

# Fair Market Valuation

## OrthodontiCell LTP

A Leonhardt's Launchpads innovation platform

### Method of Valuation Determination:

We utilized a combination of the following methods....

1. Private Market Approach: Comparison of valuation comparable private companies.
2. Public Market Approach: Comparison of valuation of comparable public companies.
3. Similar M&A Transactions Market Approach: Comparison to announced M&A transactions for similar companies.
4. Equity Market Approach: Subject company transaction method

This methodology consists of examining prior transactions of the subject Company. According to the AICPA guidelines, recent securities transactions should be considered as a relevant input for computing the enterprise valuation. Given that there were security transactions recent to the Valuation Date, the Subject Company Transaction Method was used.

5. Income Approach: A rough calculation of discount of future earnings based on future income based on where product fits into marketplace with best guesstimates based on early market feedback from future potential customers.
6. IP Asset Approach: Valuing the IP assets in the marketplace based on significance to gaining market share and profits.
7. Valuation Calculator Software: Valuing startup valuations utilizing available valuation calculators.

Valuation methods utilized were weighed basically on this scale:

- > 30% Private Market Approach comparison of valuation of comparable private companies
- > 20% Public Market Approach comparison of valuation of comparable public companies
- > 20% M&A Transactions similar
- > 20% Equity Market recent security transactions
- > 5% Income Approach best guesstimate of future income discounted
- > 2.5% IP Asset Approach valuing the IP assets in the marketplace on significance
- > 2.5% Valuation Calculator Software

Based on this weighting scale an overall basis our Valuation Model would have to be considered primarily a Relative Valuation Model a business or asset valuation method that compares a an asset or company's value to that of its competitors or industry peers to assess the firm's financial worth.

All of above reviewed and confirmed by appraisers with substantial experience in this space (see bios below).

### Valuation Summary:

As of July 1, 2020 the Fair Market Valuation of OrthodontiCell LTP is \$40,000,000 or \$8 per share based on 5,000,000 total authorized LTP unit shares authorized

## OrthodontiCell LTP

### Company Overview:

OrthodontiCell LTP [www.orthodonticell.com](http://www.orthodonticell.com) is focused on the development of a patented bioelectric mouthpiece for reducing time to straighten teeth by up to 2/3rds and reducing re-lapse of teeth going back to being crooked again after treatment. The company has patented precise bioelectric signaling sequences for controlling release of the key proteins of RANKL, SDF1, PDGF and VEGF for accelerating teeth straightening and OPG for stabilizing teeth positions after straightening with minimal to no use of retainers. The company completed a large series of pre-clinical studies, primarily at its own labs in Utah and at the University of Utah in small animals, and then in 2019 completed a successful clinical study in Brazil which is about to be published.

OrthodontiCell LTP was formed in 2017 and is a Licensable Technology Platform (LTP) startup within the Leonhardt's by Cal-X Stars Business Accelerator, Inc. [www.leonhardtventures.com](http://www.leonhardtventures.com) innovation and startup launch accelerator headquartered in Irvine, California with branch subsidiaries and offices in Salt Lake City, Utah, Santa Rosa, California, Minneapolis, Minnesota, Pittsburgh, PA, Port Allegre, Brazil and Brisbane, Australia. Cal-X Stars Business Accelerator, Inc. DBA Leonhardt's Launchpads as incorporated in 2013 and is the innovation and startup launch accelerator arm of Leonhardt Ventures LLC (Leonhardt Vineyards LLC DBA Leonhardt Ventures LLC) which was formed as an LLC in 2005 in California but has roots to HJ Leonhardt & Co. a sole proprietorship formed originally in 1982. Leonhardt Ventures and Howard Leonhardt has developed numerous medtech and biotech products that have been successful in treating major disease states with over 600 patent claims issued, pending, optioned or licensed. In the 1980's the Leonhardt team patented and developed a leading cardiovascular balloon catheter, the PolyCath and in the 1990's patented and developed the leading system for repairing aortic aneurysms without surgery and the first percutaneous heart valve system. Since 2000 the team has focused on developing organ regeneration and healing products based on a combination of bioelectrics and biologics including stem cells.

