Business Valuation

[redacted]

Report as of Aug 24, 2023

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Disclaimer - The analysis presented here is for illustrative purposes only and represents a preliminary indication of value. It is not an Appraisal and is limited to the calculation of values using selected methods and the presentation of the results of those methods for your consideration. The scope of the analysis was limited in that it did not include an in-depth analysis of all factors generally included in the Appraisal process and should not in any way be construed as our opinion of Fair Market Value. Valuations of financial advisory practices can vary depending on a variety of factors including, but not limited to, the nature of the revenue streams; the age, wealth, and loyalty of the client base; the client retention rate following execution of the deal; and other important factors. To determine final estimate of value, additional substantive procedures would be required. While the actual market value of your practice may vary considerably from these estimates, this preliminary indication of value can be useful in providing a general range of values to consider. It is important to note that, in a valuation of a closely-held business, no single method is absolute. While there are a number of acceptable methods to arrive at an estimate of the value of a business, it is expected that the estimates of value derived by the various methods will differ and the differences may be material. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof shall be disseminated to third parties by any means without the prior written consent of LPL Financial.

Valuation Summary

[redacted]

A formal appraisal represents a point-in-time estimate of the price that a hypothetical, willing and able buyer would agree to pay and a hypothetical, willing and able seller would agree to accept for a business. Unlike, an appraisal, this estimate of value considers your unique circumstances as you contemplate a 100% sale to an advisor within your practice.

$1,753,000
Estimated Baseline Value
2.1x Pro Forma Revenue

$1,711,000
Discounted Cash Flow (DCF)

$1,879,481
Market Approach

Effective Date: 07/27/2023 **Purpose: 100% Sale to Internal Party**

Your valuation is based on a customized weighting of a discounted cash flow (DCF) and proprietary market transaction comparables. The customized weighting places more emphasis on the discounted cash flow analysis, as the purpose of this valuation is to determine the valuation of the practice for a contemplated 100% sale to an advisor within your practice.

Deal Structure Impact

Deal structure can affect the price you receive in the event of a sale, as deal structure varies the risk to each involved party. A deal that provides more upfront cash provides more certainty for the seller but more risk to the buyer, whereas a deal structure that is composed primarily of contingent payments that are based on performance over time, provides less certainty for the seller but more protection for the buyer. In general, most financial advisors receive 40-70% of the purchase price via a non-refundable down-payment.

$1,402,000
All Cash
1.7x Pro Forma Revenue

← Buyer Risk

$1,753,000
Standard Deal
2.1x Pro Forma Revenue

Seller Risk →

$2,191,000
All Contingent
2.6x Pro Forma Revenue

Practice Overview

[redacted])

Key Metrics

$180,836,296
Assets Under Management (AUM) as of
August 14, 2023

82%
Pro-Forma Recurring Revenue

52bps
Return on AUM

Practice Characteristics

Texas	484	7	$373,629	65
Location	Number Clients by SSN	Average Client Tenure (Years)	Average AUM per Client	Average Client Age

Revenue & Expense Summary

$907,034	$830,272	$118,360	$652,448	$187,802
T12 Gross Revenue *as of 07/27/2023*	ProForma Adjusted Revenue *As of 07/27/2023*	ProForma Operating Expenses	ProForma EBOC (Earnings Before Owner Comp)	Adjusted Owner Compensation

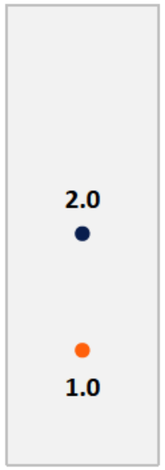
Practice Benchmarking

[redacted]

We have compared your practice with the appropriate Investment News Benchmark (based on practice revenues) and a sample of 1,550 LPL advisors.

Your Practice — Investment News Benchmark — Sample of LPL Advisors

Average Number of Professionals

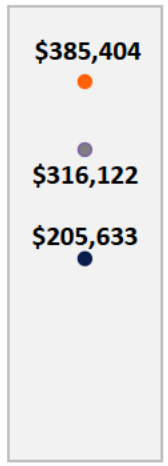


A solo-advisor practice is inherently more risky than a practice with multiple advisors (i.e. key man risk).

However, a practice must also be large enough to support the cost of multiple advisors.

Based on the available benchmarks, your practice has fewer professionals (owners, advisors, investment professionals), than the average practice of your size.

Average Revenue / Total Headcount

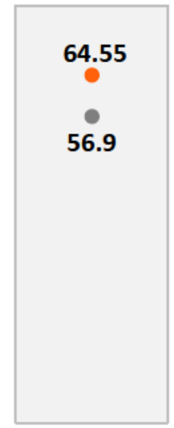


Support staff can help you scale your practice and create more transferable enterprise value.

Overstaffing your practice can lead to unnecessary expenses that create a drag on overall value. While, understaffing your practice can limit capacity and hinder future growth.

Based on the available benchmarks, your practice has higher revenue per person than the average practice.

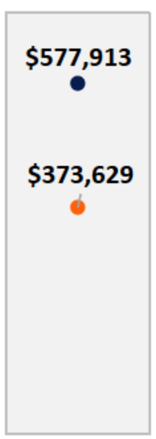
Average Age of Clients



The average age of your book directly impacts the valuation of your practice. An aging client base may indicate the majority of clients are in a distribution, rather than accumulation, phase. However, too young of a book can correspond to low levels of current revenue given a lack of accumulated wealth.

The average age of your client base is greater than that of the average LPL advisor according to a sampling of 1,550 advisors.

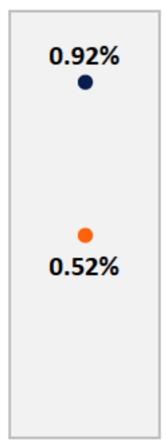
Average Client Size (AUM)



Generally, working with one client with $2.0 million in AUM is more cost efficient than working with two clients with $1.0 million in AUM each, even if larger clients require a higher level of service.

Your average client size is smaller than that of your peers, which means you must serve more clients to generate the same level of revenue.

Average Yield (Gross Revenue / AUM)

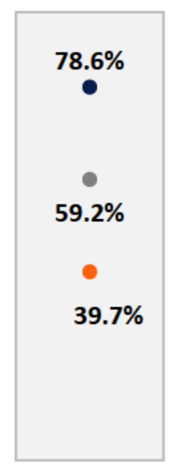


Your fee structure and mix of transactional vs. advisory business both impact your overall yield on your book of business.

