VMG HEALTH

STANFORD HEALTH CARE ADVANTAGE

Fair Market Value Analysis Schedules

Final Report

Distributed on Monday, April 20, 2020

Valuation Date: March 16, 2020

CONTENTS

INTRODUCTION

VMG Holdings LLC d/b/a VMG Health (''VMG'' or ''we'') has been engaged by Stanford Health Care (''Management'') to estimate the Fair Market Value of the Total Invested Capital of Stanford Health Care Advantage (the ''Business'') as of a current date for Management planning purposes.

STANDARD & PREMISE OF VALUE

The standard of value applicable in this engagement is Fair Market Value ("FMV"). For the purposes of this engagement, FMV is generally defined by the International Glossary of Business Valuation Terms as the price, expressed in terms of cash equivalents, at which a property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's 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. The level of value assumed is a fully marketable, controlling ownership interest in the assets of the subject business.

SCOPE OF THE ENGAGEMENT

This engagement is a Valuation Engagement as generally outlined below:

A "Valuation Engagement" is defined by the American Institute of Certified Public Accountants ("AICPA") Statement on Standards for Valuation Services ("SSVS") No. 1 in VS sec. 100, and establishes standards for the valuation of a business, business ownership interest, security, or intangible asset. This involves an estimate of value of a subject interest applying the valuation approaches and methods deemed appropriate in the circumstances. The Analysis expresses the valuation conclusion as either a single amount or a range. We have not conducted a site review of the subject business premises, nor have we audited or otherwise reviewed the business financial statements, which have been provided by business management and its financial advisors. It was assumed that these financial statements are true and accurate.

INTENDED USERS

Our report is intended for use solely by Management and only for the indicated purpose. Our analysis is to be used for no other purpose or distributed, in whole or in part, to third parties, other than the Internal Revenue Service, Office of Inspector General, California Department of Managed Health Care ("DMHC"), California Attorney General, and the Centers for Medicare and Medicaid Services ("CMS"). Client may also provide a copy of the report to Essence, its affiliates Essence Group Holdings Corporation and Lumeris Healthcare Outcomes, LLC (collectively, "Essence") and Essence legal counsel. However, Management may not provide the report to any other third party without VMG's written consent. Such consent shall be timely and not unreasonable withheld. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion.

CERTIFYING & CONTRIBUTING APPRAISERS

Certifying Appraiser: Colin McDermott, CFA, CPA/ABV

Other Contributing Appraisers: Brett Nelson and Henry Smith

QUALIFYING ASSUMPTIONS

Amendment of any assumption qualified below could materially impact any conclusions of value presented herein.

- This analysis is intended for use solely by Management and only for the indicated purpose. Our analysis is to be used for no other purpose or distributed, in whole or in part, to third parties, other than the Internal Revenue Service, Office of Inspector General, California Department of Managed Health Care ("DMHC"), California Attorney General, and the Centers for Medicare and Medicaid Services ("CMS"). Client may also provide a copy of the report to Essence, its affiliates Essence Group Holdings Corporation and Lumeris Healthcare Outcomes, LLC (collectively, "Essence") and Essence legal counsel. However, Management may not provide the report to any other third party without VMG's written consent. Such consent shall be timely and not unreasonable withheld. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion.

- The result of the analysis should not be construed as a fairness opinion or investment recommendation. Nothing contained in this report should be construed as investment, legal, or tax advice. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion.

- VMG relied upon data provided by Management or obtained from third parties, including accountants, counsel, published sources and commercial databases without audit or verification regarding the accuracy of such information. VMG has not independently audited or confirmed the accuracy of the data provided. We are relying on the data as materially true and correct. To the extent that the information provided to VMG is inaccurate, we reserve the right to amend our analysis accordingly.

- VMG does not assure any forecasted results. Events and circumstances frequently do not occur as expected, actual and expected results may be materially different, and achieving forecasted results depends on the actions, plans, and assumptions of others.

- Total Invested Capital, or TIC, reflects the value of the Business's total debt plus equity and is inclusive of a normalized level of tangible net equity ("TNE"). VMG assumed a normalized level of TNE at approximately 10.6% of Net Operating Revenue based on 200% of the existing required level of TNE.

- Stanford Health Care Advantage's members utilize the Stanford Health Care facility and provider network. This analysis assumes the expense for these services incurred by Stanford Health Care Advantage are arms-length in nature currently and prospectively.

- Management represented the 18 month process to identify a potential partner for the Business included 12 participants with varying levels of interest and proposals. Discussions existed with the following Aetna, United Health, Blue Shield of California, CareMore, Anthem, Bright Health, Hometown Health, Alignment, Lumeris, Sutter, SCAN, and Centene. VMG understands certain payors were interested in arrangements in which the acquiror would assume existing membership and formalize a long-term provider network contract with Stanford Health Care. A single participant pursued extended diligence; however, ultimately decided the Business did not command a positive value given the need to create a California licensure and the local investment required. Management indicate they did not receive a single purchase offer of the existing membership base.

- VMG understands the membership of the Business with transfer to a joint venture with Essence. The indications of fair market value presented in this analysis assume a level of value within the construct of the proposed joint venture (i.e., exisiting membership, provider networks and contracts, administrative cost structure). The proposed transaction is different than verbal indications provided by other participants in the process as Stanford will not have to enter into unfavorable provider network contracts.

- This report was prepared as of March 18, 2020. At the time of this report's release, the economies of the United States is being impacted by the coronavirus ("COVID-19") pandemic. The evolution of the disease, the extent of its economic impact and the results of steps taken and yet to be taken by the federal government and financial institutions are unknown. Healthcare entities may face volume softness with the delay of elective procedures, supply chain disruptions, labor shortages, changes in bad debt, all of which may result in an impact to the business. Therefore, as of the valuation date, the significance and the duration of the COVID-19 pandemic's financial impact is indeterminable and not quantifiable.

- Three distinct approaches to value were considered in accordance with generally accepted valuation methodologies; These approaches include the Cost, Market, and Income Approaches. Ultimately, reliance was placed upon the Cost Approach to value the Business, as it is the approach most often utilized in situations where the estimated FMV of the entity's identifiable tangible and intangible assets produces a value that is greater than the entity's discounted projected cash flow stream.

STANFORD HEALTH CARE ADVANTAGE

EXECUTIVE SUMMARY

Conclusion of Value [1] [2]	Rounded
Fair Market Value of the Total Invested Capital including Normalized Tangible Net Equity *(Rounded)*	$4,420,000
Plus: Excess Tangible Net Equity	$820,000
Adjusted Fair Market Value of the Total Invested Capital including Excess Tangible Net Equity *(Rounded)*	**$5,240,000**
Less: Assets Retained by Stanford Health Care	(5,240,000)
Adjusted Fair Market Value of the Stanford Health Care Contribution to the Joint Venture *(Rounded)*	**$0**

Implied Market Multiples [1]	Financial Metric	Mid-Point
TIC / Normalized Base Year Membership	3,800	$1,163

Notes & Sources

(1) Total Invested Capital (''TIC'') as reflected above represents all working assets utilized in the operation of the Business.

(2) Please note that all dollar figures presented above are rounded.

Mid-Point Value Indications by Methodology [1] [2]	Value	Weight	Conclusion	Key Assumptions
Income Approach	*n/a*	-	-	*Discounted Cash Flow Analysis*
Cost Approach	$4,420,000	100.0%	$4,420,000	*Build-Up Approach*
Market Approach - EBITDA	n/a	-	-	*Merger & Acquisition Method*
Market Approach - Membership	n/a	-	-	*Merger & Acquisition Method*
Mid-Point Fair Market Value Indication			**$4,420,000**	

Notes & Sources

(1) Three distinct approaches to value were considered in accordance with generally accepted valuation methodologies; These approaches include the Cost, Market, and Income Approaches. Ultimately, reliance was placed upon the Cost Approach to value the Business. VMG did not rely on the value indication produced by the Income Approach due to the projected negative cash flows. Management indicated the operations of the Business are unlikely to yield positive cash flow in absence of increased membership growth to leverage the existing administrative expenses. Further, management indicated that the necessary membership growth is unlikely given the existing Stanford Health Care facility and provider network. The Market Approach was not relied up as the Business is not projected to have positive EBITDA and membership multiples where not considered given the process run by Management and the lack of resulting interest in the Business.

(2) All value indications include a normalized level of working capital.

STANFORD HEALTH CARE ADVANTAGE

HISTORICAL FINANCIALS & OPERATIONS

STANFORD HEALTH CARE ADVANTAGE

Historical Financials & Operations | Balance Sheet

	Footnotes	CY 2017	CY 2018	CY 2019	CY 2017	CY 2018	CY 2019
Assets							
Current Assets							
Cash & Cash Equivalents		$7,882,513	$13,865,977	$11,863,373	90.6%	90.6%	79.2%
Other Receivables		257,680	1,088,225	2,725,885	3.0%	7.1%	18.2%
Prepaid Expenses and Other		252,399	38,701	56,184	2.9%	0.3%	0.4%
		8,392,592	14,992,903	14,645,442	96.4%	98.0%	97.8%
Other Assets							
Deposit		311,746	311,766	327,010	3.6%	2.0%	2.2%
		311,746	311,766	327,010	3.6%	2.0%	2.2%
Total Assets		**$8,704,338**	**$15,304,669**	**$14,972,452**	**100.0%**	**100.0%**	**100.0%**
Growth		*n/a*	*75.8%*	*(2.2%)*			
Liabilities & Shareholders' Equity							
Current Liabilities							
Accounts Payable and Accrued Liabilities		3,953,144	7,713,398	8,247,693	45.4%	50.4%	55.1%
Due to Related Parties		2,381,935	3,407,803	1,483,030	27.4%	22.3%	9.9%
		6,335,079	11,121,201	9,730,723	72.8%	72.7%	65.0%
Equity							
Member Equity	*1*	2,369,259	4,183,468	5,241,729	27.2%	27.3%	35.0%
		2,369,259	4,183,468	5,241,729	27.2%	27.3%	35.0%
Total Liabilities & Equity		**$8,704,338**	**$15,304,669**	**$14,972,452**	**100.0%**	**100.0%**	**100.0%**
Growth		*n/a*	*75.8%*	*(2.2%)*			
Required Tangible Net Equity	*1*	1,343,870	2,083,976	2,209,212			
Actual Tangible Net Equity		2,369,259	4,183,468	5,241,729			
Excess Tangible Net Equity		**1,025,389**	**2,099,492**	**3,032,517**			

Notes & Sources

Sources: We have utilized unaudited financials provided by Business management for the calendar years ended 2017 ("CY 2017"), CY 2018, and CY 2019.

(1) Minimum tangible net equity is approximately 8.0% of annualized non-capitated health care expenditures.

		CY 2017	CY 2018	CY 2019
Current Assets				
Cash & Cash Equivalents		$7,882,513	$13,865,977	$11,863,373
Other Receivables		257,680	1,088,225	2,725,885
Prepaid Expenses and Other		252,399	38,701	56,184
		$8,392,592	$14,992,903	$14,645,442
Current Liabilities				
Accounts Payable and Accrued Liabilities		$3,953,144	$7,713,398	$8,247,693
Due to Related Parties		2,381,935	3,407,803	1,483,030
		$6,335,079	$11,121,201	$9,730,723
Reported Net Working Capital		**$2,057,513**	**$3,871,702**	**$4,914,719**
Total Net Operating Revenue		$17,057,871	$28,586,553	$41,525,417
Reported Net Working Capital as a Percentage of Total Net Operating Revenue		*12.1%*	*13.5%*	*11.8%*
Required Tangible Net Equity	1	$1,343,870	$2,083,976	$2,209,212
Actual Tangible Net Equity		2,369,259	4,183,468	5,241,729
Excess Tangible Net Equity		**$1,025,389**	**$2,099,492**	**$3,032,517**
Required Tangible Net Equity as a Percentage of Total Net Operating Revenue		*7.9%*	*7.3%*	*5.3%*
Selected Tangible Net Equity as a Percentage of Total Net Operating Revenue				**10.6%**
Selected Tangible Net Equity				**$4,418,424**

Notes & Sources

Sources: We have utilized unaudited financials provided by Business management for the calendar years ended 2017 ("CY 2017"), CY 2018, and CY 2019.

