



Note Regarding Valuations of Healthcare Businesses Performed Just Prior to the COVID-19 Pandemic

Pinnacle performs annual valuations, typically with an effective date of December 31, 2019, for many of its clients who then use those valuations to set the prices for transactions occurring in the coming year. We have seen a number of questions arising as to whether these valuations should be retroactively adjusted now that we are seeing potential changes in volume, revenues, costs and risk associated with many healthcare businesses. To address these concerns, we rely upon the professional standards promulgated by bodies such as the ASA and AICPA when considering subsequent events (i.e., events indicative of conditions not known or knowable as of the valuation date, including conditions that arose subsequent to the valuation date). As of December 31, 2019, there were no reported cases of COVID-19 in the U.S. and no mainline discussions that the novel coronavirus would lead to a global pandemic. Given these facts, we believe that valuations as of December 31, 2019 should not be updated.

For any ongoing valuations with an effective date of December 31, 2019, our conclusions will now be accompanied by the following disclosure:

“This valuation does not consider the possible effects, if any, of the COVID-19 pandemic on the [Subject Entity]. This valuation reflects conditions as of December 31, 2019.”

Questions? Please contact:

Curtis Bernstein

Phone: 561-901-5309

CBernstein@AskPHC.com

James Connors

Phone: 303-868-9786

JConnors@AskPHC.com

Pinnacle Healthcare Consulting

9085 E. Mineral Circle, Suite 110

Centennial, CO 80112

Phone: 303-801-0111