Higher yields correspond with higher revenue.

Your yield on AUM is lower than your peers.

Average Expense Structure



A lean operating model generally increases your overall valuation. A low-cost model results in greater profitability; however, when taken to the extreme can hinder future growth.

Your cost structure is lower than peers.

Income Statement Analysis

[redacted]

We have analyzed your gross revenue, fees, and operating expenses to develop Pro-Forma Financials. Pro-Forma Financials estimate the performance of your practice over the next twelve months, assuming no change in your book.

Pro-Forma Revenue Build Up

ProForma Revenue represents a current estimate of one-year of revenue. It is calculated by adding your annualized trailing 3 months of recurring revenue and trailing 12 months of transactional revenue.

Pro-Forma Revenue		
LPL Transactional Revenue (T12 Month)		$169,124
Off Platform Transactional Revenue (T12 Month)		$0
LPL Recurring Brokerage Revenue (Annualized T3 Month)		$150,862
LPL Recurring Advisory Revenue (Annualized T3 Month)		$627,822
Off Platform Recurring Revenue (Annualized T3 Month)		$0
Total Gross Revenue*		**$947,808**
Less: Non-transferrable Revenue		$117,536
Plus: Year 1 Future Trails		$0
Adjusted Gross Revenue		$830,272
Less: BD Override*	4.3%	$35,625
Adjusted Revenue Net of B/D Fees		$794,648
Less: OSJ Override	3.0%	$23,839
Adjusted Revenue Net of B/D & OSJ Fees		$770,808
Less: RIA Override	0.0%	$0
Adjusted Net Revenue		$770,808

** The BD override is applied to on-platform revenue only.*

Pro-Forma EBITDA

EBITDA, or earnings before interest, taxes, depreciation, and amortization is used as a proxy for cash flow.

Pro-Forma EBITDA

Dollars	FY 2022	Adjustments	Pro-Forma
Adjusted Net Revenue	$842,072	-$71,264	$770,808
Less: Adjusted Owner / Replacement Comp	0	$187,802	187,802
Less: Other Direct Expenses	0	$0	0
Gross Profit	842,072		583,007
Less: Other Compensatory Expenses	71,790	$0	71,790
Less: Overhead Expenses	46,570	$0	46,570
EBITDA	**723,712**		**464,646**

Common Size (% of Revenue)	FY2022	IN Benchmark	Pro-Forma
Net Revenue	100%	100%	100%
Less: Adjusted Owner / Replacement Comp	0%	24%	24%
Less: Other Direct Expenses	0%	14%	0%
Gross Profit	100%	62%	76%
Less: Other Compensatory Expenses	9%	18%	9%
Less: Overhead Expenses	6%	22%	6%
EBITDA	**86%**	**21%**	**60%**

Notes

- Gross Revenue is reported net of admin and program fees for advisory assets.
- Non-recurring revenue from products such as annuities, alternative investments, and other products that yield high upfront commission are deducted from gross revenue to determine a sustainable ongoing level of revenue.
- FY2022 operating expenses are used to determine Pro-Forma expenses.
- Owner Compensation does not include distributions of profits. Firms in your peer group have an average of 1.0 owner.
- Other Direct Expenses include advisor compensation, commissions, incentives, and bonuses & referral fees. Firms in your peer group have an average of 2.0 advisors & investment professionals.
- Other Compensatory Expenses include admin compensation and related expenses includes administrative executives, dedicated managers, & administrative and support staff; payroll taxes, cost of benefits, and training, continuing education, professional dues/licensing. Firms in your peer group have an average of 0.0 admin/support staff.
- Overhead Expenses include all other operating expenses excluding depreciation, amortization, and interest expense.

Weighted Average Cost of Capital Build Up

[redacted]

A discount rate is used in a discounted cash flow analysis to determine the present value of future cash flow. The Capital Asset Pricing model is used to build-up the practice's discount rate. The Capital Asset Pricing Model is a financial model that calculates the expected rate of return for an asset / business.

22.5%
Discount Rate

Cost of Equity 22.5%

Risk Free Rate		3.5%
Equity Risk Premium	5.5%	
x Beta	1.0	
Beta-Adjusted ERP		5.5%
+ Size Premium		7.8%
+ Company Specific Risk Premium		
Retention Risk		2.8%
Client Demographic Risk		2.6%
Revenue Stability Risk		0.4%
Cost of Equity		**22.5%**

Cost of Debt 7.8%

Base Cost of Debt		7.75%
+ Adjustment		2.75%
Pre-Tax Cost of Debt		10.50%
Estimated Tax Rate	26%	-2.73%
Adjusted Cost of Debt		**7.8%**

Assumed Capital Structure **100%** / **0%**
Equity Debt

Definitions

Risk free-rate
The "risk-free" rate represents the return of an essentially riskless security. The yield on a long-term U.S. government bond is generally considered to be the closest proxy for risk-free rates. However U.S government bond yields are influenced by inflation and long term growth estimates for the U.S. economy. Therefore, we rely on Duff & Phelps Normalized Risk Free Rate.

Equity Risk Premium
The equity risk premium measures the incremental average return investors expect when investing in equity securities versus risk free assets. There are multiple accepted methodologies for calculating the equity risk premium which generally suggest that the incremental return of equity securities is between 4.5% and 7.5%. As such, we have relied on Duff and Phelps forward-looking estimate of 5.5%,.

Beta
Beta is measure of how the risk of the asset / business compares to that of the overall market. Because the revenue of most financial advisory practices fluctuates with the market and overhead expenses are fairly low, financial advisory practices are typically considered to have a beta of 1.0.

Size Premium
There is significant empirical evidence suggesting that smaller companies have greater risk, and therefore greater cost of capital. We base our size premium on the Cost of Capital Navigator: U.S. Cost of Capital Module.

Company Specific Risk Premium
The Company Specific Risk Premium (CSRP) acknowledges the risk profile of your practice above and beyond the factors noted above. The CSRP includes an adjustment for **Retention risk,** which considers risk of client attrition due to practice characteristics; **Client Demographic risk,** evaluates overall risk profile of your client base including age demographics, multi-generational planning, asset concentration; and **Revenue Stability risk** weighs likelihood historical revenue will continue.