(1) Minimum tangible net equity is approximately 8.0% of annualized non-capitated health care expenditures.

STANFORD HEALTH CARE ADVANTAGE

Historical Financials & Operations | Income Statement

	Footnotes	CY 2017	CY 2018	CY 2019	Common Size CY 2017	Common Size CY 2018	Common Size CY 2019	Per Member Per Month CY 2017	Per Member Per Month CY 2018	Per Member Per Month CY 2019
Revenues										
Premium Revenue		$17,057,871	$28,586,553	$41,062,917	100.0%	100.0%	98.9%	*$750.98*	*$828.57*	*$904.97*
Optional Supplemental Benefits		-	-	462,500	-	-	1.1%	-	-	*$10.19*
Total Net Operating Revenue		**17,057,871**	**28,586,553**	**41,525,417**	**100.0%**	**100.0%**	**100.0%**	***$750.98***	***$828.57***	***$915.16***
Growth		*n/a*	*67.6%*	*45.3%*						
Operating Expenses										
Medical Expense										
Capitation		5,444,735	8,153,158	12,321,846	31.9%	28.5%	29.7%	*$239.71*	*$236.32*	*$271.56*
Inpatient & SNF Claims		7,806,985	12,666,482	12,546,880	45.8%	44.3%	30.2%	*$343.71*	*$367.13*	*$276.52*
Outpatient & Professional Claims		4,513,113	8,759,548	9,475,525	26.5%	30.6%	22.8%	*$198.69*	*$253.89*	*$208.83*
Out of Network Claims		1,995,852	2,523,691	3,196,116	11.7%	8.8%	7.7%	*$87.87*	*$73.15*	*$70.44*
Claim Refunds & Recoveries		(99,849)	(801,872)	(809,846)	(0.6%)	(2.8%)	(2.0%)	*($4.40)*	*($23.24)*	*($17.85)*
Pharmacy Claims - Part B		235,498	229,716	554,480	1.4%	0.8%	1.3%	*$10.37*	*$6.66*	*$12.22*
Pharmacy Claims - Part D		2,108,854	2,907,365	3,828,366	12.4%	10.2%	9.2%	*$92.84*	*$84.27*	*$84.37*
Optional Supplemental Benefits Expense		-	-	652,792	-	-	1.6%	-	-	*$14.39*
		22,005,188	34,438,088	41,766,159	129.0%	120.5%	100.6%	*$968.79*	*$998.18*	*$920.47*
General & Administrative										
Salaries, Wages, and Benefits		2,653,492	3,172,432	2,760,312	15.6%	11.1%	6.6%	*$116.82*	*$91.95*	*$60.83*
Customer Service (Care Counsel)		465,707	377,910	691,606	2.7%	1.3%	1.7%	*$20.50*	*$10.95*	*$15.24*
Purchased Services (Clinical, Rx, Admin, Misc)		792,859	534,462	1,331,317	4.6%	1.9%	3.2%	*$34.91*	*$15.49*	*$29.34*
Commissions		796,693	1,256,615	1,935,953	4.7%	4.4%	4.7%	*$35.07*	*$36.42*	*$42.67*
WiPro		390,400	346,220	616,050	2.3%	1.2%	1.5%	*$17.19*	*$10.04*	*$13.58*
Professional Fees		256,440	889,572	1,013,727	1.5%	3.1%	2.4%	*$11.29*	*$25.78*	*$22.34*
Marketing & Outreach		320,546	335,010	228,201	1.9%	1.2%	0.5%	*$14.11*	*$9.71*	*$5.03*
Occupancy Expense		70,638	75,765	65,255	0.4%	0.3%	0.2%	*$3.11*	*$2.20*	*$1.44*
Insurance		264,768	220,472	291,187	1.6%	0.8%	0.7%	*$11.66*	*$6.39*	*$6.42*
Other		108,055	206,182	293,383	0.6%	0.7%	0.7%	*$4.76*	*$5.98*	*$6.47*
	(2)	6,119,598	7,414,640	9,226,991	35.9%	25.9%	22.2%	*$269.42*	*$214.91*	*$203.35*
Total Operating Expenses		28,124,786	41,852,728	50,993,150	164.9%	146.4%	122.8%	*$1,238.21*	*$1,213.09*	*$1,123.82*
Growth		*n/a*	*48.8%*	*21.8%*						
EBITDA		(11,066,915)	(13,266,175)	(9,467,733)	(64.9%)	(46.4%)	(22.8%)	*($487.23)*	*($384.52)*	*($208.66)*
Growth		*(nmf)*	*(nmf)*	*nmf*						

Notes & Sources

(1) *Sources: We have utilized unaudited financials provided by Business management for the calendar years ended 2017 ("CY 2017"), CY 2018, and CY 2019.*

(2) ***Note: The admin. expense detail as presented in the "2018-12 SCH Advantage Financial Package" and "2019-12 SHC Advantage Financial Package" files are not consistent with the summary level statements as presented in the same documents. Presented above are the administrative expenses per the detailed breakout.***

Statistics	Gross			Per Member Per Month		
	CY 2017	CY 2018	CY 2019	CY 2017	CY 2018	CY 2019
Member Months	**22,714**	**34,501**	**45,375**	**22,714**	**34,501**	**45,375**
Implied Average Membership	*1,893*	*2,875*	*3,781*	*1,893*	*2,875*	*3,781*
Growth	*n/a*	*51.9%*	*31.5%*	*n/a*	*51.9%*	*31.5%*
Revenue						
Premium Revenue	$17,057,871	$28,586,553	$41,062,917	$750.98	$828.57	$904.97
Growth	*n/a*	*67.6%*	*43.6%*	*n/a*	*10.3%*	*9.2%*
Optional Supplemental Benefits	-	-	462,500	-	-	$10.19
Growth	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Total Net Operating Revenue	**$17,057,871**	**$28,586,554**	**$41,525,417**	**$750.98**	**$828.57**	**$915.16**
Growth	*n/a*	*67.6%*	*45.3%*	*n/a*	*10.3%*	*10.5%*
Expenses						
Medical Expense	$22,005,188	$34,438,088	$41,766,159	$968.79	$998.18	$920.47
Growth	*n/a*	*56.5%*	*21.3%*	*n/a*	*3.0%*	*(7.8%)*
General & Administrative	6,119,598	7,414,640	9,226,991	$269.42	$214.91	$203.35
Growth	*n/a*	*21.2%*	*24.4%*	*n/a*	*(20.2%)*	*(5.4%)*
Total Operating Expense	**$28,124,786**	**$41,852,728**	**$50,993,150**	**$1,238.21**	**$1,213.09**	**$1,123.82**
Growth	*n/a*	*48.8%*	*21.8%*	*n/a*	*(2.0%)*	*(7.4%)*
EBITDA	**($11,066,915)**	**($13,266,174)**	**($9,467,733)**	**($487.23)**	**($384.52)**	**($208.66)**
Growth	*n/a*	*(nmf)*	*nmf*	*n/a*	*nmf*	*nmf*
Medical Loss Ratio	**129.0%**	**120.5%**	**100.6%**			
Administrative Cost Ratio	**35.9%**	**25.9%**	**22.2%**			
EBITDA	**(64.9%)**	**(46.4%)**	**(22.8%)**			
Medicare Star Rating	**3.5**	**3.5**	**3.0**			
Risk Adjustment Factor ("RAF") Score	**0.79**	**0.83**	**1.00**	***CONFIDENTIAL***		
Required Tangible Net Equity	$1,343,870	$2,083,976	$2,209,212	$59.16	$60.40	$48.69
Actual Tangible Net Equity	2,369,259	4,183,468	5,241,729	$104.31	$121.26	$115.52
Excess Tangible Net Equity	**$1,025,389**	**$2,099,492**	**$3,032,517**	**$45.14**	**$60.85**	**$66.83**

Notes & Sources

Source: Management provided financial statements and operational reports for the calendar years ended December 31, 2017 ("CY 2017"), CY 2018, and CY 2019.

STANFORD HEALTH CARE ADVANTAGE

Scenario Value Calculation | Budget Comparison

	Footnotes	Actual	Budget	Common Size		Per Member Per Month	
		CY 2019	CY 2020	CY 2019	CY 2020	CY 2019	CY 2020
Member Months		**45,375**	**61,800**	**45,375**	**61,800**	**45,375**	**61,800**
Growth		*n/a*	*36.2%*	*n/a*	*36.2%*	*n/a*	*36.2%*
Revenues							
Premium Revenue		$41,062,917	$53,979,424	98.9%	98.8%	$904.97	$873.45
Optional Supplemental Benefits		462,500	635,020	1.1%	1.2%	$10.19	$10.28
Total Net Operating Revenue		**41,525,417**	**54,614,444**	**100.0%**	**100.0%**	**$915.16**	**$883.73**
Growth		*n/a*	*31.5%*			*n/a*	*(3.4%)*
Operating Expenses							
Medical Expense							
Capitation							
Inpatient & SNF Claims							
Outpatient & Professional Claims							
Out of Network Claims							
Claim Refunds & Recoveries							
CMS Part C Revenue							
Pharmacy Claims - Part B							
Pharmacy Claims - Part D							
Optional Supplemental Benefits Expense							
Total Medical Expense		41,766,159	57,243,856	100.6%	104.8%	$920.47	$926.28
Growth		*n/a*	*37.1%*			*n/a*	*0.6%*
General & Administrative							
Salaries, Wages, and Benefits							
Customer Service (Care Counsel)							
Purchased Services (Clinical, Rx, Admin, Misc)							
Commissions							
WiPro							
Professional Fees							
Marketing & Outreach							
Occupancy Expense							
Insurance							
Other							
Total Medical Expense		9,226,991	10,778,954	22.2%	19.7%	$203.35	$174.42
Growth		*n/a*	*16.8%*			*n/a*	*(14.2%)*
Total Operating Expenses		50,993,150	68,022,810	122.8%	124.6%	$1,123.82	$1,100.69
Growth		*n/a*	*33.4%*			*n/a*	*(2.1%)*
EBITDA		($9,467,733)	($13,408,365)	(22.8%)	(24.6%)	($208.66)	($216.96)
Growth		*(nmf)*	*(nmf)*			*(nmf)*	*(nmf)*

Notes & Sources

(1) Management provided financial statements for CY 2019 as well as a budget for the calander year ended December 31, 2020 ("CY 2020").

(2) Source: "FY 20 SA Forecast Model_20190625 7pm" file provided by management.

1206 (L) Medical Foundation

Provides:
1. Administrative Services
    a. Utilization Management
    b. Claims Processing
2. Network Providers

Health Plan
Sole Corporate Member of SHC

LLC; Health Care Advocacy Organization

Provides:
1. Member Services
2. Provider Services

Notes & Sources

(1) Per the "7.4_Org Backgrnd Structure _July 2018" file provided by management.

