

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2022 This Form is Open to Public Inspection
---	---	--

Part I	Annual Report Identification Information
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report ☐ the final return/report ☒ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here. ▶	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ▶	☐

Part II Basic Plan Information —enter all requested information		
1a Name of plan <u>COBALT BENEFITS GROUP, LLC 401(K) PLAN</u>	1b Three-digit plan number (PN) ▶	<u>001</u>
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>COBALT BENEFITS GROUP, LLC</u> <u>PO BOX 2365</u> <u>46 BOWDOIN STREET</u> <u>SO. BURLINGTON, VT 05407</u> <u>SO. BURLINGTON, VT 05407</u>		
1c Effective date of plan <u>01/01/1995</u>		
2b Employer Identification Number (EIN) <u>27-1516730</u>		
2c Plan Sponsor's telephone number <u>802-864-8321</u>		
2d Business code (see instructions) <u>561490</u>		

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2023	JANEL SCHEICK
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2022)
v. 220413

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN
		3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN 4d PN
5 Total number of participants at the beginning of the plan year		5 184
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).		
a(1) Total number of active participants at the beginning of the plan year		6a(1) 163
a(2) Total number of active participants at the end of the plan year		6a(2) 179
b Retired or separated participants receiving benefits		6b 0
c Other retired or separated participants entitled to future benefits.....		6c 23
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d 202
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e 0
f Total. Add lines 6d and 6e		6f 202
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....		6g 177
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h 12
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2A 2E 2F 2G 2J 2K 3D		
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:		
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)		
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ 0 A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2022
		This Form is Open to Public Inspection.

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan COBALT BENEFITS GROUP, LLC 401(K) PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 COBALT BENEFITS GROUP, LLC	D Employer Identification Number (EIN) 27-1516730	

Part I	Service Provider Information (see instructions)
--------	---

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL
04-2647786

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
--

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
--

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
--

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

COMMONWEALTH FINANCIAL NETWORK

04-2675571

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
16 27	CONSULTANT	35329	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
37 60 64 65	RECORDKEEPER	2559	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
ABF SM CAP VALUE A - DST ASSET MAN 52-2269240	0.40%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
DODGE & COX STOCK I - DST ASSET MA 430 W 7TH STREET STE 219432 KANSAS CITY, MO 64105	0.10%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
HARTFORD MID CAP Y - HARTFORD ADMI 41-0679409	0.10%	

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
J H MID CAP VAL I - JANUS HENDERSO 151 DETROIT STREET, DENVER, CO 80206	0.10%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
M&N OVERSEAS S - BNY MELLON INVEST 301 BELLEVUE PARKWAY WILMINGTON, DE 19809	0.40%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
PGIM HIGH YIELD R4 - PRUDENTIAL MU	0.25%	
22-3703799		

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
RT NY LIFE AA CL 25 1033 DORCHESTER AVE DORCHESTER, MA 02125	0.25%

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
TRP BLUE CHIP GRTH - T. ROWE PRICE 52-2269240	0.15%

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection.
---	---	---

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan COBALT BENEFITS GROUP, LLC 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 COBALT BENEFITS GROUP, LLC	D Employer Identification Number (EIN) 27-1516730	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
--------	---

a Name of MTIA, CCT, PSA, or 103-12 IE: RT NY LIFE AA CL 25		
b Name of sponsor of entity listed in (a): RELIANCE TRUST COMPANY		
c EIN-PN 45-6350416-001	d Entity code C	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 2249610
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection				
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>						
A Name of plan <u>COBALT BENEFITS GROUP, LLC 401(K) PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">B Three-digit plan number (PN) ►</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2" style="height: 20px;"></td> </tr> </table>		B Three-digit plan number (PN) ►	<u>001</u>		
B Three-digit plan number (PN) ►	<u>001</u>					
C Plan sponsor's name as shown on line 2a of Form 5500 <u>COBALT BENEFITS GROUP, LLC</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">D Employer Identification Number (EIN) <u>27-1516730</u></td> <td style="width: 20%;"></td> </tr> </table>		D Employer Identification Number (EIN) <u>27-1516730</u>			
D Employer Identification Number (EIN) <u>27-1516730</u>						

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....		1a	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....		1b(1)	0
(2) Participant contributions.....		1b(2)	0
(3) Other.....		1b(3)	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....		1c(1)	189
(2) U.S. Government securities		1c(2)	0
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred		1c(3)(A)	0
(B) All other		1c(3)(B)	0
(4) Corporate stocks (other than employer securities):			
(A) Preferred		1c(4)(A)	0
(B) Common.....		1c(4)(B)	0
(5) Partnership/joint venture interests		1c(5)	0
(6) Real estate (other than employer real property)		1c(6)	0
(7) Loans (other than to participants).....		1c(7)	0
(8) Participant loans.....		1c(8)	156733
(9) Value of interest in common/collective trusts.....		1c(9)	2109607
(10) Value of interest in pooled separate accounts		1c(10)	0
(11) Value of interest in master trust investment accounts.....		1c(11)	0
(12) Value of interest in 103-12 investment entities		1c(12)	0
(13) Value of interest in registered investment companies (e.g., mutual funds).....		1c(13)	15002789
(14) Value of funds held in insurance company general account (unallocated contracts).....		1c(14)	0
(15) Other		1c(15)	0

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	0	0
(2) Employer real property	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	17269318	15223913

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness	1i	0	0
j Other liabilities	1j	0	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	17269318	15223913
---	-----------	----------	----------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	912982	
(B) Participants	2a(1)(B)	983673	
(C) Others (including rollovers)	2a(1)(C)	162812	
(2) Noncash contributions	2a(2)	0	2059467
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	20	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)	6494	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		6514
(2) Dividends: (A) Preferred stock	2b(2)(A)	0	814744
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	814744	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		814744
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	0
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	0
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		44299
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		-3130931
c Other income	2c		0
d Total income. Add all income amounts in column (b) and enter total	2d		-205907
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1801610	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1801610
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense	2h		0
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	0	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	37888	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		37888
j Total expenses. Add all expense amounts in column (b) and enter total	2j		1839498
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-2045405
l Transfers of assets:			
(1) To this plan	2l(1)		0
(2) From this plan	2l(2)		0

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BAKER NEWMAN AND NOYES**

(2) EIN: **01-0494526**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection.
For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan COBALT BENEFITS GROUP, LLC 401(K) PLAN		B Three-digit plan number (PN) ► 001
C Plan sponsor's name as shown on line 2a of Form 5500 COBALT BENEFITS GROUP, LLC		D Employer Identification Number (EIN) 27-1516730
Part I Distributions		
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 04-6568107		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....		3
Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)		
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III Amendments		
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.		
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?..... ☐ Yes ☐ No		
11 a Does the ESOP hold any preferred stock?..... ☐ Yes ☐ No		
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... ☐ Yes ☐ No		
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?..... ☐ Yes ☐ No		
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2022 v. 220413		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:		
	a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....	14a	
	b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14b	
	c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14c	
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
	a The corresponding number for the plan year immediately preceding the current plan year.....	15a	
	b The corresponding number for the second preceding plan year.....	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....	16b	
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
----------------	---

18	If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐
19	If the total number of participants is 1,000 or more, complete lines (a) through (c) a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____% b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____
20	PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20. a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box: ☐ Yes. ☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date. ☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date. ☐ No. Other. Provide explanation _____

Cobalt Benefits Group, LLC and Subsidiary

Consolidated Financial Statements
and Other Financial Information

Years Ended December 31, 2022 and 2021
With Independent Auditors' Report

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Years Ended December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Income and Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Other Financial Information:	
Consolidating Balance Sheet as of December 31, 2022	15
Consolidating Balance Sheet as of December 31, 2021	17
Consolidating Statement of Income and Changes in Members' Equity for the Year Ended December 31, 2022	19
Consolidating Statement of Income and Changes in Members' Equity for the Year Ended December 31, 2021	20