Cost of Debt
Base Cost of Debt is based on prime, which is LPL's base lending rate for repayable loans.

Adjustments to Cost of Debt
Repayable loans rates from LPL represent a 1.5% to 4.0% premium to prime. Because lending rates vary based on an advisor's personal credit history, the average of this spread has been applied. Please note, the adjusted cost of debt applied in this valuation is not an indication of your specific borrowing rate as determined by LPL's capital solutions team.

Capital Structure
The capital structure only considers operating debt.

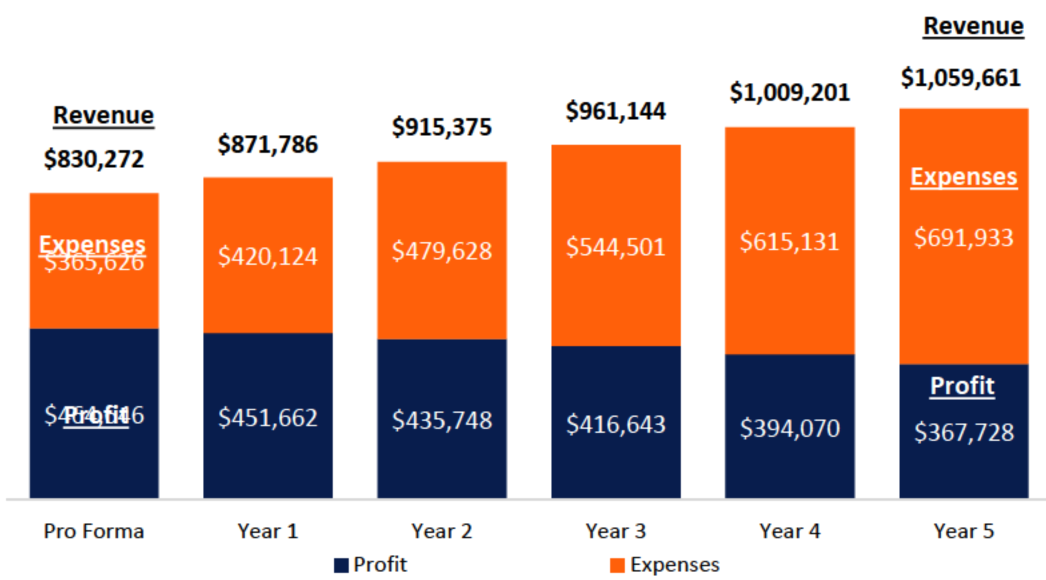
Discounted Cash Flow Analysis

[redacted])

A Discounted Cash Flow Model (DCF) is an income approach valuation method. The DCF calculates the a practice's cash flow (or earnings) and discounts them back to today's value using the appropriate discount rate, as determined on the previous page.

Projected Cash Flow

The chart below displays your projected gross revenue, how much of your revenue funds your expense base, and what is left over as distributable cash flow or profit.



Assumptions

Key assumptions for your projected cash flow are summarized below.

- Annual gross revenue growth of 5.0% includes market and organic growth.
- BD Haircut is assumed to remain in line with Pro-Forma (as a % of revenue).
- OSJ override is assumed to remain inline with Pro-Forma (as % of revenue).
- Owner comp is assumed to remain flat over the projection period.
- Other compensation is assumed to normalizes over the projection period to be in line with
- Overhead expenses are assumed to normalizes over the projection period to be in line with

EBITDA decreases over the projection period at an annualized rate of -4.6%.

Calculation of Present Value

22.5%

Discount Rate

$977,948

Present Value of Future Cash Flows

5.5x

Terminal Value Multiple

$733,177

Present Value of Terminal Value

Indication of Value

$1,711,125

DCF Indication of Value

2.06x

Implied Multiple of Revenue

3.68x

Implied Multiple of EBITDA

Transaction Approach

[redacted]

The transaction method is a market approach to valuation that applies pricing metrics from recent, comparable transactions to your practice. Utilizing LPL's database of several hundred transactions, we selected comparable peer transactions by screening for comparable sized firms with similar levels recurring vs. non-recurring revenue. We placed a higher weighting on more recent transactions to calculate your weighted average peer multiple.

The weighted average multiple of your peer group is then multiplied by your projected annual gross revenue to estimate your business value using the market comparable methodology.

The average multiple across all LPL acquisitions since 2020 is 2.7x.

$830,272	2.3x	=	$1,879,481
Gross Revenue (ProForma)	Peer Market Multiple		Indication of Value

Peer Transactions

You peer group includes 3 transactions from the last twelve months, 3 transactions from the next twelve months, and 4 transactions from deals that occurred more than 24 months ago.

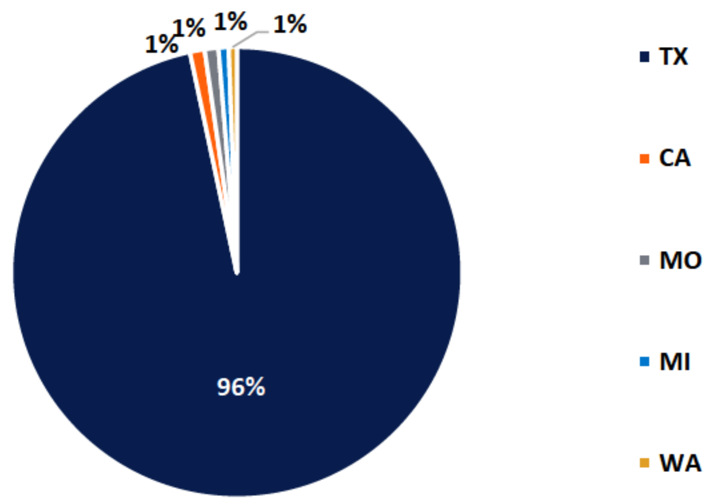
The 5 most recent transactions are summarized below.

