entities" (after the aforenoted eliminations) – there were three (3) entities had the characteristics that could be utilized to

[43] BVDataWorld – Guideline Public Company; SIC Code 7361 as of September 30, 2022.

extrapolate an enterprise value for ZZZ. A summary of the key common characteristics/ratios/values is presented in the following table.

	ZZZ **9/30/2022**	SHIFTPIXY, INC. **8/31/2021** **8/31/2021**	NAVIGANT CONSULTING INC **12/31/2018** **12/31/2018**	GEE GROUP INC. **9/30/2021** **9/30/2021**
Revenue	$ 67,001,000	$ 23,420,000	$ 743,614,000	$ 148,880,000
Gross Profit Margin	62.0%	0.85%	23.94%	31.84%
Opersting Income / Revenue	3.8%	-101.2%	5.1%	3.8%
Total Assets	$ 51,000,000	$ 62,942,000	$ 917,547,000	$ 117,589,000
Revenue / TA	1.14	1.65	1.14	0.71

Based upon the aforenoted and the overall work performed, the following statistics were inputted.

	ZZZ		Last Fiscal	TTM	Selected	Base time Multiplier
Sales	67,002	Median	1.44	1.33	1.50	100,503.00
		Mean	7.19	4.60		
		Harmonic Mean	0.75	0.68		
EBITDA	6,531	Median	4.21.	3.67	4.21	27,495.51
		Mean	2.63	2.11		
		Harmonic Mean	NA	NA		
EBIT	5,045	Median	7.07	5.47	10	50,450.00
		Mean	11.05	6.04		
		Harmonic Mean	NA	NA		
Gross Profit	41,291	Median	5.56	5.56	2.26	93,317.66
		Mean	482.65	482.65		
		Harmonic Mean	2.26	2.26		

The aforenoted schedule generated the following comparative information:

Summary for the Trailing Twelve Month Period											
	Ticker	Market Capitalization	MVIC	Sales	EBITDA	EBIT	Gross Profit	MVIC to Sales	MVIC to EBITDA	MVIC to EBIT	MVIC to Gross Profit
Ticker 1	PIXY	465,370,969	464,171,969	38,044,000	(34,020,000)	(34,495,000)	1,132,000	12.20	-13.64	-13.46	410.05
Ticker 2	NCI	1,279,898,730	1,072,978,730	806,751,000	65,848,000	41,091,000	203,445,000	1.33	16.29	26.11	5.27
Ticker 3	JOB	39,089,188	45,883,188	165,040,000	12,505,000	8,382,000	61,824,000	0.28	3.67	5.47	0.74
ZZZ				67,002	6,531	5,045	41,291	100,503	27,496	50,450	93,318
Median								1.33	3.67	5.47	5.27
Mean								4.60	2.11	6.04	138.69
Harmonic Mean								0.68	NA	NA	1.95

From the four (4) (3) MVIC – sales, EDITDA, Gross Profits, and EBIT – an average of these results was utilized to determine an enterprise value utilizing the GPCM. Accordingly, if ZZZ was a public entity, one could expect the Enterprise Value to be approximately $67,942 before recognizing a DLOM of 10%. Post DLOM, the GPCM yielded a valuation of approximately $61,000.

Value as if a Public Entity		
MVIC to Sales		100,503
MVIC to EBIDTA		27,496
MVIC to EBIT		50,450
MVIC to Gross Profit		93,318
Average	$	67,942
Discounted for DLOM		10.0%
	$	61,147
Rounded	**$**	**61,000**

As stated in the DCF Section, there exist a 10% DLOM when comparing ZZZ to these public entities. Adjusting for this 10% DLOM, the estimated Enterprise Value for 100% of ZZZ utilizing the GPCM Approach value of approximately $61,000.

The fact that the GPCM generated the lowest valuation is not surprising given that the EBITDA for the TTM was only $6,531. As one can observe in the detailed financial schedules during the TTM time frame, the MSO hired several key executives, increased salaries on average 7% and virtually completed its software integration.

XII. CONCLUSION OF VALUE

A. Determination of Value via Weighing the Utilized Methodologies

Based upon the facts and circumstances of the valuation performed by Lakelet Advisory Group LLC on ZZZ as of September 30, 2022, the resultant Enterprise Value is presented below.

The final indication of value, on a going concern basis, is generally one number computed from a variety of analytical procedures and one or more of the three methods discussed above. In many instances, the values from the income and market approaches are weighted, often based upon the reliability of the data used to formulate their conclusion or the industry itself.

Based upon (i) the facts available; (ii) assumptions associated with the five-year projections; (iii) the future acquisitions associated with the projections on entities to be acquired; (iv) compatibility of key financial aspects characteristics of the GPCM; and (iv) the "fit" / population of the M&A transactions – the Marketing Approaches were given twice the weight as the DCF.