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cobalt Benefits Group, LLC and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cobalt Benefits Group, LLC and Subsidiary (Cobalt), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of income and changes in members' equity and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cobalt as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cobalt and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 2 and 4 to the financial statements, in 2022, Cobalt adopted new accounting guidance Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cobalt's ability to continue as a going concern for a period of within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cobalt's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cobalt's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 7,910,040	\$ 6,656,459
Customer deposits	7,936,572	8,180,592
Accounts receivable, net of allowance for doubtful accounts of \$2,000 at December 31, 2022 and 2021	716,231	861,418
Prepaid expenses	<u>693,200</u>	<u>523,483</u>
Total current assets	17,256,043	16,221,952
Property, plant and equipment:		
Leasehold improvements	849,187	840,127
Computer software	3,812,460	3,291,529
Computer hardware	1,699,837	1,514,859
Office equipment	224,950	224,950
Furniture and fixtures	633,232	617,964
Telephone equipment	46,985	46,985
Work-in-process	<u>55,327</u>	<u>106,102</u>
	7,321,978	6,642,516
Less accumulated depreciation	<u>(4,405,893)</u>	<u>(3,670,765)</u>
Net property, plant and equipment	2,916,085	2,971,751
Other assets:		
Operating lease right-of-use assets	2,702,416	—
Goodwill, net	2,543,512	3,179,392
Other assets	<u>36,926</u>	<u>36,926</u>
Total other assets	<u>5,282,854</u>	<u>3,216,318</u>
	<u>\$25,454,982</u>	<u>\$22,410,021</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Current portion of finance lease obligations	\$ 20,993	\$ 20,993
Current portion of operating lease liabilities	713,939	—
Customer deposits	7,936,572	8,180,592
Accounts payable and accrued expenses	2,960,143	2,494,171
Due to members	69,528	226,132
Contract liabilities – unearned revenue	<u>402,228</u>	<u>559,498</u>
Total current liabilities	12,103,403	11,481,386
Finance lease obligations, net of current portion	12,559	33,552
Operating lease liabilities, net of current portion	<u>2,013,273</u>	<u>—</u>
Total liabilities	14,129,235	11,514,938
Members' equity:		
Contributed capital	6,263,176	6,263,176
Retained earnings	<u>5,062,571</u>	<u>4,631,907</u>
Total members' equity	11,325,747	10,895,083
	<u>\$25,454,982</u>	<u>\$22,410,021</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Administrative fee income	\$ 6,272,410	\$ 6,451,290
Management fee income	25,249,739	21,918,439
Commission income	1,861,366	1,716,875
Other administrative income	<u>157,141</u>	<u>83,295</u>
Total revenue	33,540,656	30,169,899
Expenses:		
Salaries and employee benefits	16,664,342	15,592,035
Broker commissions	207,446	180,832
Consulting, audit and legal services	598,666	601,475
Other purchased services	8,386,328	7,453,258
General and administrative	4,390,817	3,892,121
Depreciation and amortization	<u>1,371,010</u>	<u>1,338,701</u>
Total expenses	<u>31,618,609</u>	<u>29,058,422</u>
Income from operations	1,922,047	1,111,477
Other income:		
Interest income	<u>43,116</u>	<u>6,329</u>
Net other income	<u>43,116</u>	<u>6,329</u>
Income before provision for state income taxes	1,965,163	1,117,806
Provision for state income taxes	<u>34,499</u>	<u>39,282</u>
Net income	1,930,664	1,078,524
Members' equity, beginning of year	10,895,083	11,816,559
Member distributions	<u>(1,500,000)</u>	<u>(2,000,000)</u>
Members' equity, end of year	<u>\$11,325,747</u>	<u>\$10,895,083</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ 1,930,664	\$ 1,078,524
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,371,010	1,338,701
Non-cash lease expense	24,796	—
Changes in operating assets and liabilities:		
Accounts receivable, net	145,187	(199,418)
Prepaid expenses	(169,717)	50,019
Contract liabilities – unearned revenue	(157,270)	(136,559)
Accounts payable and accrued expenses	465,972	261,475
Due to members	<u>(156,604)</u>	<u>(274,072)</u>
Net cash flows provided by operating activities	3,454,038	2,118,670
Cash flows from investing activities:		
Purchases of property, plant and equipment	<u>(679,464)</u>	<u>(309,876)</u>
Net cash flows used by investing activities	(679,464)	(309,876)
Cash flows from financing activities:		
Principal payments on finance lease obligations	(20,993)	(20,994)
Member distributions	<u>(1,500,000)</u>	<u>(2,000,000)</u>
Net cash flows used by financing activities	<u>(1,520,993)</u>	<u>(2,020,994)</u>
Net increase (decrease) in cash and cash equivalents	1,253,581	(212,200)
Cash and cash equivalents, beginning of year	<u>6,656,459</u>	<u>6,868,659</u>
Cash and cash equivalents, end of year	\$ <u>7,910,040</u>	\$ <u>6,656,459</u>
Supplemental cash flow information:		
Cash paid for state taxes	\$ 26,246	\$ 17,933

Supplemental disclosures of non-cash activities:

See Note 4 with respect to certain non-cash activities related to leases.

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Nature of Business

Cobalt Benefits Group, LLC and Subsidiary (Cobalt) was established as a limited liability company (LLC) in 2009 by Comprehensive Benefits Administrator, Inc. (CBA), a subsidiary of Blue Cross Blue Shield of Vermont, Inc. (BCBSVT). The LLC has a perpetual life subject to termination in certain events. Effective December 31, 2009, CBA transferred substantially all of its assets and liabilities (not including its customer contracts), including its 100% ownership interest in EBPA, LLC (EBPA), to Cobalt per the terms of a Contribution Agreement between the two parties. In December 2009, BCBSVT entered into a Joint Ownership Agreement with Blue Cross Blue Shield of Massachusetts, Inc. (BCBSMA) whereby BCBSMA purchased 50% of the membership interests in Cobalt from CBA.

Cobalt began business operations effective January 1, 2010. Its principal operations entail providing management services on behalf of CBA, EBPA, and Blue Benefit Administrators of Massachusetts (BBA), each of which is a third party employee benefits administrator (TPA). BBA is a subsidiary of BCBSMA.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cobalt and its wholly owned subsidiary, EBPA. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents and Customer Deposits

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash and short-term securities with an original maturity of three months or less. Cobalt holds funds in a money market account which had a balance of approximately \$4,800,000 and \$4,757,000 at December 31, 2022 and 2021, respectively.

Cobalt maintains its cash and customer deposits (which amounts also consist of cash on deposit) in bank deposit accounts which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. Cobalt has not experienced any losses in such accounts and management of Cobalt believes they are not exposed to any significant risk of loss on cash. Customer deposits are managed by EBPA as noted below.

Funds Managed on Behalf of Customers

As a third-party administrator, EBPA manages cash used for claims and related payments on behalf of its self-funded customers. As of December 31, 2022 and 2021, the aggregate balance of cash held by EBPA for this purpose was \$7,936,572 and \$8,180,592, respectively. This amount comprises customer deposits set aside to pay future claims of \$7,936,572 and \$8,180,592 as of December 31, 2022 and 2021, respectively.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Cobalt accounts for revenues under Accounting Standards Codification (ASC) 606 *Revenue from Contracts with Customers* (ASC 606) and determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as Cobalt satisfies the performance obligations.

A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgement.

Under ASC 606, incremental costs of obtaining contracts with customers are capitalized and are generally amortized over the estimated life of the customer relationship. Generally, Cobalt has elected to apply the practical expedient to expense incremental costs of obtaining contracts with customers as incurred, as the amortization period of the assets would have been one year or less.