STANFORD HEALTH CARE ADVANTAGE

INCOME APPROACH

Income Approach | Development of the Normalized Base Year

	Footnotes	CY 2017	CY 2018	CY 2019	*Adjustments*	NBY	CY 2017	CY 2018	CY 2019	NBY
Revenues										
Premium Revenue		$17,057,871	$28,586,553	$41,062,917	-	$41,062,917	100.0%	100.0%	98.9%	98.9%
Optional Supplemental Benefits		-	-	$462,500	-	462,500	-	-	1.1%	1.1%
Total Net Operating Revenue		**17,057,871**	**28,586,553**	**41,525,417**	**-**	**41,525,417**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses										
Medical Expense										
Capitation		5,444,735	8,153,158	12,321,846	-	12,321,846	31.9%	28.5%	29.7%	29.7%
Inpatient & SNF Claims		7,806,985	12,666,482	12,546,880	-	12,546,880	45.8%	44.3%	30.2%	30.2%
Outpatient & Professional Claims		4,513,113	8,759,548	9,475,525	-	9,475,525	26.5%	30.6%	22.8%	22.8%
Out of Network Claims		1,995,852	2,523,691	3,196,116	-	3,196,116	11.7%	8.8%	7.7%	7.7%
Claim Refunds & Recoveries		(99,849)	(801,872)	(809,846)	-	(809,846)	(0.6%)	(2.8%)	(2.0%)	(2.0%)
Pharmacy Claims - Part B		235,498	229,716	554,480	-	554,480	1.4%	0.8%	1.3%	1.3%
Pharmacy Claims - Part D		2,108,854	2,907,365	3,828,366	-	3,828,366	12.4%	10.2%	9.2%	9.2%
Optional Supplemental Benefits Expense		-	-	652,792	-	652,792	-	-	1.6%	1.6%
		22,005,188	34,438,088	41,766,159	-	41,766,159	129.0%	120.5%	100.6%	100.6%
General & Administrative										
Salaries, Wages, and Benefits		2,653,492	3,172,432	2,760,312	-	2,760,312	15.6%	11.1%	6.6%	6.6%
Customer Service (Care Counsel)		465,707	377,910	691,606	-	691,606	2.7%	1.3%	1.7%	1.7%
Purchased Services (Clinical, Rx, Admin, Misc)		792,859	534,462	1,331,317	-	1,331,317	4.6%	1.9%	3.2%	3.2%
Commissions		796,693	1,256,615	1,935,953	-	1,935,953	4.7%	4.4%	4.7%	4.7%
WiPro		390,400	346,220	616,050	-	616,050	2.3%	1.2%	1.5%	1.5%
Professional Fees		256,440	889,572	1,013,727	-	1,013,727	1.5%	3.1%	2.4%	2.4%
Marketing & Outreach		320,546	335,010	228,201	-	228,201	1.9%	1.2%	0.5%	0.5%
Occupancy Expense		70,638	75,765	65,255	-	65,255	0.4%	0.3%	0.2%	0.2%
Insurance		264,768	220,472	291,187	-	291,187	1.6%	0.8%	0.7%	0.7%
Other		108,055	206,182	293,383	-	293,383	0.6%	0.7%	0.7%	0.7%
		6,119,598	7,414,640	9,226,991	-	9,226,991	35.9%	25.9%	22.2%	22.2%
Total Operating Expenses		28,124,786	41,852,728	50,993,150	-	50,993,150	164.9%	146.4%	122.8%	122.8%
EBITDA		(11,066,915)	(13,266,175)	(9,467,733)	-	(9,467,733)	(64.9%)	(46.4%)	(22.8%)	(22.8%)

Notes & Sources

(1) The Normalized Base Year (the "NBY") is based on the CY 2019 income statement. The NBY eliminates any unusual or non-recurring items from revenue and expenses.

STANFORD HEALTH CARE ADVANTAGE

Income Approach | Revenue Assumptions

					Projection Period					
	CY 2017	CY 2018	CY 2019	NBY	Year 1	Year 2	Year 3	Year 4	Year 5	Key Assumptions
Revenue										
Estimated Member Months	22,714	34,501	45,375	45,375	55,117	66,952	81,327	98,789	120,000	*Assumed membership increases to 10,000 covered lives by Yr. 5*
Growth	*n/a*	*51.9%*	*31.5%*	-	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	
Average Net Revenue per Member Month	$750.98	$828.57	$904.97	$904.97	$923.07	$941.53	$960.36	$979.57	$999.16	
Growth	*n/a*	*10.3%*	*9.2%*	-	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	
Medicare Advantage Net Premium Revenue	**$17,057,871**	**$28,586,553**	**$41,062,917**	**$41,062,917**	**$50,877,127**	**$63,036,974**	**$78,103,075**	**$96,770,038**	**$119,898,483**	
Optional Supplemental Benefits	-	-	462,500	462,500	462,500	462,500	462,500	462,500	462,500	*No Growth*
Total Net Operating Revenue	**$17,057,871**	**$28,586,553**	**$41,525,417**	**$41,525,417**	**$51,339,627**	**$63,499,474**	**$78,565,575**	**$97,232,538**	**$120,360,983**	
Growth	*n/a*	*67.6%*	*45.3%*	-	*23.6%*	*23.7%*	*23.7%*	*23.8%*	*23.8%*	
Medical Expenses										
Capitation	$5,444,735	$8,153,158	$12,321,846	$12,321,846						*Management represented that Year 5 MLR of 90.0% is achievable with increased care management and care coordination efforts. Projected expenses reflect existing contractual rates with health care providers.* *The improvement in MLR is forecasted linearly over the five year discrete forecast.*
Inpatient & SNF Claims	7,806,985	12,666,482	12,546,880	12,546,880						
Outpatient & Professional Claims	4,513,113	8,759,548	9,475,525	9,475,525						
Out of Network Claims	1,995,852	2,523,691	3,196,116	3,196,116						
Claim Refunds & Recoveries	(99,849)	(801,872)	(809,846)	(809,846)						
Pharmacy Claims - Part B	235,498	229,716	554,480	554,480						
Pharmacy Claims - Part D	2,108,854	2,907,365	3,828,366	3,828,366						
Optional Supplemental Benefits Expense	-	-	652,792	652,792						
	$22,005,188	$34,438,088	$41,766,159	$41,766,159	$50,550,946	$61,180,376	$74,033,833	$89,566,675	$108,324,885	
Medical Loss Ratio ("MLR")	**129.0%**	**120.5%**	**100.6%**	**100.6%**	**98.5%**	**96.3%**	**94.2%**	**92.1%**	**90.0%**	*Per Management*
Growth	*n/a*	*(6.6%)*	*(16.5%)*	*n/a*	*(2.1%)*	*(2.1%)*	*(2.2%)*	*(2.2%)*	*(2.3%)*	
Administrative Expenses										
Salaries, Wages, and Benefits	$2,653,492	$3,172,432	$2,760,312	$2,760,312						*Management represented that Year 5 ACR of 17.0% is achievable given the projected decline in medical loss ratios.* *The improvement in ACR is forecasted linearly over the five year discrete forecast.*
Customer Service (Care Counsel)	465,707	377,910	691,606	691,606						
Purchased Services (Clinical, Rx, Admin, Misc)	792,859	534,462	1,331,317	1,331,317						
Commissions	796,693	1,256,615	1,935,953	1,935,953						
WiPro	390,400	346,220	616,050	616,050						
Professional Fees	256,440	889,572	1,013,727	1,013,727						
Marketing & Outreach	320,546	335,010	228,201	228,201						
Occupancy Expense	70,638	75,765	65,255	65,255						
Insurance	264,768	220,472	291,187	291,187						
Other	108,055	206,182	293,383	293,383						
	$6,119,598	$7,414,640	$9,226,991	$9,226,991	$10,871,722	$12,783,754	$14,996,630	$17,544,659	$20,461,367	
Administrative Cost Ratio ("ACR")	**35.9%**	**25.9%**	**22.2%**	**22.2%**	**21.2%**	**20.1%**	**19.1%**	**18.0%**	**17.0%**	*Per Management*
Growth	*n/a*	*(27.7%)*	*(14.3%)*	-	*(4.7%)*	*(4.9%)*	*(5.2%)*	*(5.5%)*	*(5.8%)*	
EBITDA	**($11,066,915)**	**($13,266,175)**	**($9,467,733)**	**($9,467,733)**	**($10,083,041)**	**($10,464,656)**	**($10,464,888)**	**($9,878,797)**	**($8,425,269)**	
EBITDA Margin	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(19.6%)**	**(16.5%)**	**(13.3%)**	**(10.2%)**	**(7.0%)**	

Discounted Cash Flow Analysis Assumptions

Discount Rate	15.0%
Normalized Net Working Capital	$4,418,424
Normalized Net Working Capital as a Percentage of Total Net Operating Revenue	10.6%
Selected Incremental Net Working Capital Requirements as a Percentage of Total Net Operating Revenue	10.6%
Inflation Rate	3.0%
Terminal Growth Rate	2.0%
Tax Rate	28.0%

Depreciation Assumptions

Net Initial Depreciable Basis of Furniture, Fixtures, Equipment & Leasehold Improvements	-
Estimated Useful Life of Initial Furniture, Fixtures, Equipment & Leasehold Improvements	7.0
Estimated Useful Life of Projected Furniture, Fixtures, Equipment & Leasehold Improvement Expenditures	10.0

Projected Capital Expenditures & Depreciation Expense (1), (2)	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Capital Expenditures & Improvements						
Furniture, Fixtures, Equipment & Leasehold Improvements	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Total Capital Expenditures	-	-	-	-	-	-
As a Percentage of Total Net Operating Revenue	-	-	-	-	-	-
Depreciation Schedule						
Depreciation of Initial Net Fixed Assets	-	-	-	-	-	
Calculated Depreciation of Capital Expenditures	-	-	-	-	-	
Total Depreciation	-	-	-	-	-	-

Notes & Sources

*(1) **No discrete capital is projected as it is assumed to be captured in the administrative cost ratio charge.***

(2) Projected Depreciation & Amortization expense was based on the Tax Cut and Jobs Act signed into law on December 22, 2017. Depreciation was modeled assuming a hypothetical control transaction using an asset deal structure. A hypothetical buyers is assumed to take full advantage of this new law and, therefore, depreciation expense in Year One includes the full expensing of acquired net fixed assets plus the full expensing of any capital expenditures. Depreciation in Year 2 through Year 5 assumes full expensing for all assets with tax lives of 15.0 years or less, including qualified leasehold improvements. Please note, this bonus depreciation is subject to phase-out in the future.