Cal-X Stars Business Accelerator, Inc. DBA Leonhardt's Launchpads is an innovation and startup launch accelerator focused on bioelectric and biologics based organ regeneration and recovery based on a common IP platform. There are 30 organ specific Licensable Technology Platforms and startups in the 2020 portfolio class - <https://leonhardtventures.com/development-pipeline/>

The accelerator business model is to accelerate each organ specific application of its core IP through first in human clinical studies and issued patents and then seek a sales of those organ specific assets to a strategic acquirer usually in a milestone based deal over time. It is expected that all sales will be under Asset Purchase/Sale Agreements not as corporation sales, as this is the preferred acquisition mode in the industry. The accelerator business model is to pursue a number of years the sale of organ specific assets following first in human clinical study results under an Asset Purchase/Sale Agreement and only convert an asset basket LTP to a spin out separate corporation if that avenue is exhausted without success. All LTP unit share stakeholders by agreement have Pre-Incorporation Rights confirming they will have the exact same founding percentage ownership of the common stock of the spin out corporation as

they did in the Licensable Technology Platform. If they owned 1% of the LTP they will own at the time of spin out 1% of the C corporation.

#### Officers & Key Management

Howard J. Leonhardt - Executive Chairman & CEO  
Dr. John Marchetto - President and Chief Orthodontist Officer  
Dr. Leslie Miller - Chief Medical Officer  
Alex Richardson - Chief Technology Officer, VP Engineering & Product Development  
Dr. Brett Burton - Vice President R&D  
Kapil Sharma - Director Engineering  
Sejal Choudhari --

#### Company Financials:

Capitalization:

#### OrthodontiCell LTP Cap Table Summary July 1, 2020

5,000,000 total LTP unit shares authorized  
3,270,419 LTP unit shares issued  
932,872 LTP conditional warrant options granted  
796,709 LTP unit shares remaining available under original authorized total share units

Leading OrthodontiCell LTP Stakeholders as of July 1, 2020

Leonhardt Ventures LLC	30.06%
Dr. John Marchetto	18.54%
Leonhardt's Launchpads Utah	5.40%
DentaCell Accelerator	5.40%
Cal-X Stars Bus. Accelerator	5.40%
Dr. Leslie Miller	5.00%

#### Cal-X Stars Business Accelerator, Inc. DBA Leonhardt's Launchpads

100,000,000 common stock shares authorized  
150,000,000 preferred stock shares authorized  
250,000,000 total authorized shares  
59,712,809 shares issued  
32,121,778 conditional share options granted  
8,662,325 common stock shares remaining under original authorized shares  
150,000,000 preferred stock shares remaining under original authorized shares  
Current Share Price: \$0.36585  
Current Valuation: \$21,845,931

Discussion of Methodology:

We pulled data on private company comparables from these sources:

1. Wilson Sonsini 2020 Financing Trends and Entrepreneur Report
2. Silicon Valley Bank Halo Report 2020.
3. Pitchbook subscription data 2020.
4. Crunchbase.

We give greater weight to the Wilson Sonsini comparables <https://www.wsgr.com/images/content/2/6/26202/EntrepreneursReport-Q1-2020.pdf> than the other input sources due to their accuracy. SVB reports are the second highest weighted source - [https://www.svb.com/globalassets/library/uploadedfiles/reports/healthcare-report-2020-annual\\_abr.pdf](https://www.svb.com/globalassets/library/uploadedfiles/reports/healthcare-report-2020-annual_abr.pdf)

### **1Q 2020 - Wilson Sonsini Financings U.S.A. Data - Our Primary Comparable Private Company Valuation Reference**

SEED = \$9 MILLION VALUATION (Launch stage - experienced team - pitch deck - advisory board - web site)  
SERIES A = \$30 MILLION VALUATION (Prototypes tested in lab, patent filings and start small animals)  
SERIES B = \$65 MILLION VALUATION (Small and large animal data)  
SERIES D = \$225 MILLION VALUATION (First in human clinical data stage)

We pulled data on public company comparables from these sources:

1. NASDAQ.
2. Yahoo Finance.
3. CBS Marketwatch.

We pulled data on M&A Transaction comparables from these sources:

1. Pitchbook.
2. Crunchbase.
3. BioSpace.
4. FierceBiotech and FierceMedTech.

We pulled data on comparable revenues and profits for discounting of future earnings from these sources:

1. NASDAQ.
2. Yahoo Finance.
3. CBS Marketwatch.

Comparable Public Companies:

1. Align Technology > reached \$31 billion valuation recently.
2. Smile Direct Club < reached \$8 billion valuation recently.