Amounts in 000s of USD	**Value**	**Weighting Factor**	**Weighted Amount**
GPCM	$ 61,000	40%	$ 24,400
Market M&A	$ 79,000	40%	$ 31,600
Discounted Cash Flow	$ 57,000	20%	$ 11,400
		100%	$ 67,400
Enterprise Value Rounded			**$ 67,000**

The Consolidated Enterprise Value for 100% of ZZZ is approximately $67,000,000 (excludes the 000s) or Sixty-seven Million USD.

B. Sanity Check on Valuation

Many valuators use a sanity check that is frequently referred to as “the Purchase Method” or “Purchase Analysis.” The Purchase Method is based upon the concept that all purchasers expect to recover their investment and repay their debt capital over a reasonable period of time. The key factors in this analysis are the weighted average cost of capital and the time period to recover the investment. The weighted average cost of capital is dependent on the capital structure of the buyer or, in the case of a hypothetical buyer, the optimum capital structure.

The key determinate in a value of an entity is the Fair Market Value ("FMV"). FMV is the price a product would sell for on the open market assuming that both buyer and seller are reasonably knowledgeable about the asset, are behaving in their own best interests, are free of undue pressure, and are given a reasonable time period for completing the transaction.

In lieu of the "Purchase Analysis,” the Firm was able to obtain a set of value sanity check parameters by the following two procedures:

- Our Firm's cumulative of companies in this industry. In the past 18 months, the Firm has performed engagements for six (6) such companies; and
- Leveraging expertise of Capitalstone Partners in this specific industry. Capitalstone Partners are well recognized and accomplished M&A specialist in this industry.[44]

The fundamental fact that the objective of our Sanity Check was to examine the overall reasonableness of derived estimated valuation. Our Sanity Check examined the results of the Capitalstone Partners detailed reports on this industry. Capitalstone Partners analyzed 177 staffing companies sold in 2021.

The 177 staffing industry transactions were up 54% from the 115 transactions announced in 2020. Buyer interest in the staffing industry has remained remarkably strong, especially in the fastest-growing areas of the professional staffing market, such as Healthcare.[45] of the 177 staffing transactions, 41 (or 23%) of these staffing companies sold were based on the Healthcare Sector within the industry.

In addition to the information from Kroll, Capital IQ, FactSet, and Capitalstone Research[46] - the revenue multiple for mid-size staffing entities is currently on average 1.1 times revenue. The 1.1 Multiple of Revenue generates a "Sanity Check" of $73,702.

Reasonableness Test		Revenue	Historical Transaction	Extrapolated Value
ZZZ	TTM	$ 67,002	1.1	$ 73,702
	Variance			**-10.0%**

With a variance of -10% ($67,000 vs. $73,702), this Sanity Check amount provides support as to the reasonableness of our business valuation results. Recall- that the specific risks associated with this entity has the impact on the overall value.

XIII. CERTIFICATIONS AND REPRESENTATIONS

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[44] Healthcare Staffing Sector Update - March 2022. Prepared by Eric Williams and Mark Surowiak of Capitalstone Partners.

[45] Kroll - Industry Insights Staffing Industry M&A Landscape Winter 2022. Sources: SEC filings, S&P Global Market Intelligence, Merger Market, company press releases and various news sources (e.g., Staffing Industry Analysts, American Staffing Association, The Deal, The Wall Street Journal)

[46] Healthcare Staffing Sector Update - March 2022. Prepared by Eric Williams and Mark Surowiak of Capitalstone Partners.

I certify that to the best of my knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions. I have no present or prospective interest in the property/enterprise(s) that is the subject of this report, and I have no personal interest with respect to the parties involved. I have performed no services, as an appraiser or in any other capacity, regarding the property/enterprise(s) that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. I have no bias with respect to the property/enterprise(s) that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment 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. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the USPAP and American Institute of Certified Public Accountants. No one provided significant professional input, business and/or intangible asset appraisal assistance to the person signing this certification.

Michael R. Koeppel
Managing Director
Lakelet Advisory Group LLC
September 24, 2022

Appraiser's Compensation

For work performed for this engagement, Lakelet Advisory Group LLC received a total fees and expenses for this engagement of $XX.000 (XX thousand dollars). This is consistent with our initial engagement letter. This amount is not in 000s USD.

XIV. ASSUMPTIONS AND LIMITING CONDITIONS

The primary assumptions and limiting conditions pertaining to the values estimate conclusion stated in the appraisal report (report) are summarized below. Other assumptions are cited elsewhere in this report.:

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

2. The analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the American Institute of Certified Public Accountants' ("AICPA") Statement of Standards for Valuation Services Number 1 ("SSVS No. 1").

3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

4. Financial statements and other related information (including, but not limited to, projections) provided by ZZZ and/or its representatives, during 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, except as specifically noted herein. Lakelet Advisory Group, LLC has not audited, reviewed, or compiled the financial information provided to us and, accordingly, the Firm expresses no audit opinion or any other form of assurance on this information.

5. Said projections accurately reflect the future economic outlook ZZZ.

6. The Firm nor the appraiser have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

7. The Firm nor the appraiser have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

8. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

9. The compensation for completing this assignment 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.

10. Public information and industry and statistical information have been obtained from sources the Firm believes to be reliable. However, the Firm makes no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

11. The Firm does not provide assurance on the achievability of the results forecasted by ZZZ 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.