Cobalt has entered into agreements with CBA and BBA to provide management services in connection with the TPA services rendered by these entities. Cobalt earns management fees from CBA and BBA in providing these management services. Through its wholly-owned TPA, EBPA, Cobalt earns administrative fees in connection with administering employee benefit programs. Cobalt earns commissions in connection with facilitating third party services, such as stop loss insurance; a portion of such commissions are paid to brokers in connection with the placement of such services. Performance obligations associated with management fees, administrative fees and commissions are satisfied over time and recognized as time passes and services are provided, typically monthly. Services are invoiced monthly and payment of such fees is generally received within 30 days of month-end.

Accounts Receivable

An allowance for doubtful accounts is provided based on an analysis by management of the collectability of outstanding balances. Management considers the age of outstanding balances and past collection efforts in determining the allowance for doubtful accounts. An allowance for doubtful accounts of \$2,000 has been provided at December 31, 2022 and 2021.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Effective January 1, 2017, Cobalt elected to adopt Accounting Standards Update (ASU) No. 2014-02, to amortize goodwill over a period of 10 years and to apply a simplified impairment model to test for impairment. Accounting rules require that intangible assets with estimable or determinable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and be reviewed for impairment. The carrying amount of goodwill at December 31, 2022 and 2021 was \$2,543,512 and \$3,179,392, respectively, which is net of \$3,815,280 and \$3,179,400 of accumulated amortization at December 31, 2022 and 2021, respectively. Amortization expense was \$635,880 for the years ended December 31, 2022 and 2021. Amortization of goodwill is expected to be \$635,880 annually for the next three years through 2025, and \$635,872 in 2026. Management believes there was no impairment of goodwill at December 31, 2022 and 2021.

Property and Equipment

Property and equipment are recorded at cost and depreciated to expected salvage value using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Maintenance and repair costs are expensed as incurred. The estimated useful lives of Cobalt's property and equipment are as follows:

Leasehold improvements	10 years
Furniture and fixtures	7 years
Office equipment	5 years
Telephone equipment	5 years
Computer hardware and software	3 – 10 years

Total depreciation expense in 2022 and 2021 totaled \$735,130 and \$702,821, respectively.

Cobalt completed implementation of a new claims system in 2019. Cobalt has also entered into a five year contract for ongoing use of the system, at a monthly cost that is based on total covered lives.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The guidance is effective for Cobalt on January 1, 2022. Subsequently, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. Under these standards, lessees (for finance and operating leases) may initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment at the opening balance of shareholders' equity while continuing to present comparative periods in accordance with current accounting principles generally accepted in the United States of America (U.S. GAAP) in Topic 840, *Leases*. Cobalt adopted these standards on January 1, 2022. See Note 4 for a discussion of Cobalt's adoption of these standards and its impact on the consolidated financial statements and related disclosures.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

At inception of a contract, Cobalt determines if a contract meets the definition of a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Cobalt determines if the contract conveys the right to control the use of an identified asset for a period of time. Cobalt assesses throughout the period of use whether it has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed. Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Right-of-use assets and lease liabilities are recognized at lease commencement date based on the present value of the minimum future lease payments.

Cobalt applies ASC 842, *Leases*, to account for its operating leases. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Cobalt uses the risk-free rate based on the information available at the lease commencement date determining the present value of future payments because the implicit rate of the lease is generally not known. The expected lease term for leases commencing after the adoption of ASC 842 includes noncancelable lease periods and, when applicable, periods covered by an option to extend the lease if Cobalt is reasonably certain to exercise that option, as well as periods covered by an option to terminate the lease if Cobalt is reasonably certain not to exercise that option. Operating lease right-of-use (ROU) assets related to the operating lease liabilities are measured at lease inception based on the initial measurement of lease liability, plus any prepaid lease payments and less any lease incentives. The ROU assets are amortized as operating lease expense generally on a straight-line basis over the lease term, and both the lease amortization and imputed interest are classified as operating expenses.

Member Distributions

Member distributions to BCBSVT and BCBSMA are recorded when declared.

Defined Contribution Plan

A 401(k) voluntary defined contribution plan is available to full-time employees of Cobalt meeting certain requirements. Under the terms of the 401(k) plan, Cobalt matches employee contributions up to certain limits, which are adjusted from time to time. In 2022 and 2021, Cobalt matched the first 100% of an employee's contribution up to the first 4% of the employee's salary, plus 50% of the employee's contribution between 4% and 8% of their salary for a maximum match of 6%. Such contributions are subject to limits by federal law. Cobalt may also make discretionary non-elective contributions. Matching contributions made to the plan by Cobalt were \$548,610 and \$515,460 in 2022 and 2021, respectively. A discretionary non-elective contribution of \$373,525 was payable to the plan at December 31, 2022. No discretionary non-elective contributions were payable or paid to the plan for 2021. All 401(k) plan expenses are included in salaries and employee benefits in the accompanying consolidated statements of income and changes in members' equity.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$941 and \$2,480, respectively.

Tax Status

Cobalt has elected to be taxed as a partnership, and therefore substantially all profits and losses for income tax reporting purposes are passed through to the members. Cobalt is liable for business profits and enterprise taxes to the State of New Hampshire. State tax expense incurred by Cobalt in 2022 and 2021 was \$34,499 and \$39,282, respectively.

Cobalt recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss and other carryforwards. These assets and liabilities are measured using rates expected to be in effect when differences reverse. Valuation allowances are provided to the extent that tax assets are not likely to be recovered. Deferred tax assets and liabilities at December 31, 2022 and 2021 were not significant.

The Financial Accounting Standards Board's (FASB) Codification contains guidance which clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, and disclosure. It contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. Cobalt evaluated its tax positions under the two-step approach for recognition and measurement of uncertain tax positions and has determined that tax liabilities and disclosures of uncertain tax positions are adequate for all open tax years. Cobalt's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant items subject to such estimates and assumptions is the valuation of goodwill, capitalization and amortization period of software, and certain accruals and contingencies. Actual results could differ from these estimates.

Subsequent Events

Events occurring after the consolidated balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through _____, 2023, which is the date the consolidated financial statements were available to be issued.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

3. Related Party Transactions

As of January 1, 2010, Cobalt began providing management services to CBA and BBA as specified per the terms of the management agreements between Cobalt and each respective entity, and has received fees for these services. Fees earned from CBA and BBA comprise management fee income as reflected on the accompanying consolidated statements of income and changes in members' equity and totaled approximately \$25,250,000 and \$21,918,000 for the years ending December 31, 2022 and 2021, respectively. Amounts due to members at December 31, 2022 and 2021 consist principally of fees and other amounts collected on behalf of affiliates. All due to member amounts are settled on a monthly basis.

As of March 1, 2010, Cobalt began leasing office space to BCBSVT in Burlington, Vermont. BCBSVT leases this space on a month-to-month basis, and lease income totaled approximately \$12,000 and \$60,000 for the years ended December 31, 2022 and 2021, respectively. This lease income is included in general and administrative expenses in the accompanying consolidated statements of income and changes in members' equity.

4. Leases

Adoption of ASC Topic 842, Leases (ASC 842)

ASC 842 became effective for Cobalt on January 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. Cobalt elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, which there were none. In addition, Cobalt elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for 2022 reflect the application of ASC 842 guidance while the historical results for 2021 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon Cobalt's consolidated statements of income and changes in members' equity or cash flows. The adoption of the new standard resulted in the following impact to the 2022 consolidated balance sheet: i) no significant change in the carrying values of assets and liabilities related to Cobalt's finance leases, previously referred to as capital leases, and ii) the recording of right-of-use assets and corresponding lease liabilities pertaining to Cobalt's operating leases.