Income Approach | Cash Flow Projections

	CY 2017	CY 2018	CY 2019	CY 2019	NBY	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenues											
Premium Revenue	$17,057,871	$28,586,553	$41,062,917	$41,062,917	$41,062,917	$50,877,127	$63,036,974	$78,103,075	$96,770,038	$119,898,483	
Optional Supplemental Benefits	-	-	462,500	462,500	462,500	462,500	462,500	462,500	462,500	462,500	
Total Net Operating Revenue	**17,057,871**	**28,586,553**	**41,525,417**	**41,525,417**	**41,525,417**	**51,339,627**	**63,499,474**	**78,565,575**	**97,232,538**	**120,360,983**	**122,768,203**
Growth	*n/a*	*67.6%*	*45.3%*	-	-	*23.6%*	*23.7%*	*23.7%*	*23.8%*	*23.8%*	*2.0%*
Operating Expenses											
Medical Expense	22,005,188	34,438,088	41,766,159	41,766,159	41,766,159	50,550,946	61,180,376	74,033,833	89,566,675	108,324,885	
General & Administrative	6,119,598	7,414,640	9,226,991	9,226,991	9,226,991	10,871,722	12,783,754	14,996,630	17,544,659	20,461,367	
Total Operating Expenses	28,124,786	41,852,728	50,993,150	50,993,150	50,993,150	61,422,668	73,964,130	89,030,463	107,111,335	128,786,252	
Growth	*n/a*	*48.8%*	*21.8%*	-	-	*20.5%*	*20.4%*	*20.4%*	*20.3%*	*20.2%*	
EBITDA	**(11,066,915)**	**(13,266,175)**	**(9,467,733)**	**(9,467,733)**	**(9,467,733)**	**(10,083,041)**	**(10,464,656)**	**(10,464,888)**	**(9,878,797)**	**(8,425,269)**	**(8,593,774)**
Growth	*(nmf)*	*(nmf)*	*nmf*	*(nmf)*	*(nmf)*	*(nmf)*	*(nmf)*	*(nmf)*	*nmf*	*nmf*	*2.0%*
Depreciation & Amortization Expense	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings Before Income Taxes	**(11,066,915)**	**(13,266,175)**	**(9,467,733)**	**(9,467,733)**	**(9,467,733)**	**(10,083,041)**	**(10,464,656)**	**(10,464,888)**	**(9,878,797)**	**(8,425,269)**	**(8,593,774)**
Federal & State Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings After Income Taxes	**($11,066,915)**	**($13,266,175)**	**($9,467,733)**	**($9,467,733)**	**($9,467,733)**	**($10,083,041)**	**($10,464,656)**	**($10,464,888)**	**($9,878,797)**	**($8,425,269)**	**($8,593,774)**

STANFORD HEALTH CARE ADVANTAGE

Income Approach | Cash Flow Projections

						Projection Period					
	CY 2017	CY 2018	CY 2019	CY 2019	NBY	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenues											
Premium Revenue	100.0%	100.0%	98.9%	98.9%	98.9%	99.1%	99.3%	99.4%	99.5%	99.6%	
Optional Supplemental Benefits	-	-	1.1%	1.1%	1.1%	0.9%	0.7%	0.6%	0.5%	0.4%	
Total Net Operating Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses											
Medical Expense	129.0%	120.5%	100.6%	100.6%	100.6%	98.5%	96.3%	94.2%	92.1%	90.0%	
General & Administrative	35.9%	25.9%	22.2%	22.2%	22.2%	21.2%	20.1%	19.1%	18.0%	17.0%	
Total Operating Expenses	164.9%	146.4%	122.8%	122.8%	122.8%	119.6%	116.5%	113.3%	110.2%	107.0%	
EBITDA	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(19.6%)**	**(16.5%)**	**(13.3%)**	**(10.2%)**	**(7.0%)**	**(7.0%)**
Depreciation & Amortization Expense	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings Before Income Taxes	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(19.6%)**	**(16.5%)**	**(13.3%)**	**(10.2%)**	**(7.0%)**	**(7.0%)**
Federal & State Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings After Income Taxes	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(19.6%)**	**(16.5%)**	**(13.3%)**	**(10.2%)**	**(7.0%)**	**(7.0%)**

Income Approach | Discounted Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year	Key Assumptions
EBITDA	($10,083,041)	($10,464,656)	($10,464,888)	($9,878,797)	($8,425,269)	($8,593,774)	
Depreciation & Amortization Expense	-	-	-	-	-	-	
Earnings Before Income Taxes	(10,083,041)	(10,464,656)	(10,464,888)	(9,878,797)	(8,425,269)	(8,593,774)	
Federal & State Income Tax Expense	-	-	-	-	-	-	*28.0% Blended Federal & State Tax Rate*
Earnings After Income Taxes	(10,083,041)	(10,464,656)	(10,464,888)	(9,878,797)	(8,425,269)	(8,593,774)	
Plus: Depreciation & Amortization	-	-	-	-	-	-	
Less: Required Annual Capital Expenditures	-	-	-	-	-	-	
Less: Incremental Working Capital Requirements	(1,044,260)	(1,293,843)	(1,603,077)	(1,986,219)	(2,460,933)	(256,135)	*10.6% of Total Net Operating Revenues*
Net Discretionary Cash Flow	(11,127,301)	(11,758,499)	(12,067,964)	(11,865,015)	(10,886,202)	(8,849,909)	
					Indicated Residual Value:	(68,076,226)	*2.0% Long-Term Growth Rate*
Present Value Period *(Mid-Year Convention)*	0.50	1.50	2.50	3.50	4.50	4.50	
Present Value Factor	0.9325	0.8109	0.7051	0.6131	0.5332	0.5332	*15.0% Weighted Average Cost of Capital*
Discounted Net Discretionary Cash Flows	**($10,376,262)**	**($9,534,658)**	**($8,509,213)**	**($7,274,881)**	**($5,804,116)**	**($36,295,701)**	
Sum of the Present Value of the Years One through Five Projected Cash Flows					($41,499,131)	-	
Present Value of the Terminal Year					($36,295,701)	-	
Mid-Point Fair Market Value Indication					**nmf**	**-**	

Please note, VMG did not rely on the value indication produced by the Income Approach due to the projected negative cash flows. Management indicated the operations of the Business are unlikely to yield positive cash flow in absence of increased membership growth to leverage the existing administrative expenses. Further, management indicated that the necessary membership growth is unlikely given the existing Stanford Health Care facility and provider network.

STANFORD HEALTH CARE ADVANTAGE

COST OF CAPITAL

Cost of Equity

$$K_e = R_f + [R_m \times B_i] + R_s + R_u$$

	Footnotes		Key Assumptions
Market Risk Premium (R_M)	*1*	6.00%	*Based upon VMG's review of published articles and academic studies.*
x Subject Company Re-levered Beta (B_i)	*2*	0.9355	*Please refer to the Beta Calculation page for more detail.*
Adjusted Market Risk Premium		5.61%	
+ Size Premium (R_s)	*3*	5.37%	*Duff & Phelps: 2018 Valuation Handbook, Market Capitalization of companies in the 10th Decile.*
+ Company Specific Risk Premium (R_u)	*4*	6.00%	
Total Estimated Equity Risk Premium		16.98%	
+ Risk-Free Rate of Return (R_F)	*5*	1.10%	*Yield of 20 Year Treasury securities as of March 16, 2020, as published by the Federal Reserve.*
Total Cost of Equity (K_e)		18.08%	
x Equity as a Percentage of Total Capital (W_e)	*6*	80.00%	
Pro-Rata Cost of Equity		14.47%	

Cost of Debt

	Footnotes		Key Assumptions
Pre-Tax Cost of Debt (K_d)	*7*	4.08%	*Moody's yield on corporate bonds, rating Baa, as of March 16, 2020, as published by the Federal Reserve.*
x Tax Rate (t)	*8*	27.98%	*Blended state and federal tax rate for businesses operating in the state of California.*
After-Tax Cost of Debt		2.94%	*After-Tax Cost of Debt = Pre-Tax Cost of Debt * (1-Tax Rate)*
x Debt as a Percentage of Total Capital (W_d)	*6*	20.00%	*The selected debt weighting is based on the Industry Norm.*
Pro-Rata Cost of Debt		0.59%	

Weighted Average Cost of Capital

$$WACC = [K_e \times W_e] + [K_d \times (1 - t) \times W_d]$$

Pro-Rata Cost of Equity	14.47%
Pro-Rata Cost of Debt	0.59%
Weighted Average Cost of Capital ***(Rounded)***	**15.00%**

Debt / TIC	Company-Specific Risk Premium: 5.0%	5.5%	6.0%	6.5%	7.0%
10.0%	15.0%	15.5%	16.0%	16.5%	17.0%
15.0%	14.5%	15.0%	15.5%	16.0%	16.5%
20.0%	14.5%	14.5%	15.0%	15.5%	16.0%
25.0%	14.0%	14.0%	14.5%	15.0%	15.5%
30.0%	13.5%	13.5%	14.0%	14.5%	14.5%

Notes & Sources

(1) The equity risk premium is the additional return an investor expects to receive to compensate for the risk associated with investing in equities as opposed to investing in riskless assets. The equity risk premium applied was selected based upon VMG's review of published articles and academic studies that attempt to quantify the expected market risk premium for United States common stocks by utilizing both historical and forward-looking sources. The selected equity risk premium was considered to reasonably represent a consensus viewpoint of the market equity risk premium.

(2) The beta is a measure of statistical volatility, or systemic risk, of an industry relative to the market as a whole. Beta is used to measure the price sensitivity of a company, or in this case an industry, in relation to changes in overall market prices. Public guideline company betas are unlevered in order to remove any positive effects they might receive by adding debt to their capital structures. These unlevered betas are then re-levered using the selected capital structure for the entity under question. Please refer to the following page for the publicly-traded guideline companies utilized and our calculation of beta.

(3) The small company (or small size) premium is the additional return an investor expects to receive to compensate for the additional risk associated with investing in a small, and inherently more risky, company. The small size risk premium utilized was the risk premium calculated for companies included in the 10th decile of the stock exchanges analyzed in the 2018 Duff & Phelps Valuation Handbook as of the Valuation Date. The size premium was based on equity value before consideration of non-operating assets.

(4) The final common component of the CAPM model is the specific company risk premium. The specific company risk quantifies the risk associated with the specific operations of the company or the "unsystematic" risk of the company. Our selection of a company specific risk premium adjusts not only for the additional risks inherent in the operations, but also accounts for the mitigating factors present in the operations. These risks are relative to the public markets from which the market equity risk premium, industry risk premium and small company risk premium were derived.

(5) The risk-free rate is a proxy for the return available on a security that the market generally regards as free of default risk. The rate of return on a risk-free security was found by looking at the yields of United States Treasury securities. Ideally, the duration of the security used as an indication of the risk-free rate should match the horizon of the projected cash flows being discounted (which is into perpetuity in the present case). We used the available 20 Year Treasury rate as published by the Federal Reserve and sourced from Standard & Poor's Capital IQ as of March 16, 2020.

(6) We reviewed capital structures for public companies operating in the industry, the current capital structure of the subject entity, and our experience with similar businesses in selecting the capital structure utilized in the WACC analysis. Please refer to the Beta Calculation page for additional detail.

(7) The cost of debt utilized in the calculation of the WACC was based upon the available Moody's yield on seasoned corporate bonds, rating Baa, as published by the Federal Reserve and sourced from Standard & Poor's Capital IQ as of March 16, 2020.

(8) To calculate the after-tax cost of debt component in the WACC formula, we utilized the blended state and federal income tax rate applicable to the state of California.

Cost of Capital | Beta Calculation

	Ticker	S&P Credit Rating	Market Capitalization	Total Debt	Minority Interest	Preferred Equity	Debt / TIC (3)	Debt / Equity	Effective Tax Rate (4)	Levered Beta (2)	Unlevered Beta (5)
1. Centene Corporation	CNC	BBB-	$31,705,383	$14,520,000	$141,000	-	31.3%	45.6%	36.0%	0.921	0.713
2. Humana Inc.	HUM	BBB+	$35,701,186	$6,339,000	-	-	15.1%	17.8%	35.6%	0.972	0.872
3. Molina Healthcare, Inc.	MOH	BB-	$7,398,752	$1,567,000	-	-	17.5%	21.2%	40.2%	1.022	0.907
4. Anthem, Inc.	ANTM	A	$56,531,995	$21,076,000	-	-	27.2%	37.3%	28.0%	0.847	0.668
5. Cigna Corporation	CI	A-	$56,044,550	$38,038,000	$41,000	-	40.4%	67.8%	30.6%	0.958	0.652
6. UnitedHealth Group Incorporated	UNH	A+	$213,466,952	$44,637,000	$4,546,000	-	17.0%	20.5%	28.1%	1.018	0.887

	Debt / TIC	Debt / Equity	Effective Tax Rate	Levered Beta	Unlevered Beta
Number of Observations	6	6	6	6	6
Low	15.1%	17.8%	28.0%	0.847	0.652
25th Percentile	17.1%	20.7%	28.7%	0.931	0.679
Median	22.3%	29.2%	33.1%	0.965	0.793
Mean	24.7%	35.0%	33.1%	0.957	0.783
75th Percentile	30.3%	43.5%	35.9%	1.006	0.883
High	40.4%	67.8%	40.2%	1.022	0.907
Standard Deviation	*0.091*	*0.178*	*0.045*	*0.060*	*0.108*
Coefficient of Variation	*36.9%*	*50.7%*	*13.7%*	*6.3%*	*13.7%*

Re-Levered Beta Calculation

Median Public Comparable Unlevered Beta	*Median of the Guideline Public Company Unlevered Betas:*	0.793
Target Company Debt / Equity	*Based on the Industry Norm:*	25.0%
Blended Federal & State Income Tax Expense	*Business' Marginal Tax Rate:*	28.0%
Re-Levered Beta, Subject Company (6)		**0.935**

Notes & Sources

(1) Source: Standard & Poor's Capital IQ as of March 16, 2020. Please note that United States dollars are presented in thousands.