12. That the projected acquisitions do materials and provide the results as the Company has projected.

13. The opinion 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.

14. In determining the Income Approach – it was assumed that the calculations would be on a debt-free basis. Recall that the Board of Directors engaged us to perform a business valuation based upon the Enterprise Value.

15. This report and the opinion of value arrived at herein are for the exclusive use of the Client 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. Furthermore, the report and opinion 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 opinion of value represents the considered opinion of Lakelet Advisory Group, LLC, based on information furnished to us by ZZZ and other sources.

16. Neither all nor any part of the contents of this report (especially the opinion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should 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 Lakelet Advisory Group, LLC.

17. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Lakelet Advisory Group, LLC unless previous arrangements have been made in writing.

18. Lakelet Advisory Group, LLC is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Lakelet Advisory Group, LLC does not conduct or provide environmental assessments and has not performed one for the subject property.

19. Lakelet Advisory Group, LLC has not determined independently whether ZZZ is subject to any present or future liability relating to human resources, healthcare provider's insurance matters, nor the scope of any such liabilities. The Firm takes no such liabilities into account, except as they have been reported to us by ZZZ or by a staffing consultant and legal counsel working for ZZZ, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, the Firm has relied on it without verification and offer no warranty or representation as to its accuracy or completeness.

20. Lakelet Advisory Group, LLC has not determined independently whether ZZZ is subject to any present or future liability relating to labor legislation within the numerous judications in which business is performed. Based upon conversation with counsel and counsel's representation letter – the Company is in compliance with all such labor matters.

21. Lakelet Advisory Group, LLC has not made a specific compliance survey or analysis of the subject property/enterprise(s) 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.

22. It is assumed that there are no contingent liabilities, such as unknown lawsuits, unfunded pension liabilities, and the like unless they have been reported to us and reported by us specifically in our report.

23. No change of any item in this appraisal report shall be made by anyone other than Lakelet Advisory Group, LLC, and the Firm shall have no responsibility for any such unauthorized change.

24. 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, labor or ecological matters or interpretations thereof.

25. If prospective financial information approved by management has been used in our work, the Firm has 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.

26. The Firm has conducted written interviews with the current management of ZZZ concerning the past, present, and prospective operating results of the Company.

27. Except as noted, the Firm has relied on the representations of the owners, management, counsel, and other third parties concerning the value and useful condition of all equipment, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. The Firm has not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

XV. SUBSEQUENT EVENTS

The Firm has not been made aware of any materially significant events subsequent to the date of our report, September 24, 2022. Lakelet Advisory Group LLC is not under any obligation to update this report.

XVI. DISCLAIMER

This presentation is based upon subjective financial information by the management. This presentation was prepared to assist with the business valuation of the Company.

The Company has prepared this presentation based on information available to it, including information derived from public sources that have not been independently verified. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions expressed herein.

Unless stated otherwise in this document, the financial information included in this presentation is preliminary, unaudited and, subject to revision upon completion of the Company's financial processes and economic condition.

All forward–looking statements attributable to the Company or persons acting on its behalf apply only as of the date of this document and are expressly qualified in their entirety by the cautionary statements included elsewhere in this document. The financial projections are preliminary and subject to change; the Company undertakes no obligation to update or revise these forward–looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the ultimate financial results. Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks, and the assumptions underlying the projections may be inaccurate in any material respect. Therefore, the actual results achieved may vary significantly from the forecasts, and the variations may be material.

Cautionary Statement Regarding Forward-Looking Statements
This presentation includes "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, liquidity, financing needs, business trends, and other information that is not historical information. When used in this presentation, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "predicts," "forecasts," or future or conditional verbs, such as "will," "should," "could," or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data are based upon the Company's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in these forward-looking statements. Key factors that could cause actual events or results to differ materially from these forward-looking statements include, among others, the risks and uncertainties described in more detail in the other U.S. Bankruptcy Court filings bankruptcy filings and throughout this report.

All forward‐looking statements attributable to the Company or persons acting on its behalf apply only as of the date of this presentation and are expressly qualified in their entirety by the cautionary statements included in this presentation. The Company undertakes no obligation to update or revise forward‐looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

The financial presentation is based upon the information provided from the client (both audited and non-audited financial statements), industry analysis, trends, market, conversation with management, and cumulative experience.

A. APPENDIX - SOURCES OF KEY INFORMATION RELIED UPON IN THE VALUATION PRESENTED BY CLIENT

In addition to the numerous conversations conducted with the management, Board of Directors, the Company's CPA firm and Company's counsel, the Firm has been provided with the following information to assist us in this engagement.