Operating Leases

Cobalt is a lessee to two office leases. The leases call for base monthly payments that are adjusted annually through the end of the lease. Under adoption of ASC 842, *Leases*, on January 1, 2022, Cobalt recorded operating lease right-of-use assets and operating lease liabilities of \$3,424,341 for these leases. The operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities on the accompanying balance sheet as of December 31, 2022. These assets and liabilities, net of current portion were recognized on January 1, 2022 based on the present value of remaining lease payments over the remaining lease term using a risk-free rate.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

4. Leases (Continued)

The components of operating and finance lease costs recorded in general and administrative expenses in the accompanying consolidated statements of income and changes in members' equity for 2022 were as follows:

	<u>December 31, 2022</u>
Operating lease costs	\$760,432
Finance lease costs:	
Amortization of right-of-use assets	19,173
Interest on lease liabilities	1,607
Variable lease costs	96,004
Sublease income	<u>(11,976)</u>
Total lease costs	<u>\$865,240</u>

Other information related to leases was as follows:

Supplemental Cash Flow Information

	<u>December 31, 2022</u>
Cash flows included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 735,636
Operating cash flows for finance leases	20,779
Non-cash leases activity:	
Right-of-use lease assets recorded upon adoption of ASC 842	3,424,341

Lease Term and Discount Rate

	<u>As of December 31, 2022</u>
Weighted-average remaining lease term (in years)	
Operating lease	4.69
Finance lease	0.75
Weighted-average discount rate	
Operating lease	1.26%
Finance lease	4.00%

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

4. Leases (Continued)

As of December 31, 2022, maturities of operating and finance lease liabilities for each of the following five years and a total thereafter were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 744,749	\$ 20,779
2024	589,156	15,585
2025	423,914	—
2026	432,388	—
2027	441,037	—
Thereafter	<u>185,280</u>	<u>—</u>
Total minimum future lease payments	2,816,524	36,364
Less imputed interest	<u>89,312</u>	<u>2,812</u>
Total lease liabilities	\$ <u>2,727,212</u>	\$ <u>33,552</u>

As of December 31, 2021, minimum future lease payments under non-cancelable leases through their maturities were as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>
2022	\$ 626,454	\$ 22,891
2023	459,691	20,779
2024	<u>173,779</u>	<u>15,585</u>
Total minimum future lease payments	\$ <u>1,259,924</u>	59,255
Less amount representing interest		<u>(4,710)</u>
Present value of total minimum least payments		54,545
Less current portion		<u>(20,993)</u>
		\$ <u>33,552</u>

Lease expense for the year ended December 31, 2021 was \$789,758.

OTHER FINANCIAL INFORMATION

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2022

	<u>ASSETS</u>			
	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 7,868,787	\$ 41,253	\$ —	\$ 7,910,040
Customer deposits	—	7,936,572	—	7,936,572
Accounts receivable – intercompany	—	2,886,521	(2,886,521)	—
Accounts receivable, net	279,231	437,000	—	716,231
Prepaid expenses	<u>693,200</u>	<u>—</u>	<u>—</u>	<u>693,200</u>
Total current assets	8,841,218	11,301,346	(2,886,521)	17,256,043
Property, plant, and equipment:				
Leasehold improvements	849,187	—	—	849,187
Computer software	3,812,460	—	—	3,812,460
Computer hardware	1,699,837	—	—	1,699,837
Office equipment	224,950	—	—	224,950
Furniture and fixtures	633,232	—	—	633,232
Telephone equipment	46,985	—	—	46,985
Work-in-process	<u>55,327</u>	<u>—</u>	<u>—</u>	<u>55,327</u>
	7,321,978	—	—	7,321,978
Less accumulated depreciation	<u>(4,405,893)</u>	<u>—</u>	<u>—</u>	<u>(4,405,893)</u>
Net property, plant and equipment	2,916,085	—	—	2,916,085
Other assets:				
Operating lease right-of-use assets	2,702,416	—	—	2,702,416
Goodwill, net	2,543,512	—	—	2,543,512
Other assets	<u>36,926</u>	<u>—</u>	<u>—</u>	<u>36,926</u>
Total other assets	<u>5,282,854</u>	<u>—</u>	<u>—</u>	<u>5,282,854</u>
	<u>\$17,040,157</u>	<u>\$11,301,346</u>	<u>\$(2,886,521)</u>	<u>\$25,454,982</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Current portion of finance lease obligations	\$ 20,993	\$ —	\$ —	\$ 20,993
Current portion of operating lease liabilities	713,939	—	—	713,939
Customer deposits	—	7,936,572	—	7,936,572
Accounts payable and accrued expenses	2,960,143	—	—	2,960,143
Accounts payable – intercompany	2,886,521	—	(2,886,521)	—
Due to members	69,528	—	—	69,528
Contract liabilities – unearned revenue	<u>395,180</u>	<u>7,048</u>	<u>—</u>	<u>402,228</u>
Total current liabilities	7,046,304	7,943,620	(2,886,521)	12,103,403
Finance lease obligations, net of current portion	12,559	—	—	12,559
Operating lease liabilities, net of current portion	<u>2,013,273</u>	<u>—</u>	<u>—</u>	<u>2,013,273</u>
Total liabilities	9,072,136	7,943,620	(2,886,521)	14,129,235
Members' equity:				
Contributed capital	6,138,774	124,402	—	6,263,176
Retained earnings	<u>1,829,247</u>	<u>3,233,324</u>	<u>—</u>	<u>5,062,571</u>
Total members' equity	7,968,021	3,357,726	—	11,325,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$17,040,157</u>	<u>\$11,301,346</u>	<u>\$ (2,886,521)</u>	<u>\$25,454,982</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2021

	<u>ASSETS</u>			
	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 6,606,887	\$ 49,572	\$ —	\$ 6,656,459
Customer deposits	—	8,180,592	—	8,180,592
Accounts receivable – intercompany	—	2,614,800	(2,614,800)	—
Accounts receivable, net	481,684	379,734	—	861,418
Prepaid expenses	<u>523,483</u>	<u>—</u>	<u>—</u>	<u>523,483</u>
Total current assets	7,612,054	11,224,698	(2,614,800)	16,221,952
Property, plant, and equipment:				
Leasehold improvements	840,127	—	—	840,127
Computer software	3,291,529	—	—	3,291,529
Computer hardware	1,514,859	—	—	1,514,859
Office equipment	224,950	—	—	224,950
Furniture and fixtures	617,964	—	—	617,964
Telephone equipment	46,985	—	—	46,985
Work-in-process	<u>106,102</u>	<u>—</u>	<u>—</u>	<u>106,102</u>
	6,642,516	—	—	6,642,516
Less accumulated depreciation	<u>(3,670,765)</u>	<u>—</u>	<u>—</u>	<u>(3,670,765)</u>
Net property, plant and equipment	2,971,751	—	—	2,971,751
Other assets:				
Goodwill, net	3,179,392	—	—	3,179,392
Other assets	<u>36,926</u>	<u>—</u>	<u>—</u>	<u>36,926</u>
Total other assets	<u>3,216,318</u>	<u>—</u>	<u>—</u>	<u>3,216,318</u>
	<u>\$13,800,123</u>	<u>\$11,224,698</u>	<u>\$ (2,614,800)</u>	<u>\$22,410,021</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Current portion of capital lease obligations	\$ 20,993	\$ —	\$ —	\$ 20,993
Customer deposits	—	8,180,592	—	8,180,592
Accounts payable and accrued expenses	2,494,171	—	—	2,494,171
Accounts payable – intercompany	2,614,800	—	(2,614,800)	—
Due to members	226,132	—	—	226,132
Contract liabilities – unearned revenue	<u>559,498</u>	<u>—</u>	<u>—</u>	<u>559,498</u>
Total current liabilities	5,915,594	8,180,592	(2,614,800)	11,481,386
Capital lease obligations, net of current portion	<u>33,552</u>	<u>—</u>	<u>—</u>	<u>33,552</u>
Total liabilities	5,949,146	8,180,592	(2,614,800)	11,514,938
Members' equity:				
Contributed capital	6,138,774	124,402	—	6,263,176
Retained earnings	<u>1,712,203</u>	<u>2,919,704</u>	<u>—</u>	<u>4,631,907</u>
Total members' equity	7,850,977	3,044,106	—	10,895,083
	<u>\$13,800,123</u>	<u>\$11,224,698</u>	<u>\$ (2,614,800)</u>	<u>\$22,410,021</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2022