LPL Closed Deal	Gross Revenue	Recurring Revenue (%)	Down Payment	Transaction Multiple
Comp 1	$780,000	82%	50%	2.5x
Comp 2	$866,098	91%	90%	1.2x
Comp 3	$700,000	92%	73%	2.7x
Comp 4	$950,732	87%	50%	2.8x
Comp 5	$729,425	80%	16%	2.6x

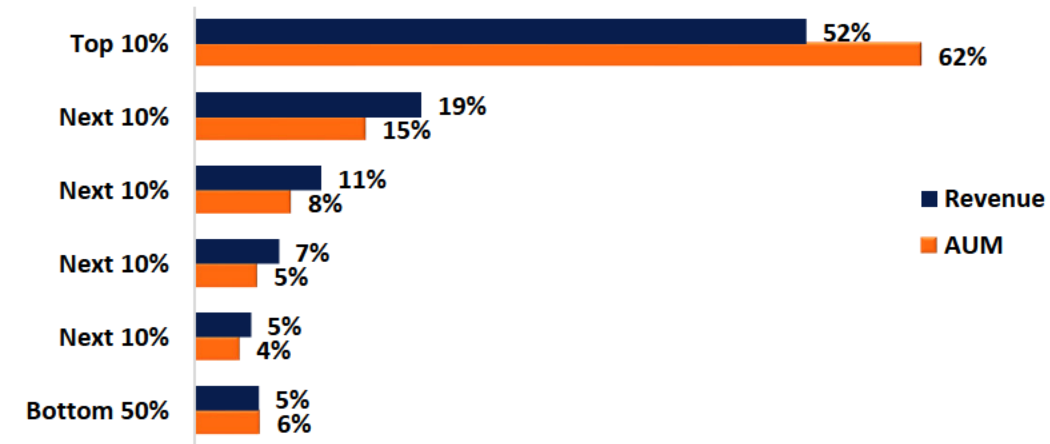
Appendix: Due Diligence Reports

Client Demographics

Top Five States by AUM

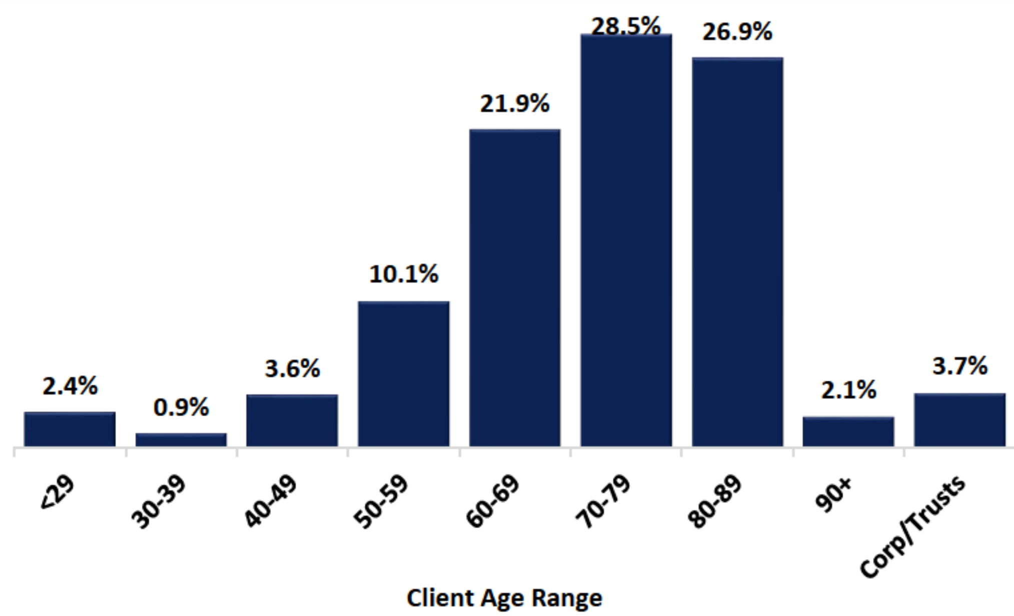


Asset & Revenue Concentration by Number of Households

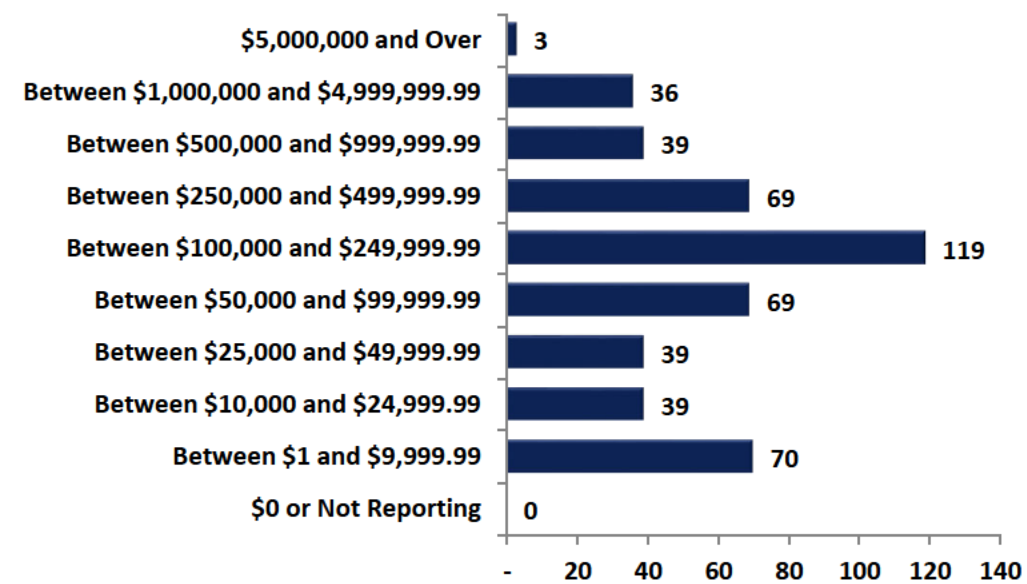


*Both Asset and Revenue concentration are based on Social Security Number (SSN) only, and not households. Concentration may be higher through the lens of Households.