1. From December 31, 2018 through December 31, 2021, inclusive, a copy of the audit opinions from their independent accountant.[47]
2. Reviewed financial statements from the independent accountant for the six-month period ending June 30, 2022.
3. Internally prepared projections for the fiscal five years ending December 2023 – 2027, inclusive.
4. Trail Balances for the four years December 31, 2018 – 2021, inclusive.
5. Trail Balance for the six-month period ending June 30, 2022.
6. Independent CPA analysis of the tax ramifications of the Employee Retention Credit.
7. Schedule of non-recurring revenue.
8. Reviewed a copy of the DRAFT of this document with management and the Company's CPA firm – no materials suggestions/revisions were presented to the valuator.
9. Schedule of the SG&A for each period.
10. Budgets or forecasts for the upcoming five years with supporting marketing/sales analysis.
11. Schedule of fixed assets with estimated values and recent fixed asset depreciation schedule.
12. Customer concentrations (e.g. over 10% of annual sales). Obtained a listing of all customers.
13. Sales analysis by LOB from 2018 to Valuation Date.
14. Accounts receivable and Accounts Payable aging schedules for each year-end as well as for the six-month ended June 30, 2022.
15. Brief History of Business, including dates of key events (e.g., founding date, date of incorporation, new LOB offerings added/LOB to be deleted, etc.).

[4747] This included examining the audit's working papers to determine and material unusual / one-off transaction(s) that require special treatment for our valuation.

16. Marketing Information.
17. MSO integration policies.
18. Copy of the "*Internal Control Letter"* prepared by Independent Accountants as a component of the audits and review for all periods included in the report.
19. Copies of the contracts associated with customers..
20. Copy of all the Corporate Minutes since 1/1/2018.[48]
21. Copies of the Purchase Price Agreements pertaining to acquisitions.
22. Employment Contracts of key executives.
23. Articles of Incorporation and Shareholder's Agreement.[49]
24. List of subsidiaries or other businesses/partnerships where the subject entity and/or its shareholders have an ownership interest.
25. Organization chart (functional and ownership). Current management and a summary of their responsibilities.
26. Summary of Current Insurance Coverage (Life, Key Person, Liability, etc.).
27. Copy of any internally prepared business plans.
28. Examined human resource files are key executives.
29. Most recent sales, capital or operating budgets.
30. Schedule summarizing the number of employees per the last three years plus the Interim Period.
31. List of strategic business partners (i.e. vendors).
32. Summary on the Terms & Conditions for supplies, materials, etc.
33. Supporting schedules for any pertinent contractual documents pertaining to intangible assets, including licensing agreements, sublicensing agreements, nondisclosure agreements, development rights, and commercialization rights.
34. Management Representation Letter executed by CEO and CFO.
35. Legal Representation Letter executed by in-house counsel and out-side counsel.

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[48] Includes subsidiaries.

[49] Includes subsidiaries.

B. APPENDIX - SOURCES OF INFORMATION RELIED UPON IN THE VALUATION

1. Federal Reserve Board of Governors, 20-year Treasury rates.

2. First Research reports for the relevant industry.

3. Analysis of US Census and Federal Statistics.
4. *"US Staffing Industry Forecast: September 2022 Update*," Staffing Industry Analysts, September 20, 2022.
5. *The Handbook of Business Valuation and Intellectual Property Analysis,* by Robert F. Reilly & Robert P. Schweihs, published by McGraw-Hill, 2004.
6. *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium Sized Businesses*, Fifth Edition, Publisher: American Institute of CPAs, Author - Gary R. Trugman, CPA/ABV, MCBA, ASA, MVS, 2017.
7. *Financial Valuation – Applications and Models*, 2nd Edition, James R. Hitchner, published by Wiley Finance, 2006;
8. *The Dark Side of Valuation: Valuing Young, Distressed and Complex Businesses*, 2nd Edition, Aswath Damodaran, 2010, Pearson Education Publishing.
9. Internal Revenue Code Section 197.
10. Treasury Regulation 20.2031-1.
11. Treasury Regulation 59-60.
12. "*Strategy is Different in-Service Businesses*." by Dan R. E. Thomas; Harvard Business Review – July 1978.
13. "*Premium Report on Temp Agencies & Staffing Services*", Anything Research, 2022.
14. International Glossary of Business Valuation Terms, *Statement on Standards for Valuation Services No. 1*;
15. The Appraisal Standards Board ("ASB") of the Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services.
16. "Kroll - Industry Insights Staffing Industry M&A Landscape Winter 2022". Sources: SEC filings, S&P Global Market Intelligence, Merger Market, company press releases and various news sources (e.g., Staffing Industry Analysts, American Staffing Association, The Deal, The Wall Street Journal).

17. Healthcare Staffing Sector Update - March 2022. Prepared by Eric Williams and Mark Surowiak of Capitalstone Partners.

18. *"U.S. Healthcare Staffing Market Size, Share & Trends Analysis Report*" By Type (Travel Nurse Staffing, Per Diem Nurse Staffing, Locum Tenens Staffing, Allied Healthcare Staffing), And Segment Forecasts, 2022 – 2030. Prepared by Grandview Research, https://www.grandviewresearch.com/industry-analysis/us-healthcare-staffing-market.

19. *2016 Valuation Handbook: Guide to Cost of Capital*, Roger J. Grabowski, James P. Harrington, Carla Nunes, Duff & Phelps, published by John Wiley & Sons, Inc., 2016.