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Revenue:				
Administrative fee income	\$ —	\$6,272,410	\$ —	\$ 6,272,410
Management fee income	31,208,529	—	(5,958,790)	25,249,739
Commission income	1,861,366	—	—	1,861,366
Other administrative income	<u>157,141</u>	<u>—</u>	<u>—</u>	<u>157,141</u>
Total revenue	33,227,036	6,272,410	(5,958,790)	33,540,656
Expenses:				
Salaries and employee benefits	16,664,342	—	—	16,664,342
Broker commissions	207,446	—	—	207,446
Consulting, audit and legal services	598,666	—	—	598,666
Other purchased services	8,386,328	5,958,790	(5,958,790)	8,386,328
General and administrative	4,390,817	—	—	4,390,817
Depreciation and amortization	<u>1,371,010</u>	<u>—</u>	<u>—</u>	<u>1,371,010</u>
Total expenses	<u>31,618,609</u>	<u>5,958,790</u>	<u>(5,958,790)</u>	<u>31,618,609</u>
Income from operations	1,608,427	313,620	—	1,922,047
Other income:				
Interest income	<u>43,116</u>	<u>—</u>	<u>—</u>	<u>43,116</u>
Net other income	<u>43,116</u>	<u>—</u>	<u>—</u>	<u>43,116</u>
Income before provision for state income taxes	1,651,543	313,620	—	1,965,163
Provision for state income taxes	<u>34,499</u>	<u>—</u>	<u>—</u>	<u>34,499</u>
Net income	1,617,044	313,620	—	1,930,664
Members' equity, beginning of year	7,850,977	3,044,106	—	10,895,083
Member distributions	<u>(1,500,000)</u>	<u>—</u>	<u>—</u>	<u>(1,500,000)</u>
Members' equity, end of year	<u>\$ 7,968,021</u>	<u>\$3,357,726</u>	<u>\$ —</u>	<u>\$11,325,747</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2021

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Revenue:				
Administrative fee income	\$ —	\$6,451,290	\$ —	\$ 6,451,290
Management fee income	28,047,165	—	(6,128,726)	21,918,439
Commission income	1,716,875	—	—	1,716,875
Other administrative income	<u>83,295</u>	<u>—</u>	<u>—</u>	<u>83,295</u>
Total revenue	29,847,335	6,451,290	(6,128,726)	30,169,899
Expenses:				
Salaries and employee benefits	15,592,035	—	—	15,592,035
Broker commissions	180,832	—	—	180,832
Consulting, audit and legal services	601,475	—	—	601,475
Other purchased services	7,453,258	6,128,726	(6,128,726)	7,453,258
General and administrative	3,892,121	—	—	3,892,121
Depreciation and amortization	<u>1,338,701</u>	<u>—</u>	<u>—</u>	<u>1,338,701</u>
Total expenses	<u>29,058,422</u>	<u>6,128,726</u>	<u>(6,128,726)</u>	<u>29,058,422</u>
Income from operations	788,913	322,564	—	1,111,477
Other income:				
Interest income	<u>6,329</u>	<u>—</u>	<u>—</u>	<u>6,329</u>
Net other income	<u>6,329</u>	<u>—</u>	<u>—</u>	<u>6,329</u>
Income before provision for state income taxes	795,242	322,564	—	1,117,806
Provision for state income taxes	<u>39,282</u>	<u>—</u>	<u>—</u>	<u>39,282</u>
Net income	755,960	322,564	—	1,078,524
Members' equity, beginning of year	9,095,017	2,721,542	—	11,816,559
Member distributions	<u>(2,000,000)</u>	<u>—</u>	<u>—</u>	<u>(2,000,000)</u>
Members' equity, end of year	<u>\$ 7,850,977</u>	<u>\$ 3,044,106</u>	<u>\$ —</u>	<u>\$10,895,083</u>

Cobalt Benefits Group, LLC and Subsidiary

**Consolidated Financial Statements
and Other Financial Information**

*Years Ended December 31, 2022 and 2021
With Independent Auditors' Report*

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Years Ended December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Income and Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Other Financial Information:	
Consolidating Balance Sheet as of December 31, 2022	15
Consolidating Balance Sheet as of December 31, 2021	17
Consolidating Statement of Income and Changes in Members' Equity for the Year Ended December 31, 2022	19
Consolidating Statement of Income and Changes in Members' Equity for the Year Ended December 31, 2021	20

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cobalt Benefits Group, LLC and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cobalt Benefits Group, LLC and Subsidiary (Cobalt), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of income and changes in members' equity and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cobalt as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cobalt and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 2 and 4 to the financial statements, in 2022, Cobalt adopted new accounting guidance Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cobalt's ability to continue as a going concern for a period of within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cobalt's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cobalt's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 7,910,040	\$ 6,656,459
Customer deposits	7,936,572	8,180,592
Accounts receivable, net of allowance for doubtful accounts of \$2,000 at December 31, 2022 and 2021	716,231	861,418
Prepaid expenses	<u>693,200</u>	<u>523,483</u>
Total current assets	17,256,043	16,221,952
Property, plant and equipment:		
Leasehold improvements	849,187	840,127
Computer software	3,812,460	3,291,529
Computer hardware	1,699,837	1,514,859
Office equipment	224,950	224,950
Furniture and fixtures	633,232	617,964
Telephone equipment	46,985	46,985
Work-in-process	<u>55,327</u>	<u>106,102</u>
	7,321,978	6,642,516
Less accumulated depreciation	<u>(4,405,893)</u>	<u>(3,670,765)</u>
Net property, plant and equipment	2,916,085	2,971,751
Other assets:		
Operating lease right-of-use assets	2,702,416	—
Goodwill, net	2,543,512	3,179,392
Other assets	<u>36,926</u>	<u>36,926</u>
Total other assets	<u>5,282,854</u>	<u>3,216,318</u>
	<u>\$25,454,982</u>	<u>\$22,410,021</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Current portion of finance lease obligations	\$ 20,993	\$ 20,993
Current portion of operating lease liabilities	713,939	—
Customer deposits	7,936,572	8,180,592
Accounts payable and accrued expenses	2,960,143	2,494,171
Due to members	69,528	226,132
Contract liabilities – unearned revenue	<u>402,228</u>	<u>559,498</u>
Total current liabilities	12,103,403	11,481,386
Finance lease obligations, net of current portion	12,559	33,552
Operating lease liabilities, net of current portion	<u>2,013,273</u>	<u>—</u>
Total liabilities	14,129,235	11,514,938
Members' equity:		
Contributed capital	6,263,176	6,263,176
Retained earnings	<u>5,062,571</u>	<u>4,631,907</u>
Total members' equity	11,325,747	10,895,083
	<u>\$25,454,982</u>	<u>\$22,410,021</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Administrative fee income	\$ 6,272,410	\$ 6,451,290
Management fee income	25,249,739	21,918,439
Commission income	1,861,366	1,716,875
Other administrative income	<u>157,141</u>	<u>83,295</u>
Total revenue	33,540,656	30,169,899
Expenses:		
Salaries and employee benefits	16,664,342	15,592,035
Broker commissions	207,446	180,832
Consulting, audit and legal services	598,666	601,475
Other purchased services	8,386,328	7,453,258
General and administrative	4,390,817	3,892,121
Depreciation and amortization	<u>1,371,010</u>	<u>1,338,701</u>
Total expenses	<u>31,618,609</u>	<u>29,058,422</u>
Income from operations	1,922,047	1,111,477
Other income:		
Interest income	<u>43,116</u>	<u>6,329</u>
Net other income	<u>43,116</u>	<u>6,329</u>
Income before provision for state income taxes	1,965,163	1,117,806
Provision for state income taxes	<u>34,499</u>	<u>39,282</u>
Net income	1,930,664	1,078,524
Members' equity, beginning of year	10,895,083	11,816,559
Member distributions	<u>(1,500,000)</u>	<u>(2,000,000)</u>
Members' equity, end of year	<u>\$11,325,747</u>	<u>\$10,895,083</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ 1,930,664	\$ 1,078,524
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,371,010	1,338,701
Non-cash lease expense	24,796	—
Changes in operating assets and liabilities:		
Accounts receivable, net	145,187	(199,418)
Prepaid expenses	(169,717)	50,019
Contract liabilities – unearned revenue	(157,270)	(136,559)
Accounts payable and accrued expenses	465,972	261,475
Due to members	<u>(156,604)</u>	<u>(274,072)</u>
Net cash flows provided by operating activities	3,454,038	2,118,670
Cash flows from investing activities:		
Purchases of property, plant and equipment	<u>(679,464)</u>	<u>(309,876)</u>
Net cash flows used by investing activities	(679,464)	(309,876)
Cash flows from financing activities:		
Principal payments on finance lease obligations	(20,993)	(20,994)
Member distributions	<u>(1,500,000)</u>	<u>(2,000,000)</u>
Net cash flows used by financing activities	<u>(1,520,993)</u>	<u>(2,020,994)</u>
Net increase (decrease) in cash and cash equivalents	1,253,581	(212,200)
Cash and cash equivalents, beginning of year	<u>6,656,459</u>	<u>6,868,659</u>
Cash and cash equivalents, end of year	\$ <u>7,910,040</u>	\$ <u>6,656,459</u>
Supplemental cash flow information:		
Cash paid for state taxes	\$ 26,246	\$ 17,933