(2) The 5 Year levered beta was sourced from Standard & Poor's Capital IQ, and computed by taking the slope of a weekly regression line of the percentage change of the stock relative to the percentage price change in the S&P 500 as of March 16, 2020.

(3) The Debt / TIC ratio was sourced from Standard & Poor's Capital IQ, and represents the median of the public companies' debt structure as of March 16, 2020.

(4) A 5 Year effective tax rate was calculated to match the beta calculation period and adjust for single-period inconsistencies. A marginal tax rate was selected for the following companies (tickers) due to the calculation of a negative effective tax rate:

*(5) Unlevered Beta = Levered Beta / (1 + ((D/E) * (1 - T)) + P/E)*

*(6) Re-levered Beta = Unlevered Beta * (1 + ((D/E) * (1 - T))*

STANFORD HEALTH CARE ADVANTAGE

COST APPROACH

Cost Approach | Build-Up Approach

		Stated as a % of TIC	
	Estimated Value	Estimated Value	Key Assumptions
Estimated Normalized Tangible Net Equity	4,418,424	100.0%	*Estimated at 10.6% of Total Net Operating Revenue See Footnote 1.*
Limited Scope Cost Approach Value Indication	**$4,418,424**	**100.0%**	

Notes & Sources

(1) VMG assumed a normalized level of TNE at approximately 10.6% of Net Operating Revenue based on 200% of the existing required level of TNE.

STANFORD HEALTH CARE ADVANTAGE

MARKET APPROACH

Capitalization Data

	Ticker	Market Capitalization	Total Debt	Minority Interest	Preferred Equity	Cash & Short-Term Investments	Total Invested Capital
1. Centene Corporation	CNC	$31,705,383	$14,520,000	$141,000	-	$12,986,000	$46,366,383
2. Humana Inc.	HUM	35,701,186	6,339,000	-	-	15,026,000	42,040,186
3. Molina Healthcare, Inc.	MOH	7,398,752	1,567,000	-	-	4,398,000	8,965,752
4. Anthem, Inc.	ANTM	56,531,995	21,076,000	-	-	25,635,000	77,607,995
5. Cigna Corporation	CI	56,044,550	38,038,000	41,000	-	5,556,000	94,123,550
6. UnitedHealth Group Incorporated	UNH	213,466,952	44,637,000	4,546,000	-	14,245,000	262,649,952

Financial Performance

	Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
1. Centene Corporation	CNC	$70,791,000	$105,350,387	$113,855,872	$3,410,000	$5,126,321	$5,352,985
2. Humana Inc.	HUM	64,888,000	74,055,823	81,103,270	3,676,000	4,195,586	4,530,914
3. Molina Healthcare, Inc.	MOH	16,340,000	18,401,245	18,836,622	1,140,000	1,169,032	1,175,149
4. Anthem, Inc.	ANTM	104,212,000	117,559,708	127,047,541	7,523,000	9,072,728	9,733,593
5. Cigna Corporation	CI	153,743,000	154,040,923	163,342,859	12,051,000	11,587,964	12,010,704
6. UnitedHealth Group Incorporated	UNH	242,155,000	261,714,115	282,294,489	22,684,000	24,981,320	27,269,428

Valuation Multiples

	Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
1. Centene Corporation	CNC	0.7x	0.4x	0.4x	13.6x	9.0x	8.7x
2. Humana Inc.	HUM	0.6x	0.6x	0.5x	11.4x	10.0x	9.3x
3. Molina Healthcare, Inc.	MOH	0.5x	0.5x	0.5x	7.9x	7.7x	7.6x
4. Anthem, Inc.	ANTM	0.7x	0.7x	0.6x	10.3x	8.6x	8.0x
5. Cigna Corporation	CI	0.6x	0.6x	0.6x	7.8x	8.1x	7.8x
6. UnitedHealth Group Incorporated	UNH	1.1x	1.0x	0.9x	11.6x	10.5x	9.6x
	Low	0.5x	0.4x	0.4x	7.8x	7.7x	7.6x
	25th Percentile	0.6x	0.5x	0.5x	8.5x	8.2x	7.9x
	Median	0.7x	0.6x	0.5x	10.9x	8.8x	8.3x
	Mean	0.7x	0.6x	0.6x	10.4x	9.0x	8.5x
	75th Percentile	0.7x	0.6x	0.6x	11.5x	9.8x	9.1x
	High	1.1x	1.0x	0.9x	13.6x	10.5x	9.6x

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of March 16, 2020.

(2) Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt.

Revenue Growth	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 2	21.5%	(1.1%)	14.2%	6.1%	5.1%	8.8%	9.1%	7.5%	n/a
FYE - 1	23.7%	5.8%	(6.7%)	2.3%	15.5%	12.5%	8.9%	9.2%	67.6%
FYE	24.9%	14.0%	(9.9%)	13.2%	216.5%	7.0%	44.3%	13.6%	45.3%
Year 1	48.8%	14.1%	12.6%	12.8%	0.2%	8.1%	16.1%	12.7%	23.6%
Year 2	8.1%	9.5%	2.4%	8.1%	6.0%	7.9%	7.0%	8.0%	23.7%
Year 3	7.0%	8.7%	8.4%	8.3%	6.4%	6.5%	7.6%	7.7%	23.7%

EBITDA Growth	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 2	(3.3%)	78.7%	(42.0%)	(5.4%)	29.2%	16.5%	12.3%	6.6%	*n/a*
FYE - 1	43.9%	(9.2%)	462.6%	19.4%	12.9%	13.4%	90.5%	16.4%	*n/a*
FYE	22.1%	4.0%	(11.4%)	14.6%	126.0%	13.1%	28.1%	13.9%	*n/a*
Year 1	59.8%	20.9%	5.7%	24.4%	(1.9%)	15.2%	20.7%	18.0%	*n/a*
Year 2	4.4%	8.0%	0.5%	7.3%	3.6%	9.2%	5.5%	5.9%	*n/a*
Year 3	5.4%	10.6%	6.5%	n/a	2.4%	10.2%	7.0%	6.5%	*n/a*

EBITDA Margin	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 2	4.0%	6.8%	1.1%	5.9%	11.0%	8.4%	6.2%	6.4%	(64.9%)
FYE - 1	4.6%	5.9%	6.9%	6.9%	10.8%	8.5%	7.3%	6.9%	(46.4%)
FYE	4.5%	5.3%	6.8%	7.0%	7.7%	9.0%	6.7%	6.9%	(22.8%)
TTM	4.5%	5.3%	6.8%	7.0%	7.7%	9.0%	6.7%	6.9%	(22.8%)
Year 1	4.9%	5.7%	6.4%	7.7%	7.5%	9.5%	6.9%	6.9%	(19.6%)
Year 2	4.7%	5.6%	6.2%	7.7%	7.4%	9.7%	6.9%	6.8%	(16.5%)
Year 3	4.6%	5.7%	6.1%	n/a	7.1%	10.0%	6.7%	6.1%	(13.3%)

Capital Expenditures	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 3	0.8%	1.0%	1.0%	0.7%	1.2%	0.9%	0.9%	0.9%	*n/a*
FYE - 2	0.9%	1.0%	0.4%	0.9%	1.1%	1.0%	0.9%	0.9%	*n/a*
FYE - 1	1.2%	1.1%	0.2%	1.3%	1.1%	0.9%	1.0%	1.1%	*n/a*
FYE	1.0%	1.1%	0.3%	1.0%	0.7%	0.9%	0.8%	0.9%	*n/a*
TTM	1.0%	1.1%	0.3%	1.0%	0.7%	0.9%	0.8%	0.9%	*n/a*

Net Working Capital	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 3	0.7%	30.3%	21.4%	40.2%	4.1%	(4.6%)	15.4%	12.8%	n/a
FYE - 2	(0.2%)	33.2%	26.4%	41.0%	1.5%	(5.0%)	16.1%	14.0%	12.1%
FYE - 1	1.4%	33.0%	22.8%	36.0%	(13.4%)	(5.4%)	12.4%	12.1%	13.5%
FYE	12.0%	32.3%	28.7%	37.3%	(2.4%)	(5.9%)	17.0%	20.4%	11.8%
TTM	12.0%	32.3%	28.7%	37.3%	(2.4%)	(5.9%)	17.0%	20.4%	11.8%

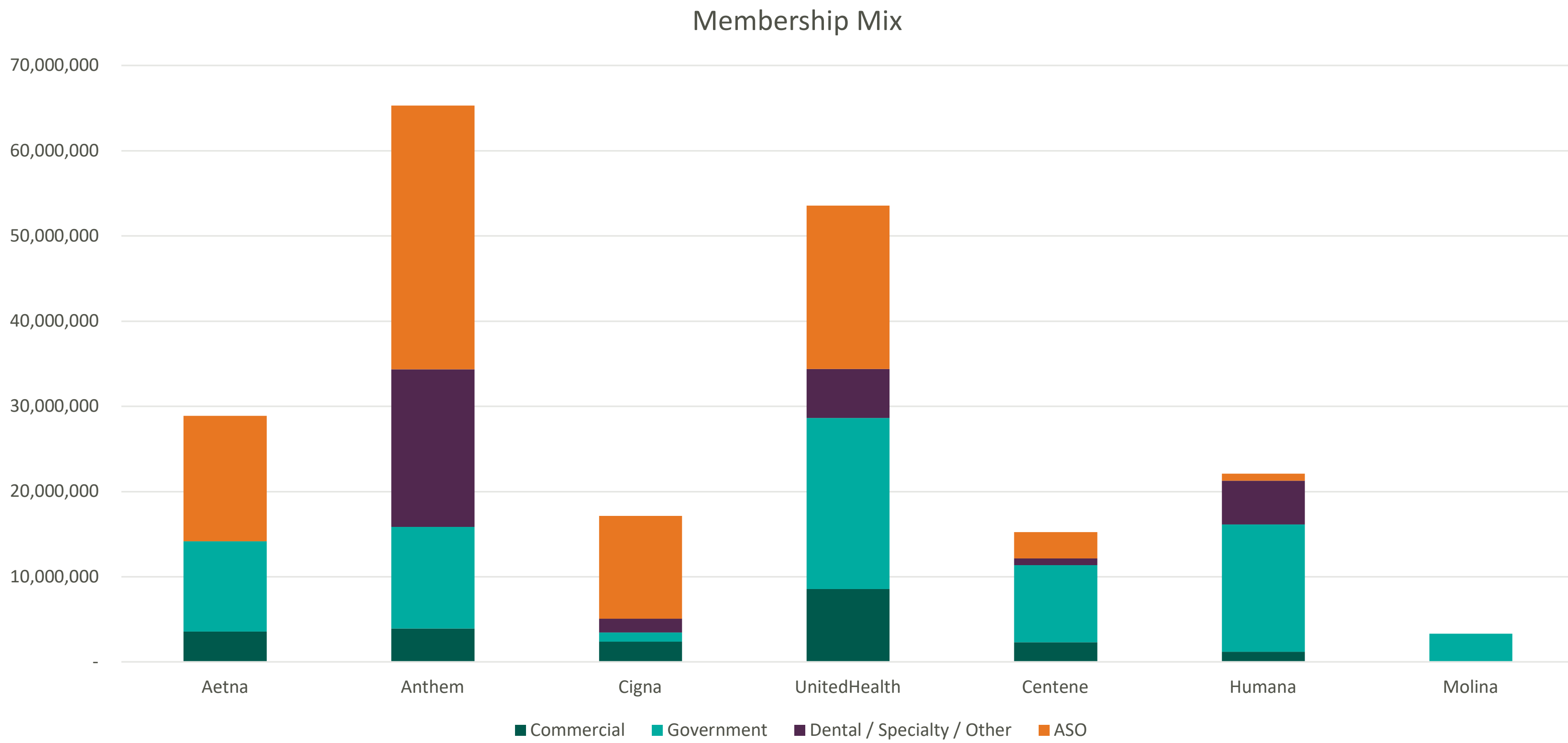
Cash-Free NWC	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 3	(11.1%)	9.2%	(5.5%)	13.4%	(5.5%)	(11.7%)	(1.9%)	(5.5%)	n/a
FYE - 2	(10.3%)	7.9%	(3.0%)	13.7%	(10.6%)	(12.7%)	(2.5%)	(6.6%)	(34.1%)
FYE - 1	(9.3%)	11.2%	(2.0%)	12.0%	(25.5%)	(11.7%)	(4.2%)	(5.7%)	(35.0%)
FYE	(6.3%)	9.2%	1.8%	12.7%	(6.0%)	(11.8%)	(0.1%)	(2.1%)	(16.7%)
TTM	(6.3%)	9.2%	1.8%	12.7%	(6.0%)	(11.8%)	(0.1%)	(2.1%)	(16.7%)