Comparable Private Companies:

1. Candid.
2. OrthoAccel.
3. OrthoPulse.

Valuation Calculators

We verify our valuations by running through one of these valuation calculators - <https://www.caycon.com/valuation> + <https://www.calcxml.com/calculators/business-valuation> + <https://smallbiztrends.com/2016/05/business-valuation-calculators.html> + <https://www.equitynet.com/crowdfunding-tools/startup-valuation-calculator.aspx>

Discount for Lack of Marketability:

25%

## Appraiser Bios and Credentials:

**Brittany Brown** - bio link > <https://www.linkedin.com/in/brittany-brown-b8324812/> CPA, Masters in Accounting BYU, CEO LedgerGurus a CPA and accounting firm with over 30 clients. 12 years experience.

**John Paglia** - bio link > <https://leonhardtventures.com/john-k-paglia/> Dr. John K. Paglia is senior associate dean for academic affairs and professor of finance at Pepperdine Graziadio Business School. He is also a corporate director (board member) and audit committee chair for Simulations Plus Inc. (NASDAQ: SLP), and advisor to several startups. A recognized expert on the topics of small business financing, business valuation, and financing and deal trends, Dr. Paglia has delivered over fifty presentations, including over a dozen keynote addresses, at key investment banking, private equity, accounting, and valuation events. He was also **honored by the National Association of Certified Valuators and Analysts** with the “Industry Titan” Award in 2016, the Alliance for Mergers & Acquisitions Advisors and Grant Thornton with a “Thought Leader of the Year Award” in 2012, and the Association for Corporate Growth with an “Excellence in M&A Award” in 2011. In 2016, he was also awarded with a contract with the Library of Congress as a private equity and venture capital expert to conduct research on the economic impacts of the Small Business Administration’s SBIC private equity program. His research has been covered in The Wall Street Journal, CNBC, USA Today, Businessweek, TIME, Bloomberg, Reuters, Inc., Forbes, Entrepreneur, MSNBC, ABC News, Huffington Post, Crain’s New York, The Los Angeles Times, The Washington Post, Financial Times, and The New York Times, among many others.

**Sukaina Alarakhia** - bio link > <https://leonhardtventures.com/sukaina-alarakhia/> Sukaina G. Alarakhia, PhD, is a former Associate at Moore Venture Partners. Prior to Moore Ventures, she was an Analyst at **Tech Coast Angels where she was involved in sourcing, screening, preliminary due diligence and deal execution of early stage life science and high tech companies.** Sukaina was also actively involved in advising start-ups and entrepreneurs at CONNECT – a regional program that catalyzes the formation and development of innovative technology and life science companies, spun out of University of California at San Diego. Sukaina holds **a doctorate in Strategic Management with a Finance emphasis in Mergers and Acquisitions and Corporate Governance, and a B.S and M.S in International Business Administration**, and has co-authored a Kansas Life Science Cluster Report.

**Kurt Kruger** - bio link > <https://www.linkedin.com/in/kurt-kruger-5851281b/>  
Background, Experience and Education 33 years medtech industry experience

### Experience

**2014-2019 – Head of Healthcare Investment Banking – WR Hambrecht & Co.**

2013-2014 – Navigant – Managing Consultant

2010-2013 – Managed personal investments and various medtech industry consulting engagements

2009-2010 – Kruger Capital

2000-2003 – Managing Director Bank of America Equities Research

1987-1996 – Managing Director Research, Hambricht & Quist (now JP Morgan Chase)

### Education

BS – Biomedical Engineering – Brown University

MS – Bioengineering – University of Michigan

**MS – Finance and Management of Innovation – Massachusetts Institute of Technology (MIT) Sloan School of Management**

**Richard Anderson** - bio link > <https://leonhardtventures.com/richard-andersen/> - Richard began his career at Apple where he developed a lifelong passion for innovation excellence. Early recognition for “intrapreneurship” at Apple encouraged him to pursue technology management roles at companies including Portfolio Software, **Ernst & Young Consulting** (clients included Netscape, Novellus, Nextel and Infoseek), MarketFirst Software, and eBay. He founded and leads ShareVault where an energized team of professionals are steadfastly blending elements from the enterprise collaboration, productivity, and security spaces into an entirely new enterprise platform for connecting and sharing. Richard also serves on the board of Elara Bioscience, a firm dedicated to streamlining the toxicology research and regulatory compliance processes for life science companies. He has earned a **BA from Whitworth University and an MBA from the University of California, Berkeley.**