Supplemental disclosures of non-cash activities:

See Note 4 with respect to certain non-cash activities related to leases.

See accompanying notes.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. Nature of Business

Cobalt Benefits Group, LLC and Subsidiary (Cobalt) was established as a limited liability company (LLC) in 2009 by Comprehensive Benefits Administrator, Inc. (CBA), a subsidiary of Blue Cross Blue Shield of Vermont, Inc. (BCBSVT). The LLC has a perpetual life subject to termination in certain events. Effective December 31, 2009, CBA transferred substantially all of its assets and liabilities (not including its customer contracts), including its 100% ownership interest in EBPA, LLC (EBPA), to Cobalt per the terms of a Contribution Agreement between the two parties. In December 2009, BCBSVT entered into a Joint Ownership Agreement with Blue Cross Blue Shield of Massachusetts, Inc. (BCBSMA) whereby BCBSMA purchased 50% of the membership interests in Cobalt from CBA.

Cobalt began business operations effective January 1, 2010. Its principal operations entail providing management services on behalf of CBA, EBPA, and Blue Benefit Administrators of Massachusetts (BBA), each of which is a third party employee benefits administrator (TPA). BBA is a subsidiary of BCBSMA.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cobalt and its wholly owned subsidiary, EBPA. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents and Customer Deposits

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash and short-term securities with an original maturity of three months or less. Cobalt holds funds in a money market account which had a balance of approximately \$4,800,000 and \$4,757,000 at December 31, 2022 and 2021, respectively.

Cobalt maintains its cash and customer deposits (which amounts also consist of cash on deposit) in bank deposit accounts which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. Cobalt has not experienced any losses in such accounts and management of Cobalt believes they are not exposed to any significant risk of loss on cash. Customer deposits are managed by EBPA as noted below.

Funds Managed on Behalf of Customers

As a third-party administrator, EBPA manages cash used for claims and related payments on behalf of its self-funded customers. As of December 31, 2022 and 2021, the aggregate balance of cash held by EBPA for this purpose was \$7,936,572 and \$8,180,592, respectively. This amount comprises customer deposits set aside to pay future claims of \$7,936,572 and \$8,180,592 as of December 31, 2022 and 2021, respectively.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Cobalt accounts for revenues under Accounting Standards Codification (ASC) 606 *Revenue from Contracts with Customers* (ASC 606) and determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as Cobalt satisfies the performance obligations.

A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgement.

Under ASC 606, incremental costs of obtaining contracts with customers are capitalized and are generally amortized over the estimated life of the customer relationship. Generally, Cobalt has elected to apply the practical expedient to expense incremental costs of obtaining contracts with customers as incurred, as the amortization period of the assets would have been one year or less.

Cobalt has entered into agreements with CBA and BBA to provide management services in connection with the TPA services rendered by these entities. Cobalt earns management fees from CBA and BBA in providing these management services. Through its wholly-owned TPA, EBPA, Cobalt earns administrative fees in connection with administering employee benefit programs. Cobalt earns commissions in connection with facilitating third party services, such as stop loss insurance; a portion of such commissions are paid to brokers in connection with the placement of such services. Performance obligations associated with management fees, administrative fees and commissions are satisfied over time and recognized as time passes and services are provided, typically monthly. Services are invoiced monthly and payment of such fees is generally received within 30 days of month-end.

Accounts Receivable

An allowance for doubtful accounts is provided based on an analysis by management of the collectability of outstanding balances. Management considers the age of outstanding balances and past collection efforts in determining the allowance for doubtful accounts. An allowance for doubtful accounts of \$2,000 has been provided at December 31, 2022 and 2021.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Effective January 1, 2017, Cobalt elected to adopt Accounting Standards Update (ASU) No. 2014-02, to amortize goodwill over a period of 10 years and to apply a simplified impairment model to test for impairment. Accounting rules require that intangible assets with estimable or determinable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and be reviewed for impairment. The carrying amount of goodwill at December 31, 2022 and 2021 was \$2,543,512 and \$3,179,392, respectively, which is net of \$3,815,280 and \$3,179,400 of accumulated amortization at December 31, 2022 and 2021, respectively. Amortization expense was \$635,880 for the years ended December 31, 2022 and 2021. Amortization of goodwill is expected to be \$635,880 annually for the next three years through 2025, and \$635,872 in 2026. Management believes there was no impairment of goodwill at December 31, 2022 and 2021.

Property and Equipment

Property and equipment are recorded at cost and depreciated to expected salvage value using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Maintenance and repair costs are expensed as incurred. The estimated useful lives of Cobalt's property and equipment are as follows:

Leasehold improvements	10 years
Furniture and fixtures	7 years
Office equipment	5 years
Telephone equipment	5 years
Computer hardware and software	3 – 10 years

Total depreciation expense in 2022 and 2021 totaled \$735,130 and \$702,821, respectively.

Cobalt completed implementation of a new claims system in 2019. Cobalt has also entered into a five year contract for ongoing use of the system, at a monthly cost that is based on total covered lives.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The guidance is effective for Cobalt on January 1, 2022. Subsequently, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. Under these standards, lessees (for finance and operating leases) may initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment at the opening balance of shareholders' equity while continuing to present comparative periods in accordance with current accounting principles generally accepted in the United States of America (U.S. GAAP) in Topic 840, *Leases*. Cobalt adopted these standards on January 1, 2022. See Note 4 for a discussion of Cobalt's adoption of these standards and its impact on the consolidated financial statements and related disclosures.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

At inception of a contract, Cobalt determines if a contract meets the definition of a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. Cobalt determines if the contract conveys the right to control the use of an identified asset for a period of time. Cobalt assesses throughout the period of use whether it has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed. Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Right-of-use assets and lease liabilities are recognized at lease commencement date based on the present value of the minimum future lease payments.