Capital Structure	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
FYE - 3	32.5%	12.4%	34.8%	30.7%	12.8%	17.6%	23.5%	24.2%	*n/a*
FYE - 2	21.5%	12.8%	33.1%	26.1%	9.8%	12.7%	19.3%	17.1%	*n/a*
FYE - 1	22.1%	13.7%	16.7%	22.6%	37.0%	13.0%	20.9%	19.4%	*n/a*
FYE	35.7%	11.6%	15.6%	21.6%	33.2%	13.6%	21.9%	18.6%	*n/a*
TTM	31.3%	15.1%	17.5%	27.2%	40.4%	17.0%	24.7%	22.3%	*n/a*

Additional Data	CNC	HUM	MOH	ANTM	CI	UNH	Mean	Median	*Subject Business*
SW&B	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*n/a*
Supplies	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	*n/a*
COGS	83.1%	83.0%	85.1%	78.5%	83.6%	76.2%	81.6%	83.1%	100.6%
SG&A	9.1%	11.3%	7.9%	14.7%	8.6%	14.5%	11.0%	10.2%	22.2%
D&A	0.4%	0.7%	0.5%	0.3%	1.9%	1.1%	0.8%	0.6%	*n/a*

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of March 16, 2020.

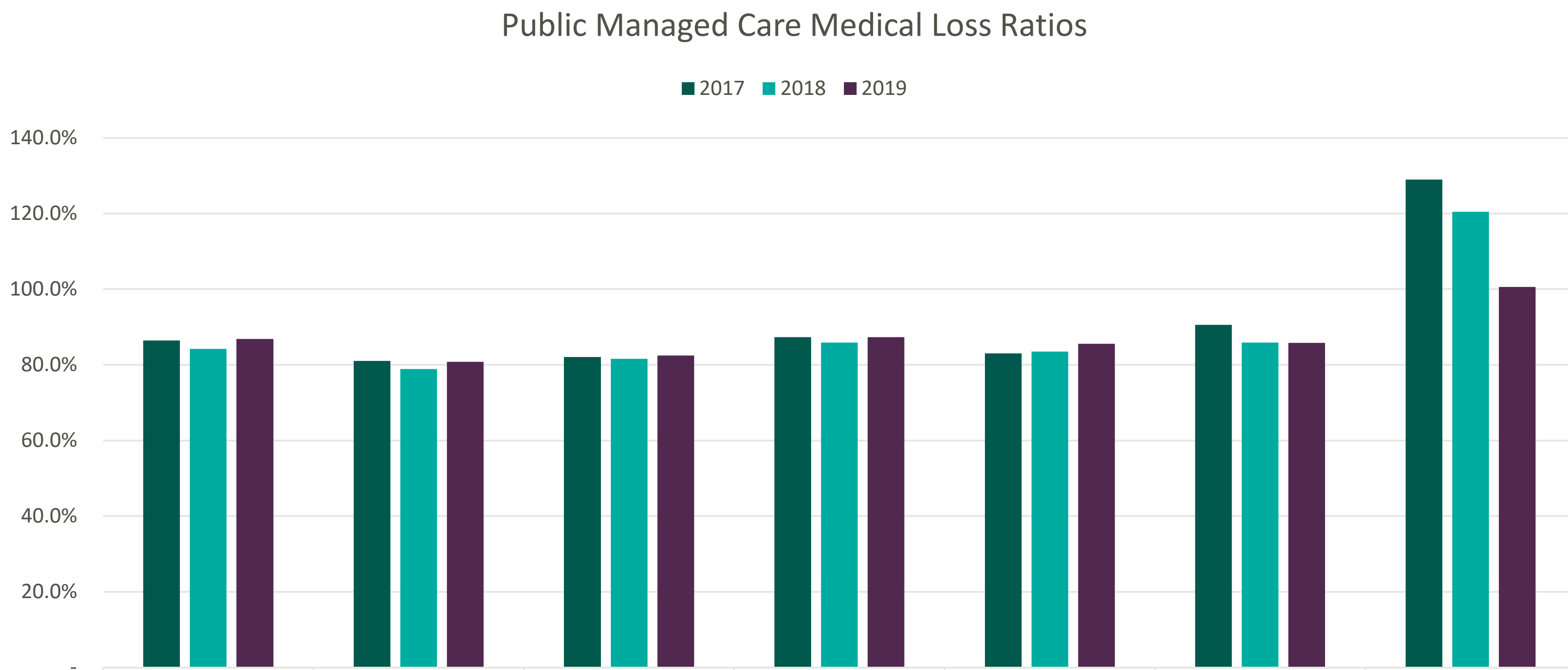


Membership	Aetna	Anthem	Cigna	UnitedHealth	Centene	Humana	Molina
Commercial	3,591,000	3,920,000	2,379,000	8,575,000	2,331,100	1,207,000	-
Government	10,594,000	11,945,000	1,096,000	20,075,000	9,043,200	14,931,000	3,331,000
Dental / Specialty / Other	-	18,482,000	1,597,000	5,720,000	779,800	5,147,000	-
ASO	14,717,000	30,934,000	12,073,000	19,185,000	3,087,700	808,100	-
Total Membership	**28,902,000**	**65,281,000**	**17,145,000**	**53,555,000**	**15,241,800**	**22,093,100**	**3,331,000**

Notes & Sources

(1) Source: S&P Capital IQ

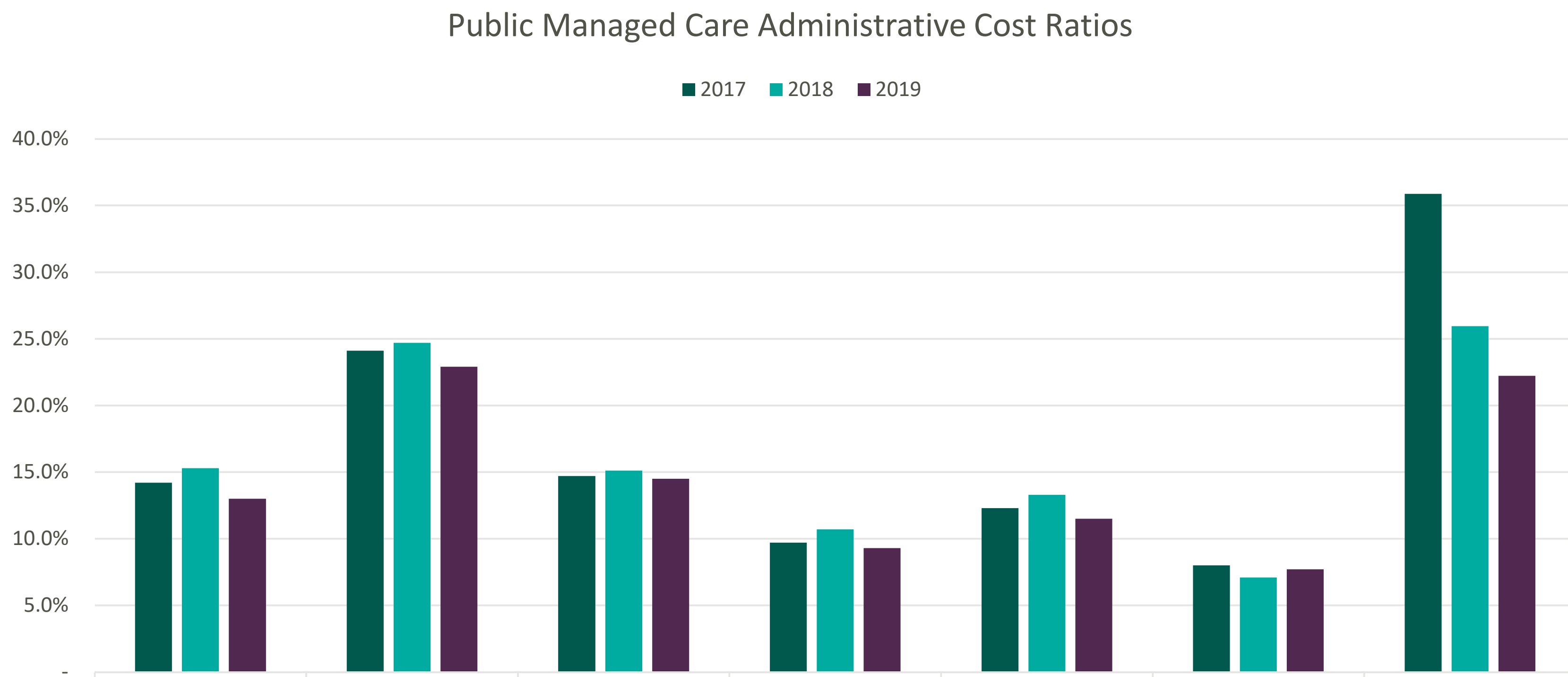
(2) Please note, individual public guideline companies do not report membership statistics uniformly.