AUM by Client Age Range



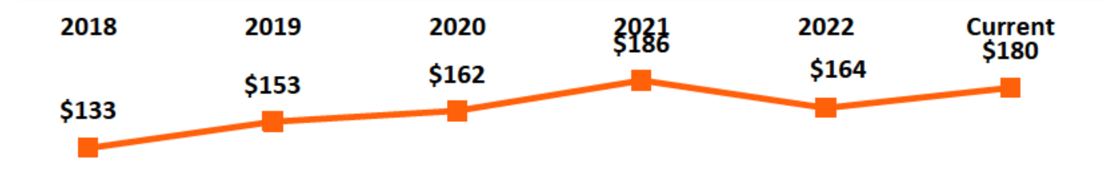
Number of Relationships by Size



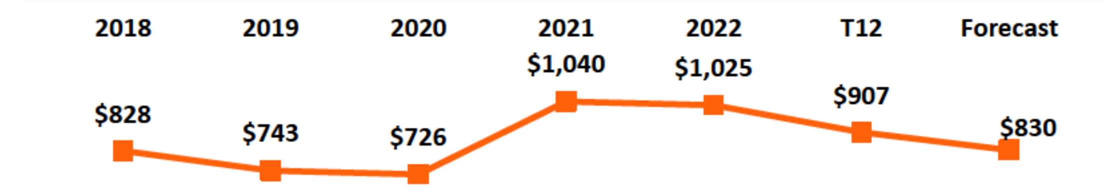
Appendix: Due Diligence Reports

Practice Snapshot

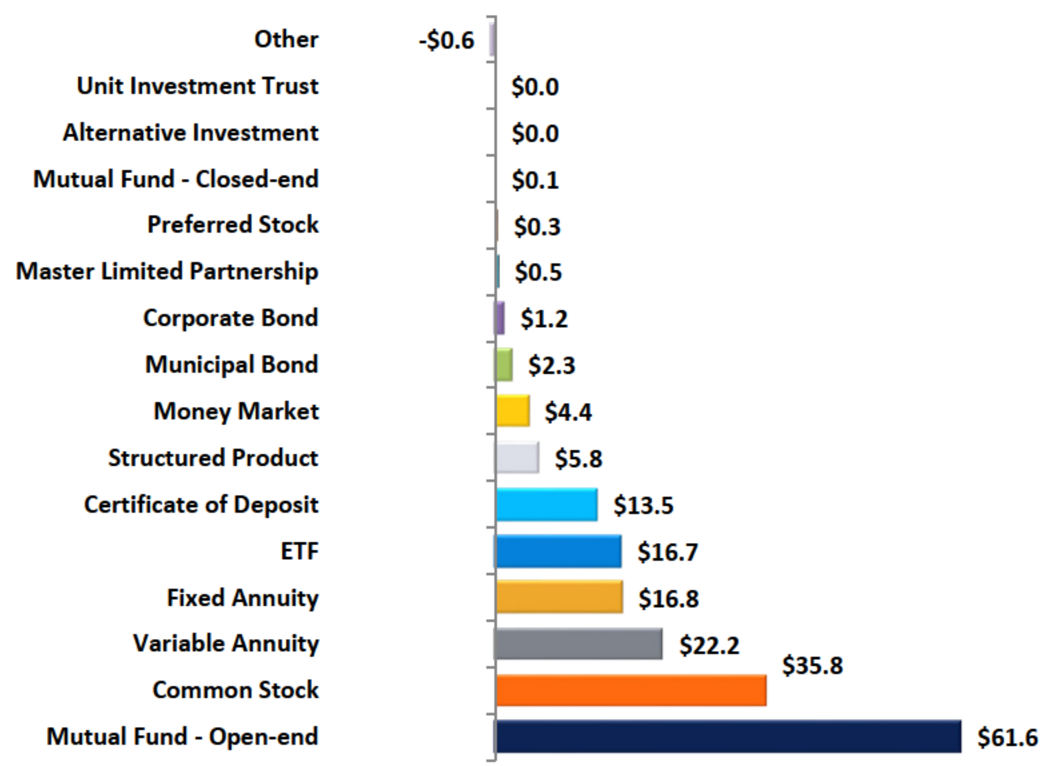
AUM History (in Millions)



Revenue History (in Thousands)



Aggregate Positions (AUM in Millions)