Cobalt applies ASC 842, *Leases*, to account for its operating leases. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Cobalt uses the risk-free rate based on the information available at the lease commencement date determining the present value of future payments because the implicit rate of the lease is generally not known. The expected lease term for leases commencing after the adoption of ASC 842 includes noncancelable lease periods and, when applicable, periods covered by an option to extend the lease if Cobalt is reasonably certain to exercise that option, as well as periods covered by an option to terminate the lease if Cobalt is reasonably certain not to exercise that option. Operating lease right-of-use (ROU) assets related to the operating lease liabilities are measured at lease inception based on the initial measurement of lease liability, plus any prepaid lease payments and less any lease incentives. The ROU assets are amortized as operating lease expense generally on a straight-line basis over the lease term, and both the lease amortization and imputed interest are classified as operating expenses.

Member Distributions

Member distributions to BCBSVT and BCBSMA are recorded when declared.

Defined Contribution Plan

A 401(k) voluntary defined contribution plan is available to full-time employees of Cobalt meeting certain requirements. Under the terms of the 401(k) plan, Cobalt matches employee contributions up to certain limits, which are adjusted from time to time. In 2022 and 2021, Cobalt matched the first 100% of an employee's contribution up to the first 4% of the employee's salary, plus 50% of the employee's contribution between 4% and 8% of their salary for a maximum match of 6%. Such contributions are subject to limits by federal law. Cobalt may also make discretionary non-elective contributions. Matching contributions made to the plan by Cobalt were \$548,610 and \$515,460 in 2022 and 2021, respectively. A discretionary non-elective contribution of \$373,525 was payable to the plan at December 31, 2022. No discretionary non-elective contributions were payable or paid to the plan for 2021. All 401(k) plan expenses are included in salaries and employee benefits in the accompanying consolidated statements of income and changes in members' equity.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$941 and \$2,480, respectively.

Tax Status

Cobalt has elected to be taxed as a partnership, and therefore substantially all profits and losses for income tax reporting purposes are passed through to the members. Cobalt is liable for business profits and enterprise taxes to the State of New Hampshire. State tax expense incurred by Cobalt in 2022 and 2021 was \$34,499 and \$39,282, respectively.

Cobalt recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss and other carryforwards. These assets and liabilities are measured using rates expected to be in effect when differences reverse. Valuation allowances are provided to the extent that tax assets are not likely to be recovered. Deferred tax assets and liabilities at December 31, 2022 and 2021 were not significant.

The Financial Accounting Standards Board's (FASB) Codification contains guidance which clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, and disclosure. It contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. Cobalt evaluated its tax positions under the two-step approach for recognition and measurement of uncertain tax positions and has determined that tax liabilities and disclosures of uncertain tax positions are adequate for all open tax years. Cobalt's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in income tax expense.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant items subject to such estimates and assumptions is the valuation of goodwill, capitalization and amortization period of software, and certain accruals and contingencies. Actual results could differ from these estimates.

Subsequent Events

Events occurring after the consolidated balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through _____, 2023, which is the date the consolidated financial statements were available to be issued.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

3. Related Party Transactions

As of January 1, 2010, Cobalt began providing management services to CBA and BBA as specified per the terms of the management agreements between Cobalt and each respective entity, and has received fees for these services. Fees earned from CBA and BBA comprise management fee income as reflected on the accompanying consolidated statements of income and changes in members' equity and totaled approximately \$25,250,000 and \$21,918,000 for the years ending December 31, 2022 and 2021, respectively. Amounts due to members at December 31, 2022 and 2021 consist principally of fees and other amounts collected on behalf of affiliates. All due to member amounts are settled on a monthly basis.

As of March 1, 2010, Cobalt began leasing office space to BCBSVT in Burlington, Vermont. BCBSVT leases this space on a month-to-month basis, and lease income totaled approximately \$12,000 and \$60,000 for the years ended December 31, 2022 and 2021, respectively. This lease income is included in general and administrative expenses in the accompanying consolidated statements of income and changes in members' equity.

4. Leases

Adoption of ASC Topic 842, Leases (ASC 842)

ASC 842 became effective for Cobalt on January 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. Cobalt elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, which there were none. In addition, Cobalt elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for 2022 reflect the application of ASC 842 guidance while the historical results for 2021 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon Cobalt's consolidated statements of income and changes in members' equity or cash flows. The adoption of the new standard resulted in the following impact to the 2022 consolidated balance sheet: i) no significant change in the carrying values of assets and liabilities related to Cobalt's finance leases, previously referred to as capital leases, and ii) the recording of right-of-use assets and corresponding lease liabilities pertaining to Cobalt's operating leases.

Operating Leases

Cobalt is a lessee to two office leases. The leases call for base monthly payments that are adjusted annually through the end of the lease. Under adoption of ASC 842, *Leases*, on January 1, 2022, Cobalt recorded operating lease right-of-use assets and operating lease liabilities of \$3,424,341 for these leases. The operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities on the accompanying balance sheet as of December 31, 2022. These assets and liabilities, net of current portion were recognized on January 1, 2022 based on the present value of remaining lease payments over the remaining lease term using a risk-free rate.

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

4. Leases (Continued)

The components of operating and finance lease costs recorded in general and administrative expenses in the accompanying consolidated statements of income and changes in members' equity for 2022 were as follows:

	<u>December 31, 2022</u>
Operating lease costs	\$760,432
Finance lease costs:	
Amortization of right-of-use assets	19,173
Interest on lease liabilities	1,607
Variable lease costs	96,004
Sublease income	<u>(11,976)</u>
Total lease costs	<u>\$865,240</u>

Other information related to leases was as follows:

Supplemental Cash Flow Information

	<u>December 31, 2022</u>
Cash flows included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 735,636
Operating cash flows for finance leases	20,779
Non-cash leases activity:	
Right-of-use lease assets recorded upon adoption of ASC 842	3,424,341

Lease Term and Discount Rate

	<u>As of December 31, 2022</u>
Weighted-average remaining lease term (in years)	
Operating lease	4.69
Finance lease	0.75
Weighted-average discount rate	
Operating lease	1.26%
Finance lease	4.00%

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

4. Leases (Continued)

As of December 31, 2022, maturities of operating and finance lease liabilities for each of the following five years and a total thereafter were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 744,749	\$ 20,779
2024	589,156	15,585
2025	423,914	—
2026	432,388	—
2027	441,037	—
Thereafter	<u>185,280</u>	<u>—</u>
Total minimum future lease payments	2,816,524	36,364
Less imputed interest	<u>89,312</u>	<u>2,812</u>
Total lease liabilities	<u>\$ 2,727,212</u>	<u>\$ 33,552</u>

As of December 31, 2021, minimum future lease payments under non-cancelable leases through their maturities were as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>
2022	\$ 626,454	\$ 22,891
2023	459,691	20,779
2024	<u>173,779</u>	<u>15,585</u>
Total minimum future lease payments	<u>\$ 1,259,924</u>	59,255
Less amount representing interest		<u>(4,710)</u>
Present value of total minimum least payments		54,545
Less current portion		<u>(20,993)</u>
		<u>\$ 33,552</u>

Lease expense for the year ended December 31, 2021 was \$789,758.