	ANTM	CI	UNH	CNC	HUM	MOH	SHCA
2017	86.4%	81.0%	82.1%	87.3%	83.0%	90.6%	129.0%
2018	84.2%	78.9%	81.6%	85.9%	83.5%	85.9%	120.5%
2019	86.8%	80.8%	82.5%	87.3%	85.6%	85.8%	100.6%

Notes & Sources

(1) Source: S&P Capital IQ



	ANTM	CI	UNH	CNC	HUM	MOH	SHCA
2017	14.2%	24.1%	14.7%	9.7%	12.3%	8.0%	35.9%
2018	15.3%	24.7%	15.1%	10.7%	13.3%	7.1%	25.9%
2019	13.0%	22.9%	14.5%	9.3%	11.5%	7.7%	22.2%

Notes & Sources

(1) Source: S&P Capital IQ

CNC	Centene Corporation operates as a multi-national healthcare enterprise that provides programs and services to under-insured and uninsured individuals in the United States. Its Managed Care segment offers health plan coverage to individuals through government subsidized programs, including Medicaid, the State children's health insurance program, long-term services and support, foster care, and medicare-medicaid plans, which cover dually eligible individuals, as well as aged, blind, or disabled programs. Its health plans include primary and specialty physician care, inpatient and outpatient hospital care, emergency and urgent care, prenatal care, laboratory and X-ray, home-based primary care, transportation assistance, vision care, dental care, telehealth, immunization, specialty pharmacy, therapy, social work, nurse advisory, and care coordination services, as well as prescriptions and limited over-the-counter drugs, medical equipment, and behavioral health and abuse services. This segment also offers various individual, small group, and large group commercial healthcare products to employers and directly to members in the Managed Care segment. The company's Specialty Services segment provides pharmacy benefits management services; health, triage, wellness, and disease management services; and vision and dental, and management services, as well as care management software that automate the clinical, administrative, and technical components of care management programs; staffing services; and services to Military Health System eligible beneficiaries. This segment offers its services and products to state programs, correctional facilities, healthcare organizations, employer groups, and other commercial organizations. The company provides its services through primary and specialty care physicians, hospitals, and ancillary providers. Centene Corporation was founded in 1984 and is headquartered in St. Louis, Missouri.
HUM	Humana Inc., together with its subsidiaries, operates as a health and well-being company in the United States. It operates through Retail, Group and Specialty, and Healthcare Services segments. The company offers medical and supplemental benefit plans to individuals. It also has contract with Centers for Medicare and Medicaid Services to administer the Limited Income Newly Eligible Transition prescription drug plan program; and contracts with various states to provide Medicaid, dual eligible, and long-term support services benefits. In addition, the company provides commercial fully-insured medical and specialty health insurance benefits comprising dental, vision, and other supplemental health benefits; financial protection products; and administrative services only products to individuals and employer groups, as well as military services, such as TRICARE South Region contract. Further, it offers pharmacy solutions, provider services, predictive modeling and informatics services, and clinical care services, such as home health and other services to its health plan members, as well as to third parties. As of December 31, 2019, the company had approximately 17 million members in medical benefit plans, as well as approximately 5 million members in specialty products. Humana Inc. was founded in 1961 and is headquartered in Louisville, Kentucky.
MOH	Molina Healthcare, Inc. provides managed health care services to low-income families and individuals under the Medicaid and Medicare programs and through the state insurance marketplaces. The company operates in two segments, Health Plans and Other. As of December 31, 2019, it served approximately 3.3 million members in 14 states and the Commonwealth of Puerto Rico, who are eligible for Medicaid, Medicare, and other government-sponsored health care programs. The company offers its health care services for its members through contracts with a network of providers, including independent physicians and physician groups, hospitals, ancillary providers, and pharmacies. Molina Healthcare, Inc. was founded in 1980 and is headquartered in Long Beach, California.
ANTM	Anthem, Inc., through its subsidiaries, operates as a health benefits company in the United States. It operates through three segments: Commercial & Specialty Business, Government Business, and Other. The company offers a spectrum of network-based managed care health benefit plans to large and small group, individual, Medicaid, and Medicare markets. Its managed care plans include preferred provider organizations; health maintenance organizations; point-of-service plans; traditional indemnity plans and other hybrid plans, such as consumer-driven health plans; and hospital only and limited benefit products. The company also provides a range of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs, and other administrative services. In addition, it offers an array of specialty and other insurance products and services, such as dental, vision, life and disability insurance benefits, radiology benefit management, and analytics-driven personal health care guidance; and Medicare administrative services. Further, the company provides services to the federal government in connection with the Federal Employee Program; and operates as a licensee of the Blue Cross and Blue Shield Association. As of December 31, 2019, it served 41 million medical members through its affiliated health plans. The company was formerly known as WellPoint, Inc. and changed its name to Anthem, Inc. in December 2014. Anthem, Inc. was founded in 1944 and is headquartered in Indianapolis, Indiana.

CI	Cigna Corporation, a health service organization, provides insurance and related products and services in the United States and internationally. It operates through Integrated Medical, Health Services, International Markets, and Group Disability and Other segments. The Integrated Medical segment offers medical, pharmacy, dental, behavioral health and vision, health advocacy programs, and other products and services to insured and self-insured clients; Medicare Advantage, Medicare Supplement, and Medicare Part D plans to Medicare-eligible beneficiaries, as well as Medicaid plans; and health insurance coverage to individual customers on and off the public exchanges. The Health Services segment provides clinical solutions, specialized pharmacy care, home delivery pharmacy, retail network pharmacy administration, benefit design consultation, drug utilization review, drug formulary management drug claim adjudication, digital consumer health and drug information, provider, and medical benefit management services. The International Markets segment offers supplemental health, life, and accident insurance products; and health care coverage, as well as health care benefits to mobile employees of multinational organizations. This segment offers health coverage, hospitalization, dental, critical illness, personal accident, term life, and variable universal life products. The Group Disability and Other segment provides group long-term and short-term disability, group life, accident, and voluntary and specialty insurance products and related services; and permanent insurance contracts to corporations to provide coverage on the lives of certain employees for the purpose of financing employer-paid future benefit obligations. The company distributes its products and services through insurance brokers and insurance consultants; and directly to employers, unions and other groups, or individuals. Cigna Corporation was founded in 1792 and is headquartered in Bloomfield, Connecticut.
UNH	UnitedHealth Group Incorporated operates as a diversified health care company in the United States. It operates through four segments: UnitedHealthcare, OptumHealth, OptumInsight, and OptumRx. The UnitedHealthcare segment offers consumer-oriented health benefit plans and services for national employers, public sector employers, mid-sized employers, small businesses, and individuals; health and well-being services to individuals age 50 and older, addressing their needs for preventive and acute health care services, as well as services dealing with chronic disease and other specialized issues for older individuals; Medicaid plans, Children's Health Insurance Program, and health care programs; medical and dental benefits; and health care delivery. The OptumHealth segment provides access to networks of care provider specialists, health management services, care delivery, consumer engagement, and financial services. This segment serves individuals through programs offered by employers, payers, government entities, and directly with the care delivery systems. The OptumInsight segment offers software and information products, advisory consulting arrangements, and services outsourcing contracts to hospital systems, physicians, health plans, governments, life sciences companies, and other organizations. The OptumRx segment provides pharmacy care services and programs, including retail network contracting, home delivery, specialty and compounding pharmacy, and purchasing and clinical, as well as develops programs in areas, such as step therapy, formulary management, drug adherence, and disease/drug therapy management. UnitedHealth Group Incorporated was founded in 1974 and is based in Minnetonka, Minnesota.

Notes & Sources

(1) Sources: Standard & Poor's Capital IQ as of March 16, 2020.

VMG Medicare Advantage Database [1]	TIC / Revenue	TIC / EBITDA	TIC / Membership
25th Percentile	0.4x	8.0x	$2,217
Median	0.5x	11.3x	$3,478
Mean	0.7x	12.7x	$4,947
75th Percentile	0.9x	13.6x	$6,353

Notes & Sources

(1) Sources: S&P Capital IQ, Irving Levin Associates, and company specific SEC filings.

STANFORD HEALTH CARE ADVANTAGE

SUPPLEMENTAL ANALYSES -

SCENARIO VALUE CALCULATION

Overview - Scenario Value Calculation

Per the request of Stanford Health Care management, an alternative value calculation was performed which includes the following assumptions:

(1) Assume the Business invests $10.0 million in technology which results in an immediate administrative cost structure at 15.0% of net operating revenue which results in immediate savings relative to base case; and
(2) All other assumptions were held constant.

Supplemental Analysis - Undiscounted Net Discretionary Cash Flow Variance

Base Case		Year 1	Year 2	Year 3	Year 4	Year 5
Undiscounted Net Discretionary Cash Flow	*(a)*	(11,127,301)	(11,758,499)	(12,067,964)	(11,865,015)	(10,886,202)
Cumulative Undiscounted Net Discretionary Cash Flow		(57,704,982)				

Alternative Value Scenario		Year 1	Year 2	Year 3	Year 4	Year 5
Undiscounted Net Discretionary Cash Flow	*(b)*	(17,956,523)	(8,499,666)	(8,856,171)	(8,905,237)	(8,478,982)
Cumulative Undiscounted Net Discretionary Cash Flow		(52,696,579)				

Variance		Year 1	Year 2	Year 3	Year 4	Year 5
Undiscounted Net Discretionary Cash Flow Variance	*(b) - (a)*	(6,829,222)	3,258,833	3,211,794	2,959,779	2,407,220
Cumulative Undiscounted Net Discretionary Cash Flow Variance		5,008,403				

Conclusion

While the net discretionary cash flow in the alternative value scenario is improved from the base case scenario, the alternative net discretionary cash flow is still negative and does not result in a positive value indication.

STANFORD HEALTH CARE ADVANTAGE

Scenario Value Calculation | Revenue Assumptions

					Projection Period					
	CY 2017	CY 2018	CY 2019	NBY	Year 1	Year 2	Year 3	Year 4	Year 5	Key Assumptions
Revenue										
Estimated Member Months	22,714	34,501	45,375	45,375	55,117	66,952	81,327	98,789	120,000	*Assumed membership increases to 10,000 covered lives by Yr. 5*
Growth	*n/a*	*51.9%*	*31.5%*	-	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	
Average Net Revenue per Member Month	$750.98	$828.57	$904.97	$904.97	$923.07	$941.53	$960.36	$979.57	$999.16	
Growth	*n/a*	*10.3%*	*9.2%*	-	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	
Medicare Advantage Net Premium Revenue	**$17,057,871**	**$28,586,553**	**$41,062,917**	**$41,062,917**	**$50,877,127**	**$63,036,974**	**$78,103,075**	**$96,770,038**	**$119,898,483**	
Optional Supplemental Benefits	-	-	462,500	462,500	462,500	462,500	462,500	462,500	462,500	*No Growth*
Total Net Operating Revenue	**$17,057,871**	**$28,586,553**	**$41,525,417**	**$41,525,417**	**$51,339,627**	**$63,499,474**	**$78,565,575**	**$97,232,538**	**$120,360,983**	
Growth	*n/a*	*67.6%*	*45.3%*	-	*23.6%*	*23.7%*	*23.7%*	*23.8%*	*23.8%*	
Medical Expenses										
Capitation	$5,444,735	$8,153,158	$12,321,846	$12,321,846						*Management represented that Year 5 MLR of 90.0% is achievable with increased care management and care coordination efforts. Projected expenses reflect existing contractual rates with health care providers.* *The improvement in MLR is forecasted linearly over the five year discrete forecast.*
Inpatient & SNF Claims	7,806,985	12,666,482	12,546,880	12,546,880						
Outpatient & Professional Claims	4,513,113	8,759,548	9,475,525	9,475,525						
Out of Network Claims	1,995,852	2,523,691	3,196,116	3,196,116						
Claim Refunds & Recoveries	(99,849)	(801,872)	(809,846)	(809,846)						
Pharmacy Claims - Part B	235,498	229,716	554,480	554,480						
Pharmacy Claims - Part D	2,108,854	2,907,365	3,828,366	3,828,366						
Optional Supplemental Benefits Expense	-	-	652,792	652,792						
	$22,005,188	$34,438,088	$41,766,159	$41,766,159	$50,550,946	$61,180,376	$74,033,833	$89,566,675	$108,324,885	
Medical Loss Ratio ("MLR")	**129.0%**	**120.5%**	**100.6%**	**100.6%**	**98.5%**	**96.3%**	**94.2%**	**92.1%**	**90.0%**	*Per Management*
Growth	*n/a*	*(6.6%)*	*(16.5%)*	*n/a*	*(2.1%)*	*(2.1%)*	*(2.2%)*	*(2.2%)*	*(2.3%)*	
Administrative Expenses										
Salaries, Wages, and Benefits	$2,653,492	$3,172,432	$2,760,312	$2,760,312						*Management represented that a $10.0 million capital spend to upgrade administrative infrustructure is necessary in order to achieve the projected improvement in MLR.*
Customer Service (Care Counsel)	465,707	377,910	691,606	691,606						
Purchased Services (Clinical, Rx, Admin, Misc)	792,859	534,462	1,331,317	1,331,317						
Commissions	796,693	1,256,615	1,935,953	1,935,953						
WiPro	390,400	346,220	616,050	616,050						
Professional Fees	256,440	889,572	1,013,727	1,013,727						
Marketing & Outreach	320,546	335,010	228,201	228,201						
Occupancy Expense	70,638	75,765	65,255	65,255						
Insurance	264,768	220,472	291,187	291,187						
Other	108,055	206,182	293,383	293,383						
	$6,119,598	$7,414,640	$9,226,991	$9,226,991	$7,700,944	$9,524,921	$11,784,836	$14,584,881	$18,054,148	
Administrative Cost Ratio ("ACR")	**35.9%**	**25.9%**	**22.2%**	**22.2%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**	*Normalized per Management Scenario*
Growth	*n/a*	*(27.7%)*	*(14.3%)*	-	*(32.5%)*	-	-	-	-	
EBITDA	**($11,066,915)**	**($13,266,175)**	**($9,467,733)**	**($9,467,733)**	**($6,912,263)**	**($7,205,824)**	**($7,253,094)**	**($6,919,018)**	**($6,018,049)**	
EBITDA Margin	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(13.5%)**	**(11.3%)**	**(9.2%)**	**(7.1%)**	**(5.0%)**	