20. The Risk Management Association.. Data © 2022.

21. *Cost of Capital – Estimation and Applications*, 2nd Edition, Shannon P. Pratt, CFA, FASA, MCBA, published by John Wiley & Sons, Inc., 2002.

22. "*Pepperdine Private Capital Markets Project | Private Capital Markets Report – 2021*", by Professor Craig R. Everett., Pepperdine University, August 18, 2021.

23. *How to Value a Company - Gordon Growth Model (GGM)* By Adam Hayes Reviewed by David Kindness, Updated Mar 31, 2021.

24. "*Office Staffing & Temp Agencies in the US*," IBIS World, Section on Competitive Landscape, Report by: Seth Lee, June 2022.

25. Frank M. Burke, Jr., *Valuation and Valuation Planning for Closely Held Business* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1981) Page 49.

26. Kent Hickman and Glenn H. Perry, *A Comparison of the Stock Price Predictions Using Court Accepted Formulas*, Dividend Discount, and P/E Models, Financial Management, Sumer 1990, Page 84.

27. *"The 2021 American Nursing Shortage: A Data Study*". https://www.usa.edu/blog/nursing-shortage/ May 2021.

28. The Small-Cap Premium Is Below Its Historical Median; by Charles Rotblut | February 17, 2022. https://www.aaii.com/investor-update/article/16189-the-small-cap-premium-is-below-its-historical-average.

29. https://www.nursingprocess.org/why-are-nurses-leaving-the-profession.html - MHA-Master Of Health Administration; George Washington University.

30. "National Economic Report" , KeyValueData, September 2022, by Kevin R. Hopkins.

31. "*The Shortage of Healthcare Workers in the U.S.*", Duquesne University – School of Nursing, https://onlinenursing.duq.edu/post-master-certificates/shortage-of-healthcare-workers/.

32. National Economic Report - 2011-2022 KeyValueData / ValuSource.

33. Kroll - U.S. Cost of Capital Calculator & Database https://costofcapital.duffandphelps.com/

C. APPENDIX - STATEMENTS OF THE GPCM UTILIZED

Multiples Data			
Cut-off Date 10/31/2022			
Valuation Date 9/30/2022			
	PIXY	**NCI**	**JOB**
Company Information			
Company Name	SHIFTPIXY, INC.	NAVIGANT CONSULTING INC	GEE GROUP INC.
Latest 12 months ended	**8/31/2021**	**12/31/2018**	**9/30/2021**
Latest period ended	**8/31/2021**	**12/31/2018**	**9/30/2021**
Markets 1/11/2019			
Close	13.80	27.99	0.63
Low	13.80	27.99	0.63
High	15.90	28.00	0.66
Income Statement Data			
DilutedSharesOutstanding (TTM)	37,834,867	40,512,000	115,609,000
DilutedSharesOutstanding	33,722,534	45,727,000	61,948,000
Revenue (TTM)	38,044,000	806,751,000	165,040,000
Revenue	23,420,000	743,614,000	148,880,000
GrossProfit (TTM)	1,132,000	203,445,000	61,824,000
GrossProfit	322,000	193,122,000	52,541,000
OperatingIncome (TTM)	(38,499,000)	41,091,000	6,232,000
OperatingIncome	(27,345,000)	24,922,000	6,490,000
DepreciationDepletionAmortization (TTM)	475,000	24,757,000	4,123,000
DepreciationDepletionAmortization	357,000	26,501,000	4,400,000
RestructuringImpairmentChargesIncomeOpEx (TTM)	4,004,000	-	2,150,000
RestructuringImpairmentChargesIncomeOpEx	-		
NonrecurringSpecialChargesExpense (TTM)	-	-	-
NonrecurringSpecialChargesExpense			
Balance Sheet Data			
Cash and Cash Equivalents	1,199,000	206,920,000	9,947,000
TotalAssets	62,942,000	917,547,000	117,589,000
TotalLiabilities	22,019,000	204,994,000	36,820,000
IntangibleAssetsNet		14,166,000	14,754,000
Goodwill		422,357,000	63,443,000
LongTermDebtCapitalLeaseObligations			
DebtCurrent			16,741,000

D. APPENDIX - STATEMENT OF APPRAISER QUALIFICATIONS

Michael R. Koeppel

MANAGING DIRECTOR AND FOUNDER

CREDENTIALS:

- Certified Turnaround Professional (CTP)
- Accredited in Business Valuation (ABV)
- Certified Public Accountant (CPA)
- Chartered Global Management Accountant (CGMA)
- Certified Information Technology Professional (CITP)
- Certified in Financial Forensics (CFF)
- Advanced SOC for Service Organizations Certificate

SUMMARY OF QUALIFICATIONS:

- Director at Large for New York State Society of Certified Public Accountants (Term 2021 - 2022)
- Member of the Task Force to address Restructuring of the Foundation for Accounting Education (*FAE*) (2020 - Present)
- Expert Witness - Bankruptcy Valuations and Intangible Assets
- Cumulative experience in this industry
- Chairperson for the New York State Society of Certified Public Accountants – Bankruptcy and Financial Reorganizations Committee
- Committee Member for the New York State Society of Certified Public Accountants - Business Valuations
- Extensive experience with turnarounds, due diligence, business valuations, fundraising and bankruptcy
- Worked with private equity firms and turnarounds, and in “high risk” situations.
- Senior IT executive for a Fortune 500 company

- Mentor in the Canisius College Women's Business Development Program

PROFESSIONAL SUMMARY:

<u>As it pertains to this specific industry, Mr. Koeppel has been engaged with 6 staffing companies within the past 2.5 years.</u>

In his 30 years of experience, Mr. Koeppel has been exposed to a host of industries; but his primary focus is on technology, manufacturing and service organizations.

In 2001, he founded ECapital-Financing, which specializes in assisting start-ups and challenged entities obtain financing. Today, the firm works with a host of companies in both the Los Angeles and Western New York regions. While ECapital-Financing currently focuses on investing in start-up entities/projects, Lakelet Advisory Group LLC was founded in 2012 to focus on challenged organizations.

Mr. Koeppel, a Managing Director of co-founded successful Private Equity firm (Lakelet Capital), retired from firm in 2017 to focus on Lakelet Advisory Group LLC.

In the past, Mr. Koeppel served on the Board of Directors of a public medical device company; which later led to his serving as interim COO during this public company's turnaround efforts. He also served as interim COO and CFO for an international VoIP company required to restructure its balance sheet, obtain additional financing, and focus on its profitable core opportunities (sold non-core division).

Mr. Koeppel also worked nearly 10 years with Citigroup Venture Capital Company, primarily focusing on two spin-out, challenged organizations. He served on the Management Committee with both entities.

The first engagement involved an international manufacturer and distributor of medical and paper products ($300 million in revenue). In his role there, he assisted the turnaround of the company's operations and groomed it for sale. He focused daily on the cash flow and working capital optimization. In 12 months, he completed the full integration of three companies into one, generating a 34% reduction in transaction and overhead costs.

In addition, he was responsible for reengineering warehouse and transportation facilities. This resulted in significant annual savings and annual net savings of 2% of gross sales in administrative costs by consolidating telecommunications services and cross training. Through his efforts, the company was sold within two years.

The second engagement involved an international manufacturer and re-manufacturer of electronics and automotive components ($980 million in revenue) Mr. Koeppel was recruited to "carve-out" processes, hire staff, implement new processes, systems, and solutions, and prepare for IPO and growth. This was accomplished and its success was based in part on implementing nine focus factories utilizing "lean manufacturing" concepts. He then developed, recruited, and trained a new team that concentrated on business processes, generating a net savings of 11%. He was also instrumental in directing key acquisitions and assisting the IPO of this entity.

Mr. Koeppel has significant international experience, as well, in both European and Brazilian operations. He spent several years in Brazil with PricewaterhouseCoopers on challenging technology and business situations. In addition to his work in the financial services industry, he also served with distinction in the U.S. Army as a Medical Corpsman (E-5).

EDUCATION:

- Master of Accountancy from Bowling Green State University
- B.A. in Economics (summa cum laude) from the State University College of New York at Buffalo
- Taught Corporate Taxation and Econometrics at the State University of New York at Buffalo
- Worked as an instructor for optimizing technology for PricewaterhouseCoopers, US & Brazil
- State University College of NY at Buffalo – Alumni Association

PROFESSIONAL MEMBERSHIPS:

- Director at Large for New York State Society of Certified Public Accountants (Term 2021 - 2023)
- Member of the American Society of Appraisers (ASA)
- Member of the Task Force to address Restructuring of the Foundation for Accounting Education (*FAE*) (2020 - 2021)
- Expert Witness - Bankruptcy Valuations and Intangible Assets
- Chairperson for the New York State Society of Certified Public Accountants – Bankruptcy and Financial Reorganizations Committee
- Committee Member for the New York State Society of Certified Public Accountants - Business Valuations
- Turnaround Management Association (2005 – Present)
- Bankruptcy and Financial Reorganizations Committee - New York State Society of Certified Public Accountants (2013 – Present)

- Certified Information Technology Professional (2007 – Present)
- Accredited in Business Valuation (2009 – Present)
- Certified in Financial Forensics (2009 – Present)
- American Institute of Certified Public Accountants (1983 – Present)
- New York State Society of Certified Public Accountants (1987 – Present)
- Ohio State Society of Certified Public Accountants (1983 – 2010)
- Manufacturing Alliance Productivity Institute (MAPI) (1991 – 2000)
- International City/County Management Association (ICMA) (2013 – Present)
- Association of Certified Fraud Examiners (ACFE) (2013 – Present)
- Rochester Professional Consultants Network (2015 – Present)
- Association for Corporate Growth (ACG) (2016 – Present)

CURRENT PUBLICATIONS / RECENT SPEECHES:

- Guest Speaker for the Business Valuation/Litigation Services Annual Conference - NYS Society of CPA, *Challenges in Valuing Distressed Entitie*s, May 2021
- Speaker at NYS Society of CPA's at a joint presentation for the Litigation Support & Business and Valuations Bankruptcy & Restructuring Committees - *Factors in Business Valuation of Distressed/Bankrupt Entities*, November 2020
- Lead a discussion panel for NYS Society of CPA's with Bank Committee and the Bankruptcy & Restructuring Committee on Challenges of Current Financing Challenges, July 2020
- Speaker at NYS Society of CPA's on Bankruptcy & Restructuring Committee: Current Bankruptcy & Restructuring Environment, June 2020
- Speaker at NYS Society of CPA's on Bankruptcy & Restructuring Committee: Current Trends and Predictions, November 2019
- Speaker at NYS Society of CPA's on Valuation: Purpose, Methodology & Application, February 2017
- Presentation to the NYS Society of CPA's C-Corp Committee - *Bankruptcy Consulting Services,* January 2017

- Buffalo Law Journal Guest Column - *Effective turnaround programs for distressed health-care systems*, July 2016
- Moderator at NYS Society of CPA's on 2016 Trends in Bankruptcy and Reorganizations, May 2016
- Speaker at NYS Society of CPA's on Fraud in Bankruptcies and Distressed Entities, December 2015
- Moderator at NYS Society of CPA's committee for Bankruptcy and Reorganizations panel - *The Other Side of Bankruptcy,* September 2015
- Article – *A Tale of Two Turnarounds: A Look at For-Profit Vs. Government Agency Turnarounds* – ICMA, April 2014
- Keynote Speaker for the Utility Claims Management Association, April 2014. Topic: *Asset Valuation – Smoke and Mirrors*
- Guest Lecturer – Master's Degree in Financial Forensics Program at Canisius College – *Current Trends in Financial Forensics*, 2014
- Presentation to the NYS Society of CPA's (May Meeting) – *Root Causes – Turnarounds and Restructuring*, May 2014
- Guest Lecturer – Financial Forensics State University of NY at Fredonia – *Case Studies on Financial Forensics*, 2014
- Presentation to the NYS Society of CPA's (December Meeting) – *Article 9 –Challenges Associated with Turnarounds*, December 2014
- Article - Article 9 - *Challenges Associated with Turnarounds,* December 2014

E. GLOSSARY OF BUSINESS VALUATION TERMS

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary. The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession. If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement. This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined. Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

- American Institute of Certified Public Accountants
- American Society of Appraisers
- Canadian Institute of Chartered Business Valuators
- National Association of Certified Valuation Analysts
- The Institute of Business Appraisers

Adjusted Book Value Method—a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values. {NOTE: In Canada on a going concern basis}

Adjusted Net Asset Method—see **Adjusted Book Value Method**.

Appraisal—see **Valuation**.

Appraisal Approach—see **Valuation Approach**.

Appraisal Date—see **Valuation Date**.

Appraisal Method—see **Valuation Method**.

Appraisal Procedure—see **Valuation Procedure**.

Arbitrage Pricing Theory—a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.

Asset (Asset-Based) Approach—a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.

Beta—a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.

Blockage Discount—an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Book Value—see **Net Book Value**.

Business—see **Business Enterprise**.

Business Enterprise—a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.

Business Risk—the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.

Business Valuation—the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM)—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

Capitalization—a conversion of a single period of economic benefits into value.

Capitalization Factor—any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

Capital Structure—the composition of the invested capital of a business enterprise; the mix of debt and equity financing.

Cash Flow—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.

Common Size Statements—financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

Control—the power to direct the management and policies of a business enterprise.

Control Premium—an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a noncontrolling interest in a business enterprise to reflect the power of control.

Cost Approach—a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

Cost of Capital—the expected rate of return that the market requires in order to attract funds to a particular investment.

Discount for Lack of Control—an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability—an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for Lack of Voting Rights—an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.

Discount Rate—a rate of return used to convert a future monetary sum into present value.

Discounted Cash Flow Method—a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method—a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.

Economic Benefits—inflows such as revenues, net income, net cash flows, etc.

Economic Life—the period of time over which property may generate economic benefits.

Effective Date—see **Valuation Date**.

Enterprise—see **Business Enterprise**.

Enterprise Value—for the purposes of this valuation, this term is defined as the total value of the entity including both the equity and debt of the enterprise. The overall value not being reduced by debt.

Equity—the owner's interest in property after deduction of all liabilities.

Equity Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.

Equity Risk Premium—a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings—that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.

Excess Earnings Method—a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of *a*) the value of the assets derived by capitalizing excess earnings and *b*) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.

Fair Market Value—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 reasonable knowledge of the relevant facts. {NOTE: In Canada, the term *"price"* should be replaced with the term *"highest price"*.}

Fairness Opinion—an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

Financial Risk—the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.

Forced Liquidation Value—liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.

Going Concern—an ongoing operating business enterprise.

Going Concern Value—the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill—that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value—the value attributable to goodwill.

Guideline Public Company Method—a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.