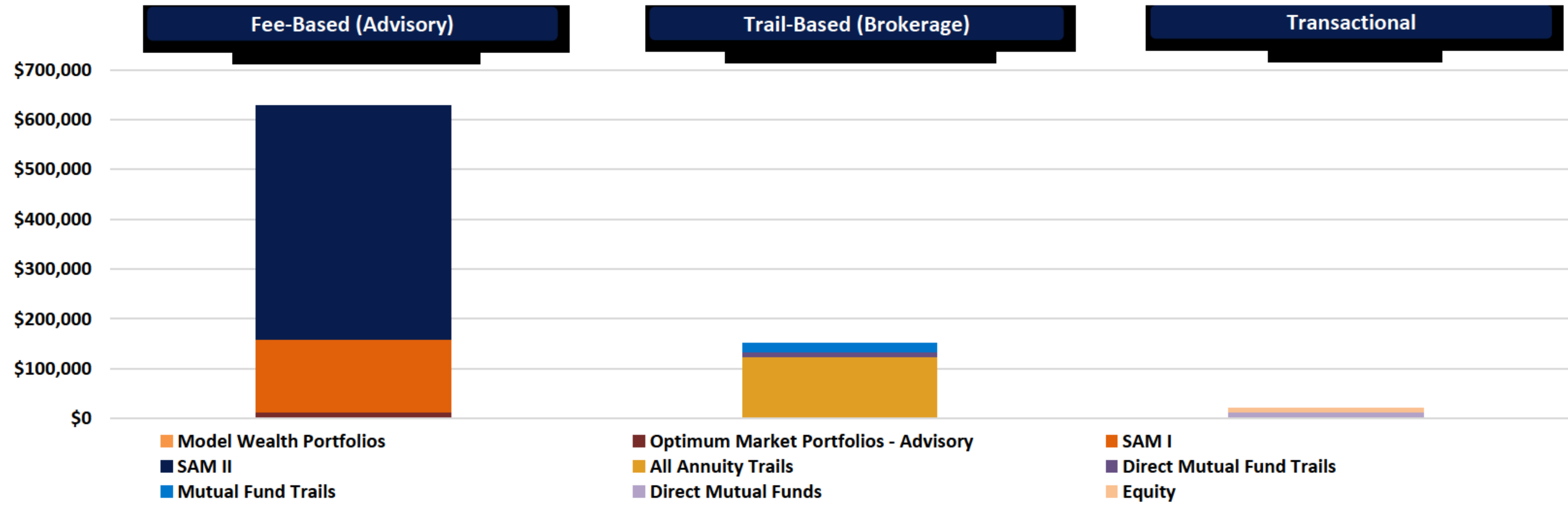


Asset Sponsors & Custodians

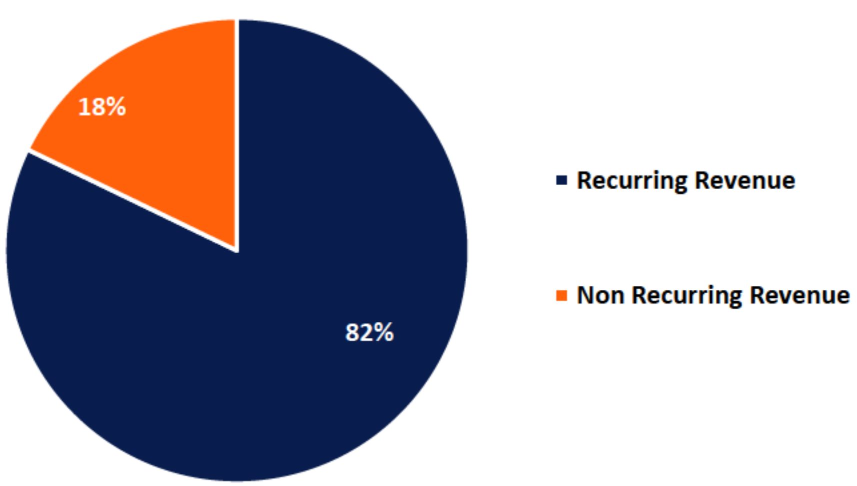
Top 15 Sponsors by AUM	AUM
ANNUITY PRODUCTS	$38,998,868
AMERICAN FUNDS	$2,822,485
FIDELITY INVESTMENTS	$607,539
AMERICAN FNDS 529	$537,737
FRANKLIN TEMPLETON 529 NJ	$269,355
FRANKLIN TEMPLETON	$54,281
T. ROWE PRICE 529	$19,074
CALVERT	$10,338
MFS	$5,294
NUVEEN	$4,586
TIAA CREF FUNDS	$3,235
AIM	$1,446
TRANSAMERICA	$1,242
Total Sponsor Held Assets	**$43,335,480**
LPL Custodied Advisory	$91,012,096
LPL Custodied Brokerage	$45,698,221
Total Assets	**$180,045,796**