Scenario Value Calculation | Discounted Cash Flow Assumptions

Discounted Cash Flow Analysis Assumptions

Discount Rate	15.0%
Normalized Net Working Capital	$4,418,424
Normalized Net Working Capital as a Percentage of Total Net Operating Revenue	10.6%
Selected Incremental Net Working Capital Requirements as a Percentage of Total Net Operating Revenue	10.6%
Inflation Rate	3.0%
Terminal Growth Rate	2.0%
Tax Rate	28.0%

Depreciation Assumptions

Net Initial Depreciable Basis of Furniture, Fixtures, Equipment & Leasehold Improvements	-
Estimated Useful Life of Initial Furniture, Fixtures, Equipment & Leasehold Improvements	7.0
Estimated Useful Life of Projected Furniture, Fixtures, Equipment & Leasehold Improvement Expenditures	10.0

Projected Capital Expenditures & Depreciation Expense (1), (2)	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Capital Expenditures & Improvements						
Furniture, Fixtures, Equipment & Leasehold Improvements (1)	$10,000,000	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Total Capital Expenditures	**$10,000,000**	**-**	**-**	**-**	**-**	**-**
As a Percentage of Total Net Operating Revenue	*19.5%*	-	-	-	-	-
Depreciation Schedule						
Depreciation of Initial Net Fixed Assets	-	-	-	-	-	
Calculated Depreciation of Capital Expenditures	10,000,000	-	-	-	-	
Total Depreciation	**$10,000,000**	**-**	**-**	**-**	**-**	**-**

Notes & Sources

(1) ***No discrete routine capital is projected as it is assumed to be captured in the administrative cost ratio charge; however, $10.0 million capital expenditures in Year 1 reflect upgrades to the administrative functions of the Business such that the Administrative Cost Ratio is normalized at 15.0% of Net Operating Revenue throughout the projection period.***

(2) Projected Depreciation & Amortization expense was based on the Tax Cut and Jobs Act signed into law on December 22, 2017. Depreciation was modeled assuming a hypothetical control transaction using an asset deal structure. A hypothetical buyers is assumed to take full advantage of this new law and, therefore, depreciation expense in Year One includes the full expensing of acquired net fixed assets plus the full expensing of any capital expenditures. Depreciation in Year 2 through Year 5 assumes full expensing for all assets with tax lives of 15.0 years or less, including qualified leasehold improvements. Please note, this bonus depreciation is subject to phase-out in the future.

STANFORD HEALTH CARE ADVANTAGE

Scenario Value Calculation | Cash Flow Projections

	CY 2017	CY 2018	CY 2019	CY 2019	NBY	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenues											
Premium Revenue	$17,057,871	$28,586,553	$41,062,917	$41,062,917	$41,062,917	$50,877,127	$63,036,974	$78,103,075	$96,770,038	$119,898,483	
Optional Supplemental Benefits	-	-	462,500	462,500	462,500	462,500	462,500	462,500	462,500	462,500	
Total Net Operating Revenue	**17,057,871**	**28,586,553**	**41,525,417**	**41,525,417**	**41,525,417**	**51,339,627**	**63,499,474**	**78,565,575**	**97,232,538**	**120,360,983**	**122,768,203**
Growth	*n/a*	*67.6%*	*45.3%*	-	-	*23.6%*	*23.7%*	*23.7%*	*23.8%*	*23.8%*	*2.0%*
Operating Expenses											
Medical Expense	22,005,188	34,438,088	41,766,159	41,766,159	41,766,159	50,550,946	61,180,376	74,033,833	89,566,675	108,324,885	
General & Administrative	6,119,598	7,414,640	9,226,991	9,226,991	9,226,991	7,700,944	9,524,921	11,784,836	14,584,881	18,054,148	
Total Operating Expenses	28,124,786	41,852,728	50,993,150	50,993,150	50,993,150	58,251,890	70,705,297	85,818,669	104,151,556	126,379,033	
Growth	*n/a*	*48.8%*	*21.8%*	-	-	*14.2%*	*21.4%*	*21.4%*	*21.4%*	*21.3%*	
EBITDA	**(11,066,915)**	**(13,266,175)**	**(9,467,733)**	**(9,467,733)**	**(9,467,733)**	**(6,912,263)**	**(7,205,824)**	**(7,253,094)**	**(6,919,018)**	**(6,018,049)**	**(6,138,410)**
Growth	*(nmf)*	*(nmf)*	*nmf*	*(nmf)*	*(nmf)*	*nmf*	*(nmf)*	*(nmf)*	*nmf*	*nmf*	*2.0%*
Depreciation & Amortization Expense	-	-	-	-	-	10,000,000	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings Before Income Taxes	**(11,066,915)**	**(13,266,175)**	**(9,467,733)**	**(9,467,733)**	**(9,467,733)**	**(16,912,263)**	**(7,205,824)**	**(7,253,094)**	**(6,919,018)**	**(6,018,049)**	**(6,138,410)**
Federal & State Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings After Income Taxes	**($11,066,915)**	**($13,266,175)**	**($9,467,733)**	**($9,467,733)**	**($9,467,733)**	**($16,912,263)**	**($7,205,824)**	**($7,253,094)**	**($6,919,018)**	**($6,018,049)**	**($6,138,410)**

STANFORD HEALTH CARE ADVANTAGE

Scenario Value Calculation | Cash Flow Projections

						Projection Period					
	CY 2017	CY 2018	CY 2019	CY 2019	NBY	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenues											
Premium Revenue	100.0%	100.0%	98.9%	98.9%	98.9%	99.1%	99.3%	99.4%	99.5%	99.6%	
Optional Supplemental Benefits	-	-	1.1%	1.1%	1.1%	0.9%	0.7%	0.6%	0.5%	0.4%	
Total Net Operating Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operating Expenses											
Medical Expense	129.0%	120.5%	100.6%	100.6%	100.6%	98.5%	96.3%	94.2%	92.1%	90.0%	
General & Administrative	35.9%	25.9%	22.2%	22.2%	22.2%	15.0%	15.0%	15.0%	15.0%	15.0%	
Total Operating Expenses	164.9%	146.4%	122.8%	122.8%	122.8%	113.5%	111.3%	109.2%	107.1%	105.0%	
EBITDA	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(13.5%)**	**(11.3%)**	**(9.2%)**	**(7.1%)**	**(5.0%)**	**(5.0%)**
Depreciation & Amortization Expense	-	-	-	-	-	19.5%	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings Before Income Taxes	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(32.9%)**	**(11.3%)**	**(9.2%)**	**(7.1%)**	**(5.0%)**	**(5.0%)**
Federal & State Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Earnings After Income Taxes	**(64.9%)**	**(46.4%)**	**(22.8%)**	**(22.8%)**	**(22.8%)**	**(32.9%)**	**(11.3%)**	**(9.2%)**	**(7.1%)**	**(5.0%)**	**(5.0%)**

STANFORD HEALTH CARE ADVANTAGE

Scenario Value Calculation | Discounted Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year	Key Assumptions
EBITDA	($6,912,263)	($7,205,824)	($7,253,094)	($6,919,018)	($6,018,049)	($6,138,410)	
Depreciation & Amortization Expense	10,000,000	-	-	-	-	-	
Earnings Before Income Taxes	(16,912,263)	(7,205,824)	(7,253,094)	(6,919,018)	(6,018,049)	(6,138,410)	
Federal & State Income Tax Expense	-	-	-	-	-	-	*28.0% Blended Federal & State Tax Rate*
Earnings After Income Taxes	(16,912,263)	(7,205,824)	(7,253,094)	(6,919,018)	(6,018,049)	(6,138,410)	
Plus: Depreciation & Amortization	10,000,000	-	-	-	-	-	
Less: Required Annual Capital Expenditures	(10,000,000)	-	-	-	-	-	
Less: Incremental Working Capital Requirements	(1,044,260)	(1,293,843)	(1,603,077)	(1,986,219)	(2,460,933)	(256,135)	*10.6% of Total Net Operating Revenues*
Net Discretionary Cash Flow	(17,956,523)	(8,499,666)	(8,856,171)	(8,905,237)	(8,478,982)	(6,394,545)	
					Indicated Residual Value:	(49,188,810)	*2.0% Long-Term Growth Rate*
Present Value Period *(Mid-Year Convention)*	0.50	1.50	2.50	3.50	4.50	4.50	
Present Value Factor	0.9325	0.8109	0.7051	0.6131	0.5332	0.5332	*15.0% Weighted Average Cost of Capital*
Discounted Net Discretionary Cash Flows	**($16,744,544)**	**($6,892,156)**	**($6,244,553)**	**($5,460,131)**	**($4,520,677)**	**($26,225,636)**	

Sum of the Present Value of the Years One through Five Projected Cash Flows	($39,862,061)	-	
Present Value of the Terminal Year	($26,225,636)	-	
Mid-Point Scenario Value Indication	**nmf**	**-**	

Please note, VMG did not rely on the value indication produced by the Income Approach due to the projected negative cash flows. Management indicated the operations of the Business are unlikely to yield positive cash flow in absence of increased membership growth to leverage the existing administrative expenses. Further, management indicated that the necessary membership growth is unlikely given the existing Stanford Health Care facility and provider network.

WE VALUE HEALTHCARE

Contact Us:

(214) 369-4888

info@vmghealth.com

Locations:

2515 McKinney Avenue, Suite 1500, Dallas, TX 75201

200 Columbine Street, Suite 350, Denver, CO 80206

150 3rd Avenue South, Suite 2120, Nashville, TN 37201