Harmonic Mean - is a type of numerical average. It is calculated by dividing the number of observations, or entries in the series, by the reciprocal of each number in the series. Thus, the harmonic mean is the reciprocal of the arithmetic mean of the reciprocals.

Income (Income-Based) Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

Intangible Assets—nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.

Internal Rate of Return—a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.

Intrinsic Value—the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.

Invested Capital—the sum of equity and debt in a business enterprise. Debt is typically (*a*) all interest-bearing debt or (*b*) long-term, interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.

Invested Capital Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk—the degree of uncertainty as to the realization of expected returns.

Investment Value—the value to a particular investor based on individual investment requirements and expectations. {NOTE: in Canada, the term used is *"Value to the Owner"*.}

Key Person Discount—an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta—the beta reflecting a capital structure that includes debt.

Limited Appraisal—the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.

Liquidity—the ability to quickly convert property to cash or pay a liability.

Liquidation Value—the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."

Majority Control—the degree of control provided by a majority position.

Majority Interest—an ownership interest greater than 50% of the voting interest in a business enterprise.

Market (Market-Based) Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Market Capitalization of Equity—the share price of a publicly traded stock multiplied by the number of shares outstanding.

Market Capitalization of Invested Capital—the market capitalization of equity plus the market value of the debt component of invested capital.

Market Multiple—the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

Marketability—the ability to quickly convert property to cash at minimal cost.

Marketability Discount—see **Discount for Lack of Marketability**.

Merger and Acquisition Method—a method within the market approach whereby pricing multiples is derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Mid-Year Discounting—a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.

Minority Discount—a discount for lack of control applicable to a minority interest.

Minority Interest—an ownership interest less than 50% of the voting interest in a business enterprise.

Multiple—the inverse of the capitalization rate.

Net Book Value—with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.

Net Cash Flows—when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows**.

Net Present Value—the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Net Tangible Asset Value—the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities.

Nonoperating Assets—assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is *"Redundant Assets"*.}

Normalized Earnings—economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Normalized Financial Statements—financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Orderly Liquidation Value—liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; for example, going concern, liquidation.

Present Value—the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Portfolio Discount—an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.

Price/Earnings Multiple—the price of a share of stock divided by its earnings per share.

Rate of Return—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets—see **Nonoperating Assets**.

Report Date—the date conclusions are transmitted to the client.

Replacement Cost New—the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New—the current cost of an identical new property.

Required Rate of Return—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value—the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity—the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Investment—See **Return on Invested Capital** and **Return on Equity**.

Return on Invested Capital—the amount, expressed as a percentage, earned on a company's total capital for a given period.

Risk-Free Rate—the rate of return available in the market on an investment free of default risk.

Risk Premium—a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb—a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

Special Interest Purchasers—acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value—the identification of the type of value being utilized in a specific engagement; for example, fair market value, fair value, investment value.

Sustaining Capital Reinvestment—the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk—the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets—physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

Terminal Value—See **Residual Value**.

Transaction Method—See **Merger and Acquisition Method**.

Unlevered Beta—the beta reflecting a capital structure without debt.

Unsystematic Risk—the risk specific to an individual security that can be avoided through diversification.

Valuation—the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date—the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method—within approaches, a specific way to determine value.

Valuation Procedure—the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio—a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Value to the Owner—see **Investment Value**.

Voting Control—*de jure* control of a business enterprise.

Weighted Average Cost of Capital (WACC)—the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

Additional Terms

Assumptions and Limiting Conditions. Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.

Business Ownership Interest. A designated share in the ownership of a business (business enterprise).

Calculated Value. An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures.

Calculation Engagement. An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.

Capital or Contributory Asset Charge. A fair return on an entity's *contributory assets*, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.

Capitalization of Benefits Method. A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.

Comparable Profits Method. A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.

Comparable Uncontrolled Transaction Method. A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the marketplace made between independent (uncontrolled) parties.

Conclusion of Value. An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.

Control Adjustment. A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.

Engagement to Estimate Value. An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement), that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as *valuation service*.

Excess Operating Assets. Operating assets in excess of those needed for the normal operation of a business.

Fair Value. In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Source:* Financial Accounting Standards Board definition in Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as used in the context of Generally Accepted Accounting Principles (GAAP) (Effective 2008). (2) For state legal matters only, some states have laws that use the term *fair value* in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.

Guideline Company Transactions Method. A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.

Hypothetical Condition. That which is or may be contrary to what exists but is supposed for the purpose of analysis.

Incremental Income. Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.

Pre-adjustment Value. The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.

Profit Split Income. With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.

Relief from Royalty Method. A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.

Residual Income. For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. *Income or cash flows* can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.

Security. A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement, (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.
Subject Interest. A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.

Subsequent Event. An event that occurs subsequent to the valuation date.

Valuation Analyst. For purposes of this Statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.

Valuation Assumptions. Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.

Valuation Engagement. An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statement on Standards for Valuation Services and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.

Valuation Service. See **Engagement to Estimate Value**.

END OF REPORT