

TVG–Medulla Holdings, LLC, Subsidiaries, and Affiliates

Consolidated Balance Sheet

December 31, 2018

Assets

Current assets:

Cash	\$ 6,048,668
Accounts receivable, net of estimated allowance for uncollectible accounts of \$9,719,275 at December 31, 2018	4,357,566
Prepaid expenses and other assets	<u>706,724</u>
Total current assets	11,112,958

Property and equipment:

Leasehold improvements	1,187,763
Office furniture and equipment	2,609,777
Construction in process	<u>215,151</u>
Total property and equipment	4,012,691
Less: accumulated depreciation	<u>1,768,073</u>
Property and equipment, net	2,244,618

Other assets:

Deposits	167,271
Goodwill	<u>80,790,923</u>
Total other assets	80,958,194

Total assets	<u><u>\$ 94,315,770</u></u>
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Liabilities and equity

Current liabilities:

Accounts payable	\$ 175,050
Current portion of notes payable	695,000
Accrued expenses	<u>5,452,771</u>
Total current liabilities	6,322,821

Long-term liabilities:

Phantom equity accrual, net of current portion	354,339
Deferred rent	936,531
Notes payable, net of current portion	40,577,384
Other long-term liabilities	<u>351,399</u>
Total long-term liabilities	<u>42,219,653</u>
Total liabilities	48,542,474

Equity:

Additional paid-in capital	56,193,454
Members' capital	<u>(6,732,352)</u>
Total TVG-Medulla Holdings, LLC equity	49,461,102
Noncontrolling interest - clinics	<u>(3,687,806)</u>
Total equity	<u>45,773,296</u>
Total liabilities and equity	<u><u>\$ 94,315,770</u></u>

See accompanying notes to consolidated financial statements.

TVG–Medulla Holdings, LLC, Subsidiaries, and Affiliates

Consolidated Statement of Income

Year Ended December 31, 2018

Patient revenues	\$ 51,024,817
Cost of revenues:	
Direct labor	16,950,184
COGS - products and other	<u>1,047,250</u>
Total cost of revenues	17,997,434
Gross profit	33,027,383
Operating expenses:	
Salaries and employee benefits	12,617,890
Selling and marketing	1,727,239
Rent, CAM, tax	3,570,747
Professional services	1,346,159
Travel	238,018
Other services	2,887,658
Depreciation	490,374
Goodwill amortization	8,972,154
Interest expense	<u>3,901,687</u>
Total operating expenses	<u>35,751,926</u>
Loss from operations	(2,724,543)
Nonoperating income:	
Other non-operating income	<u>6,566</u>
Net other income	<u>6,566</u>
Consolidated net loss	<u>(2,717,977)</u>
Less net loss attributed to noncontrolling interest	<u>(6,004,085)</u>
Net income attributed to TVG-Medulla Holdings, LLC	<u><u>\$ 3,286,108</u></u>

See accompanying notes to consolidated financial statements.

TVG–Medulla Holdings, LLC, Subsidiaries, and Affiliates

Consolidated Statement of Equity

Years Ended December 31, 2018 and 2017

	Additional Paid-In Capital			Members’ Capital	Non-Controlling Interest Clinics	Subscriptions Receivable	Total
	Class A Common	Class B Common	Clinic Equity				
Balance at December 31, 2017 - as adjusted	\$ 26,848,150	\$ 28,059,710	\$ 915,594	\$ (7,128,198)	\$ 2,316,279	\$ (54,854)	\$ 50,956,681
Net income	—	—	—	3,286,108	—	—	3,286,108
Net loss - noncontrolling interest	—	—	—	—	(6,004,085)	—	(6,004,085)
Tax distribution	—	—	—	(2,595,000)	—	—	(2,595,000)
Accrued interest	—	—	—	—	—	(1,578)	(1,578)
Principal payments	—	—	—	—	—	7,686	7,686
Redemptions and distributions	—	—	(430,000)	(295,262)	—	48,746	(676,516)
Issuance of Class B common	—	800,000	—	—	—	—	800,000
Balance at December 31, 2018	<u>\$ 26,848,150</u>	<u>\$ 28,859,710</u>	<u>\$ 485,594</u>	<u>\$ (6,732,352)</u>	<u>\$ (3,687,806)</u>	<u>\$ —</u>	<u>\$ 45,773,296</u>

See accompanying notes to consolidated financial statements.

TVG–Medulla Holdings, LLC, Subsidiaries, and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Operating activities

Net loss	\$ (2,717,977)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	490,374
Amortization of goodwill	8,972,154
Amortization of deferred financing costs	208,154
Changes in operating assets and liabilities:	
Accounts receivable	(127,679)
Prepaid expenses and other assets	(196,922)
Deposits	(3,801)
Accounts payable	(138,083)
Accrued expenses	2,330,118
Phantom equity accrual	158,017
Deferred rent	(76,110)
Net cash provided by operating activities	<u>8,898,245</u>

Investing activities

Cash paid for business acquisition, net of cash acquired	(346,950)
Purchase of property and equipment	<u>(632,832)</u>
Net cash used in investing activities	(979,782)

Financing activities

Proceeds from issuance of notes payable	456,728
Principal payments on debt	(770,000)
Payments received on subscriptions receivable, net	54,854
Issuance of Class B Common	800,000
Purchase of clinic director equity	(725,262)
Tax distribution	<u>(2,595,000)</u>
Net cash used in financing activities	<u>(2,778,680)</u>

Net increase in cash and cash equivalents	5,139,783
Cash – beginning of year	908,885
Cash – end of year	<u><u>\$ 6,048,668</u></u>

Supplemental disclosures of cash flows information

Cash paid during the period for:	
Interest	<u><u>\$ 3,984,368</u></u>

Supplemental disclosures of noncash investing and financing activities

Note payable issued for redemption of equity	<u><u>\$ 351,399</u></u>
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