**Howard Leonhardt** - bio link > <https://www.linkedin.com/in/howard-leonhardt-6694185/> - Howard has over 35 years experience building medtech and biotech companies and establishing their valuations. He is an inventor with over 25 issued patents for organ regeneration and recovery and dozens more pending. He is most well known for developing the leading endovascular stent graft system for repair of aortic aneurysms without surgery and developing the first stem cell therapy for heart failure treatment. He was previously Executive Vice President of Emerging New Technologies for Medtronic, Inc. He has served on the startup incubator and center for entrepreneurship and innovation boards and as a judge for startup pitch contests for the University of Florida, University of Minnesota, UCLA, USC, CalState, Florida International University and the University of Northern California since 2000. He holds a diploma in International Business from the Anoka Technical College Minneapolis, Minnesota and a Writing Program Certificate from UCLA. He attended the University of Minnesota and Anoka Ramsey Community College as well. He holds an honorary Doctorate in Biomedical Engineering from the University of Northern California and an honorary degree from the University of Florida.

This report details the valuation analysis used to derive the fair market value of the common equity of OrthodontiCell LTP (hereinafter referred to as “OrthodontiCell LTP” or the “Company”) on a per share basis (“Subject Interest”) as of July 1, 2020 (“Valuation Date”).

The analysis was prepared following the general similar guidance of the American Institute of Certified Public Accountants (“AIC- PA”) Accounting and Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the “AICPA Guide”).

The definition of fair market value is predicated on IRS Revenue Ruling 59-60.

#### STANDARD OF VALUE

For income tax purposes, the appropriate standard of value is fair market value, which is defined as:

For financial reporting purposes, the appropriate standard of value is fair value, which is defined as:

According to the May 7, 2003 FASB Board meeting, the above definition of fair value is consistent with the definition of fair market value in Internal Revenue Ruling 59-60. We are not aware of any facts that would cause a difference in our conclusions on a fair market value basis compared with fair value. As such, it is not unreasonable that our conclusion of fair value for finan-

cial reporting purposes be consistent with our conclusion of fair market value for tax reporting purposes.

This report was created in compliance with guidance regarding valuation methodologies published by the AICPA.

The price, expressed in terms of cash equivalents, at which such 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 to sell, and when both have reasonable knowledge of relevant facts.

The amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

#### Valuation for OrthodontiCell LTP

We considered differences between the Company's preferred and common shares with respect to liquidation preferences, conversion rights, voting rights, and other features. We also considered appropriate adjustments to recognize lack of marketability related to the Subject Interest.

#### **CONCLUSIONS**

Based on the information provided and the analysis conducted, and subject to the attached Statement of Assumptions and Limiting Conditions, it is our opinion that the fair value and fair market value of one share of the Company's common stock on a non-marketable, minority basis as of the Valuation Date is as follows:

Unit Share Ownership of OrthodontiCell LTP: \$8

#### Appendix:

##### VALUATION METHODOLOGY SUMMARY

###### Selected valuation approaches

The first step in valuing the Company's common shares was to determine the value of the Company. In arriving at a conclusion of the Company value, we considered the methodologies below:

###### Market approach: Subject company transaction method

This methodology consists of examining prior transactions of the subject Company. According to the AICPA guidelines, recent securities transactions should be considered as a relevant input for computing the enterprise valuation.

Given that there were security transactions recent to the Valuation Date, the Subject Company Transaction Method was used. Detailed discussion and information about this approach can be found in the exhibits and appendix.

###### Market approach: Guideline private and public company method

This methodology focuses on comparing the subject entity to publicly traded entities. Given the lack of meaningful financial statistics to apply valuation multiples, indications from other methods were considered more appropriate for high-growth, early stage companies. Accordingly we did not rely upon the Guideline Public Company Method. This was our most impor-

tant data in determining OrthodontiCell LTPs valuation at this time with 30% weight given to private company data, primarily from Wilson Sonsini, and 20% weight given to public company comparable data.