Appendix: Due Diligence Reports

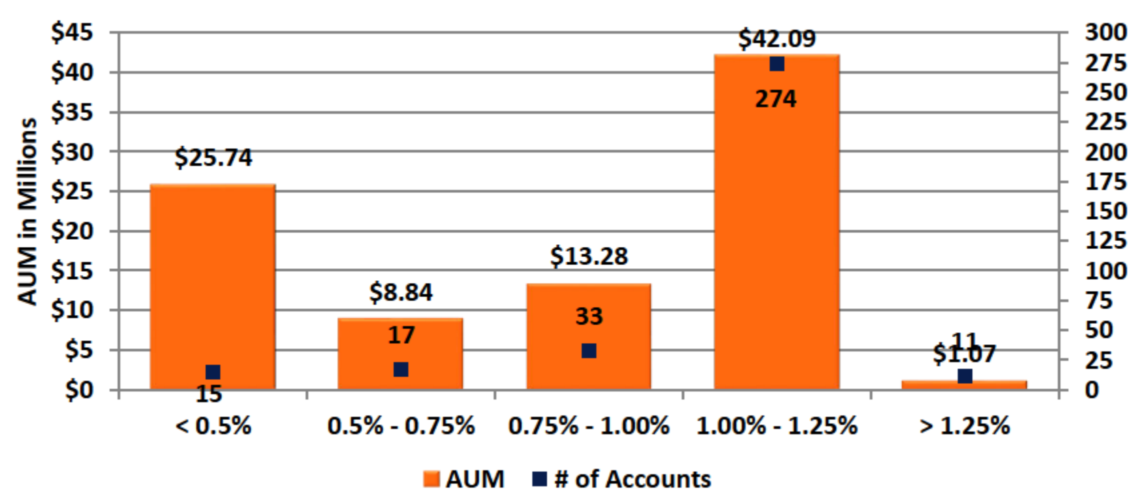
Product and Platform Revenue Breakdown



Recurring Revenue



Advisory Fee Breakdown

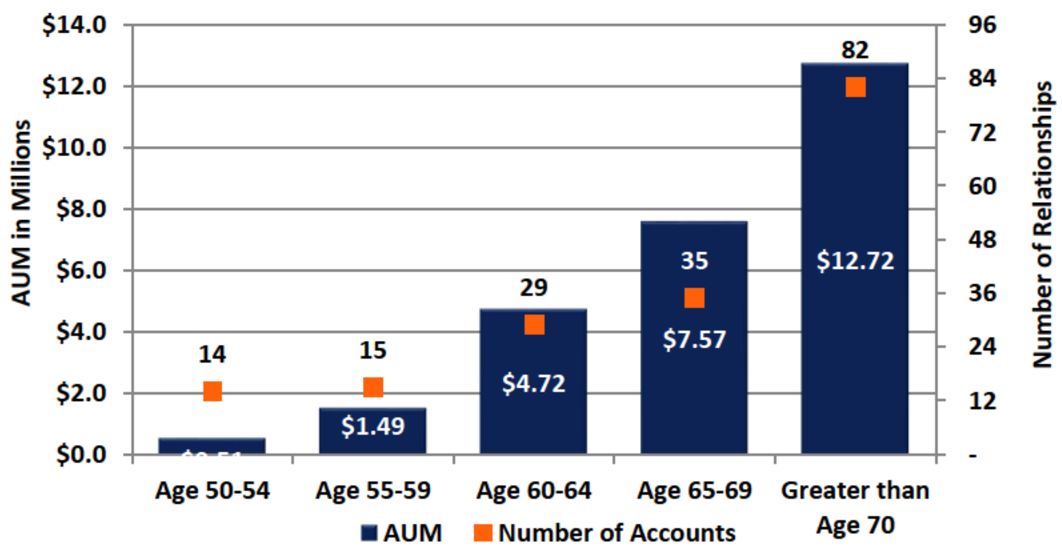


Total Estimated Annual Fees	$674,711.63

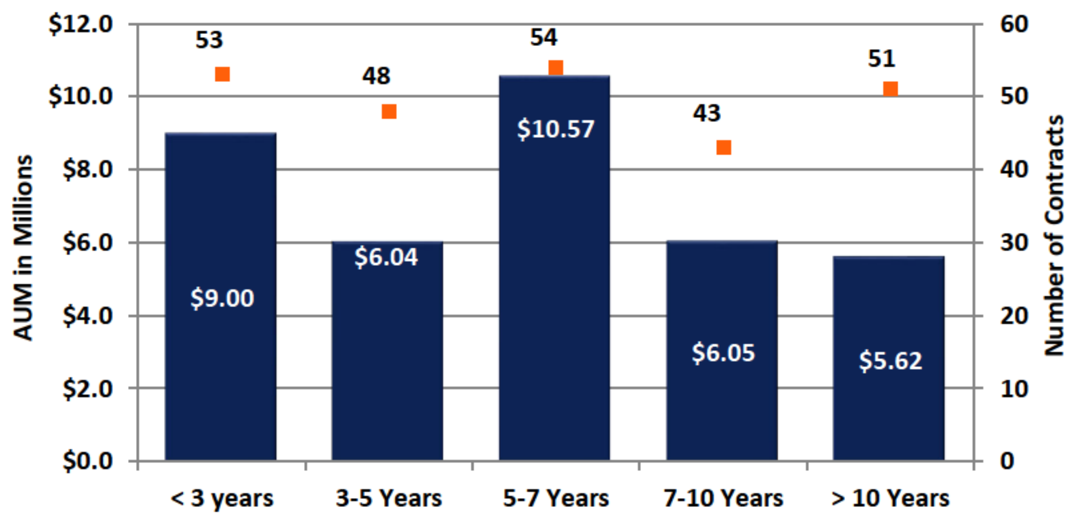
Appendix: Due Diligence Reports

Assets and Contracts

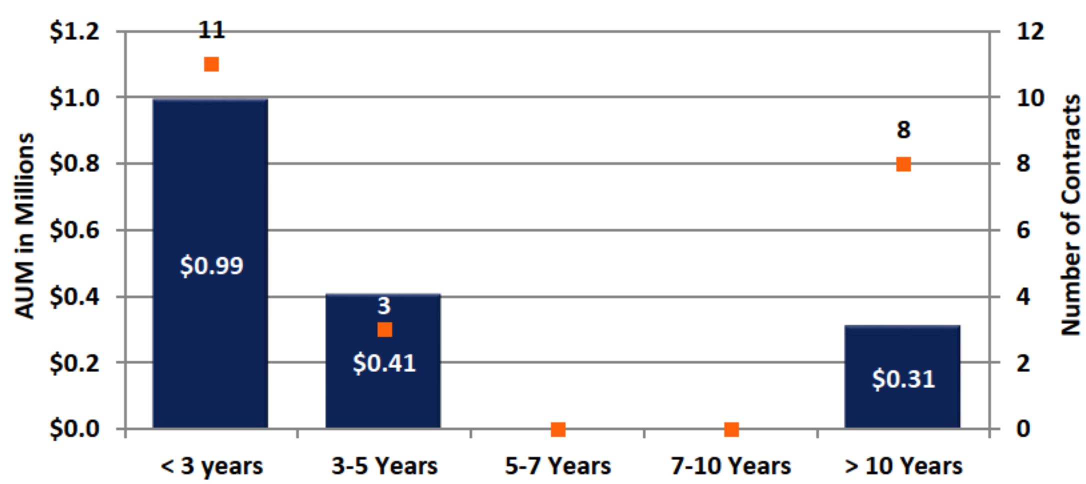
Qualified Accounts



Variable Annuity Contracts



Fixed Annuity Contracts



*Keep implications of qualified account stats and contract durations in mind

Valuation Questionnaire

Instructions

- Please fill out the following requested information. To ensure the most accurate valuation, please fill out the requested information in its entirety. If cells are left blank, our valuation will revert to industry averages, resulting in a loose estimate of value.
- Please send LPL the completed file in excel form. Do not send PDFs, scanned, or faxed copies to: MA.Solutions@LPLFinancial.com.
- Please send your 2022 full-year P&L and year-to-date (YTD) P&L, if available, if excel to: MA.Solutions@LPLFinancial.com
- If your P&L does not break out compensation expenses between owners, advisors, and admin staff, please provide this detail.
- Note, some cells contain drop down lists and other are free form. Cells are distinguished by the following colors:

Green Cells Contain Drop Down Lists

Blue Cells are Free Form

Section 1: Basic Information

Advisor or Name of Practice to be Valued:	[redacted]		
Master Rep ID (if with LPL):	[redacted]		
Current Broker-Dealer:	LPL		
Purpose of Valuation Request:	I want to sell my entire practice		Internal Party (1)

(1): Internal party is someone whom you have historically worked with, shares your branding/dba name, and shares expenses

(2) External party is someone who has little to no working with relationship with your office / clients

Firm-Level Characteristics:

Doing Business As (DBA) Name:		
Entity structure:	LLC, LP, or S-Corp	
Ownership Listing :	**Name:**	**Ownership Percentages:**
	[redacted]	

Number of advisors (not including owners):	0
Does the firm own the accounts/assets of all affiliated advisors?	no
Does the firm have employment/non-compete agreements with its advisors?	no
Number of staff - Full-Time Equivalent (admin / managers / operations):	1.00

Valuation Questionnaire

Section 2: Rep IDs

Please confirm the information below is accurate and complete. For each rep ID, please indicate whether this ID should be included in your valuation. Please confirm your payout percentage on any split codes is consistent with your ownership stake in the assets. If not, please update to your ownership percentage (not your payout).