#### Market approach: Guideline M&A transaction method

This approach uses valuation multiples based on actual transactions that have occurred in the subject entity's industry. We pulled information from numerous sources and weighed this into the valuation analysis and gave that a 20% weight in the analysis.

Invested capital approach. This methodology focuses on capital invested in the Company as of the Valuation Date. Based on a study by Andrew Metrick, an exit multiple is applied to the invested capital and the value is discounted over the selected term, using a VC rate of return. This methodology was not used, as it does not accurately represent the going concern value of the Company.

#### Asset approach

The asset approach measures the value of an asset by the cost to recreate or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate fair market value of the entity's underlying individual assets. This approach is frequently used in valuing holding companies or capital-intensive businesses. This methodology was not given high weight, as it does not accurately represent the going concern value of the Company. We made a best guess at core IP value and gave this asset value approach a minor 5% weight in the overall assessment.

#### Income approach: Discounted cash flow

This approach focuses on the income producing capability of a business. Given the stage and size of the Company, reliable financial projections were not available. Accordingly we did not rely heavily on the Income Approach but did provide a minor 5% weight run the analysis based on best rough guesstimates.

Valuation Calculator Software Approach: We also plug our data into one of these selected valuation calculators - <https://www.caycon.com/valuation> + <https://www.calcxml.com/calculators/business-valuation> + <https://smallbiztrends.com/2016/05/business-valuation-calculators.html> + <https://www.equitynet.com/crowdfunding-tools/startup-valuation-calculator.aspx> to determine valuation. We find these calculators lacking accuracy so we only gave them a 2.5% weight in our valuation analysis for OrthodontiCell LTP.

#### Valuation for OrthodontiCell LTP

#### GUIDELINE PUBLIC COMPANY DISCUSSION

##### Public companies selected..

We identified potential guideline companies to compare to OrthodontiCell LTP. A global list of companies that could be considered similar to OrthodontiCell LTP was compiled for comparative purposes from a variety of sources including Capital IQ and discussions with management. We selected publicly traded guideline companies based on consideration of: business descriptions, operations and geographic presence, financial size and performance, stock liquidity, and management recommendations regarding most similar companies.



## Valuation for OrthodontiCell LTP

### COMPARABLE COMPANY INFORMATION

#### MARKET APPROACH: SUBJECT COMPANY TRANSACTION METHOD

The Market Approach: Subject Company Transaction Method outputs the implied total value of an enterprise by accounting for all share class rights and preferences, as of the date of the latest financing. In order to determine the value of the Company's common shares, the Company's recently closed round of financing was used. The Company recently this quarter sold shares common stock for \$8 per share. The total equity value implied by this transaction was then applied in the context of an option pricing model to determine the value of each class of the Company's shares.

#### Equity value calculation

As noted above, this analysis considers the Series D Preferred transaction, specifically those shares issued in exchange for new capital. The analysis uses the Black-Scholes option pricing model (OPM) to determine the value of the Company that results in a cumulative value of the transacted shares equal to the amount paid for those shares, or \$5.36 per share. For purposes of determining company value with a Black-Scholes OPM, five key inputs are required:

- Total consideration of the most recent transaction (discussed above);
- The rights and preferences of the shareholders (discussed above);
- Time to liquidity;
- Risk free rate;
- Volatility

#### Time to liquidity

In the context of the OPM, the time to a liquidity event (otherwise referred to as "time to exit") constitutes the time until the Company issues an initial public offering ("IPO"), is acquired, or liquidates assets through a dissolution sale. In determining the time to liquidity, the analysis relied upon guidance from Management.

#### Risk-free rate

The risk free rate used is the constant maturity U.S. treasury rate corresponding to the applicable time to liquidity. A risk free rate of 2.830% was applied which represents the U.S. treasury rate as of the Valuation Date.

#### Volatility

The analysis considered the volatility of companies operating in the Company's comparable industry. The list of companies was further refined to include only companies with securities traded on major exchanges with sufficient pricing and volume. Typically, size and volatility are inversely correlated. A volatility of 50.00% was selected for the Company.

#### Conclusion

Given the proximity of the transaction and Valuation Date and guidance from Management, no equity adjustment was utilized in this analysis. A value of \$40,000,000 is deemed to provide a fair value of \$8 per LTP unit share issued in exchange for new capital as of July 1, 2020.