Rep ID	Name	Included in Valuation (Yes/No)	Ownership Percentage
[redacted]	[redacted]	yes	100%
[redacted]	[redacted]	yes	100%
[redacted]	[redacted]	yes	100%

Section 3: Client Statistics

What is the average client tenure in years?	7.0
Note: *LPL can calculate this however it is limited to when you joined LPL and account open dates being recorded in ClientWorks.*	
Of your clients over age 70, what percentage of those assets have multigenerational plans established?	25.0%

Valuation Questionnaire

Section 4: Technology Checklist

Do you leverage social media for your business?	no
Do you have a common, non-proprietary CRM system (Salesforce, Redtail, Junxure, etc.)	yes
If yes, which?	Redtail
Do you utilize financial planning software (eMoney, MoneyGuidePro, Naviplan)?	no
If so, which?	
Is your office "paperless" (i.e. do you utilize eSig or other paperless technologies)?	yes

Section 5: Unaccounted for Scheduled Trails via 12b-1's, Annuity Trails, etc.

The chart below should capture products sold in prior periods, that have no existing trails, but will generate trails in the future. For Example: if you sold an annuity 2-years ago, and a $1,000 trail will begin next year, write $1,000 in Year 1. Please provide your best estimate.

	Example Amount of New Revenue per Year in $$				
Asset Type	***New Rev. Year 1***	***New Rev. Year 2***	***New Rev. Year 3***	***New Rev. Year 4***	***New Rev. Year 5***
Example: Annuity A New Trail	*$1,000*	*$1,000*	*$1,000*	*$1,000*	*$1,000*
Example: Annuity B New Trail		*$750*	*$750*	*$750*	*$750*
Example: Annuity C New Trail			*$1,000*	*$1,000*	*$1,000*
Example: Annuity D New Trail				*$500*	*$500*
Example: Annuity E New Trail					*$1,000*
Total	***$1,000***	***$1,750***	***$2,750***	***$3,250***	***$4,250***

	Amount of New Revenue per Year in $$				
Asset Type	**New Rev. Year 1**	**New Rev. Year 2**	**New Rev. Year 3**	**New Rev. Year 4**	**New Rev. Year 5**
		$0	$0	$0	$0
			$0	$0	$0
				$0	$0
					$0
Total	**$0**	**$0**	**$0**	**$0**	**$0**

If you have Unit Investment Trust assets, what percentage of the assets include an auto-renewal feature?	
If you have Financial Planning revenue, what percentage is on a recurring basis (i.e. a recurring fee)?	

Section 6: P&Ls and Balance Sheet

Please provide your 2022 full-year P&L and your most recent year-to-date (YTD) P&L, if available.

Is revenue on your P&L reported net of / reduced by **ALL** LPL deductions?	no
Do you have a Deferred Compensation Plan through LPL?	no
Additional Expenses To Be Incurred this year (2023) not reflected in your 2022 P&L:	
Other Direct Expenses	
Other Compensatory Expenses	
Overhead Expenses excluding rent	
What is a market rate annual rent in your area?	
Is Rent included in your 2022 P&L? If yes,	yes
What was your annual rent for FY 2022	$24,000
What is expected annual rent for FY 2023	$24,000
Note: real estate and real estate related debt is not included in our valuation	
Are you charged an override by your RIA (Not LPL's Override)	no
If so, what is the fee? (%)	
Does your RIA charge you an additional fee for SWM admin fees?	
Are you charged an override by your OSJ (Not LPL's Override)	yes
If so, what is the fee? (%)	3%

Please include any new expenses, not reflected in historicals, that you will incur in 2023

Market rate rent may be included in your adjusted financials for valuation purposes depending on your firm size, headcount, and stage in business cycle

If you have a corporate entity structure, how much cash does your business hold on the balance sheet?	
Do you hold any operating debt (i.e. acquisition debt; not real estate or auto loans)? If yes:	no
Remaining Principal Balance: *(in whole numbers)*	
Annual Interest Payment: *(in whole numbers)*	
Date of last Interest Payment: *(enter as MM/DD/YYYY)*	
What is your annual amortization expense?	
When will purchase be fully amortized?	
Do you have any LPL transition assistance / forgivable loans?	no

Valuation Questionnaire

Section 7: Miscellaneous

How would you characterize your practice's stage of growth? (i.e. Where is your practice in the lifecycle of a business?)	Maturity
Do more than 33% of your clients have the same/similar demographic (i.e. do you serve a niche)?	no
If yes, what niche do you serve?	

If you have requested this valuation because you are contemplating a sale of your practice, please answer the following:

Will/Would any key employees <u>not</u> remain with the practice post-sale (aside from the current owner/seller)?	yes
If yes, please elaborate:	
Does/would your main office location(s) need to remain open?	yes
If not, does/would the buying advisor need to maintain a local presence?	yes

Section 8: Off Platform Accounting

If 100% of your assets are held or networked with LPL, then you are finished with this questionnaire and do not need to fill out any of the remaining questions, unless you are one of the following: a hybrid advisor with off-platform advisory business, rep with non-networked brokerage or insurance assets, newly-affiliated LPL advisor with less than one full year of fully ramped production, or a non-LPL affiliated advisor. Please input dollar amounts as whole numbers.

Please enter the following information in the cells highlighted blue:

Trailing 3 or 12 Month GDC			
	Trails / 12b-1's (T3)	Advisory / Fee-Based (T3)	Transaction-Based (T12)
Fee-Based			
Advisory			
Financial Planning			
Employer- Sponsored Plan			
Other			
	$0	$0	$0
Commission-Based			
Stocks			
Mutual Funds			
Bonds			
Annuities			
Alts/REITS			
Insurance			
Other			
	$ -	$ -	$ -
Total	$ -	$ -	$ -

Valuation Questionnaire

AUM Snapshot	
As of Date:	
Fee-Based Assets	**Dollar Amount**
Advisory	
Financial Planning	
Employer- Sponsored	
Plan	
Other	
Subtotal	$0
Commission-Based Assets	**Dollar Amount**
Stocks	
Mutual Funds	
Bonds	
Annuities	
Alts/REITS	
Insurance	
Other	
Subtotal	$0
Total Asset Value	$0

If you have <u>any</u> assets held away from LPL's platform, please answer the following questions:

What percentage of total AUM do the top 10% of clients comprise (assets ranked by size)?
(Please answer this question based on the combined total of LPL and non-LPL-held assets.)
(For Example: If you have 150 total clients, sum the total assets of the top 15, and divide by the total asset base)

Please indicate the percentage of assets concentrated into each of the following age ranges:
(Please answer this question only for your assets held away from LPL's platform.)

	Age Range of Clients				
Corp/Trusts	<30	31-50	51-70	>70	Total
					0%