OTHER FINANCIAL INFORMATION

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2022

	<u>ASSETS</u>			
	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 7,868,787	\$ 41,253	\$ —	\$ 7,910,040
Customer deposits	—	7,936,572	—	7,936,572
Accounts receivable – intercompany	—	2,886,521	(2,886,521)	—
Accounts receivable, net	279,231	437,000	—	716,231
Prepaid expenses	<u>693,200</u>	<u>—</u>	<u>—</u>	<u>693,200</u>
Total current assets	8,841,218	11,301,346	(2,886,521)	17,256,043
Property, plant, and equipment:				
Leasehold improvements	849,187	—	—	849,187
Computer software	3,812,460	—	—	3,812,460
Computer hardware	1,699,837	—	—	1,699,837
Office equipment	224,950	—	—	224,950
Furniture and fixtures	633,232	—	—	633,232
Telephone equipment	46,985	—	—	46,985
Work-in-process	<u>55,327</u>	<u>—</u>	<u>—</u>	<u>55,327</u>
	7,321,978	—	—	7,321,978
Less accumulated depreciation	<u>(4,405,893)</u>	<u>—</u>	<u>—</u>	<u>(4,405,893)</u>
Net property, plant and equipment	2,916,085	—	—	2,916,085
Other assets:				
Operating lease right-of-use assets	2,702,416	—	—	2,702,416
Goodwill, net	2,543,512	—	—	2,543,512
Other assets	<u>36,926</u>	<u>—</u>	<u>—</u>	<u>36,926</u>
Total other assets	<u>5,282,854</u>	<u>—</u>	<u>—</u>	<u>5,282,854</u>
	<u>\$17,040,157</u>	<u>\$11,301,346</u>	<u>\$(2,886,521)</u>	<u>\$25,454,982</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Current portion of finance lease obligations	\$ 20,993	\$ —	\$ —	\$ 20,993
Current portion of operating lease liabilities	713,939	—	—	713,939
Customer deposits	—	7,936,572	—	7,936,572
Accounts payable and accrued expenses	2,960,143	—	—	2,960,143
Accounts payable – intercompany	2,886,521	—	(2,886,521)	—
Due to members	69,528	—	—	69,528
Contract liabilities – unearned revenue	<u>395,180</u>	<u>7,048</u>	<u>—</u>	<u>402,228</u>
Total current liabilities	7,046,304	7,943,620	(2,886,521)	12,103,403
Finance lease obligations, net of current portion	12,559	—	—	12,559
Operating lease liabilities, net of current portion	<u>2,013,273</u>	<u>—</u>	<u>—</u>	<u>2,013,273</u>
Total liabilities	9,072,136	7,943,620	(2,886,521)	14,129,235
Members' equity:				
Contributed capital	6,138,774	124,402	—	6,263,176
Retained earnings	<u>1,829,247</u>	<u>3,233,324</u>	<u>—</u>	<u>5,062,571</u>
Total members' equity	7,968,021	3,357,726	—	11,325,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$17,040,157</u>	<u>\$11,301,346</u>	<u>\$ (2,886,521)</u>	<u>\$25,454,982</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2021

	<u>ASSETS</u>			
	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 6,606,887	\$ 49,572	\$ —	\$ 6,656,459
Customer deposits	—	8,180,592	—	8,180,592
Accounts receivable – intercompany	—	2,614,800	(2,614,800)	—
Accounts receivable, net	481,684	379,734	—	861,418
Prepaid expenses	<u>523,483</u>	<u>—</u>	<u>—</u>	<u>523,483</u>
Total current assets	7,612,054	11,224,698	(2,614,800)	16,221,952
Property, plant, and equipment:				
Leasehold improvements	840,127	—	—	840,127
Computer software	3,291,529	—	—	3,291,529
Computer hardware	1,514,859	—	—	1,514,859
Office equipment	224,950	—	—	224,950
Furniture and fixtures	617,964	—	—	617,964
Telephone equipment	46,985	—	—	46,985
Work-in-process	<u>106,102</u>	<u>—</u>	<u>—</u>	<u>106,102</u>
	6,642,516	—	—	6,642,516
Less accumulated depreciation	<u>(3,670,765)</u>	<u>—</u>	<u>—</u>	<u>(3,670,765)</u>
Net property, plant and equipment	2,971,751	—	—	2,971,751
Other assets:				
Goodwill, net	3,179,392	—	—	3,179,392
Other assets	<u>36,926</u>	<u>—</u>	<u>—</u>	<u>36,926</u>
Total other assets	<u>3,216,318</u>	<u>—</u>	<u>—</u>	<u>3,216,318</u>
	<u>\$13,800,123</u>	<u>\$11,224,698</u>	<u>\$ (2,614,800)</u>	<u>\$22,410,021</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Current portion of capital lease obligations	\$ 20,993	\$ —	\$ —	\$ 20,993
Customer deposits	—	8,180,592	—	8,180,592
Accounts payable and accrued expenses	2,494,171	—	—	2,494,171
Accounts payable – intercompany	2,614,800	—	(2,614,800)	—
Due to members	226,132	—	—	226,132
Contract liabilities – unearned revenue	<u>559,498</u>	<u>—</u>	<u>—</u>	<u>559,498</u>
Total current liabilities	5,915,594	8,180,592	(2,614,800)	11,481,386
Capital lease obligations, net of current portion	<u>33,552</u>	<u>—</u>	<u>—</u>	<u>33,552</u>
Total liabilities	5,949,146	8,180,592	(2,614,800)	11,514,938
Members' equity:				
Contributed capital	6,138,774	124,402	—	6,263,176
Retained earnings	<u>1,712,203</u>	<u>2,919,704</u>	<u>—</u>	<u>4,631,907</u>
Total members' equity	7,850,977	3,044,106	—	10,895,083
	<u>\$13,800,123</u>	<u>\$11,224,698</u>	<u>\$ (2,614,800)</u>	<u>\$22,410,021</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2022

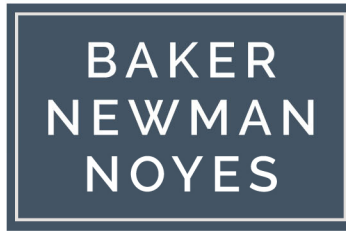
	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Revenue:				
Administrative fee income	\$ —	\$6,272,410	\$ —	\$ 6,272,410
Management fee income	31,208,529	—	(5,958,790)	25,249,739
Commission income	1,861,366	—	—	1,861,366
Other administrative income	<u>157,141</u>	<u>—</u>	<u>—</u>	<u>157,141</u>
Total revenue	33,227,036	6,272,410	(5,958,790)	33,540,656
Expenses:				
Salaries and employee benefits	16,664,342	—	—	16,664,342
Broker commissions	207,446	—	—	207,446
Consulting, audit and legal services	598,666	—	—	598,666
Other purchased services	8,386,328	5,958,790	(5,958,790)	8,386,328
General and administrative	4,390,817	—	—	4,390,817
Depreciation and amortization	<u>1,371,010</u>	<u>—</u>	<u>—</u>	<u>1,371,010</u>
Total expenses	<u>31,618,609</u>	<u>5,958,790</u>	<u>(5,958,790)</u>	<u>31,618,609</u>
Income from operations	1,608,427	313,620	—	1,922,047
Other income:				
Interest income	<u>43,116</u>	<u>—</u>	<u>—</u>	<u>43,116</u>
Net other income	<u>43,116</u>	<u>—</u>	<u>—</u>	<u>43,116</u>
Income before provision for state income taxes	1,651,543	313,620	—	1,965,163
Provision for state income taxes	<u>34,499</u>	<u>—</u>	<u>—</u>	<u>34,499</u>
Net income	1,617,044	313,620	—	1,930,664
Members' equity, beginning of year	7,850,977	3,044,106	—	10,895,083
Member distributions	<u>(1,500,000)</u>	<u>—</u>	<u>—</u>	<u>(1,500,000)</u>
Members' equity, end of year	<u>\$ 7,968,021</u>	<u>\$3,357,726</u>	<u>\$ —</u>	<u>\$11,325,747</u>

COBALT BENEFITS GROUP, LLC AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY

Year Ended December 31, 2021

	<u>Cobalt</u>	<u>EBPA</u>	<u>Eliminations</u>	<u>Total</u>
Revenue:				
Administrative fee income	\$ —	\$6,451,290	\$ —	\$ 6,451,290
Management fee income	28,047,165	—	(6,128,726)	21,918,439
Commission income	1,716,875	—	—	1,716,875
Other administrative income	<u>83,295</u>	<u>—</u>	<u>—</u>	<u>83,295</u>
Total revenue	29,847,335	6,451,290	(6,128,726)	30,169,899
Expenses:				
Salaries and employee benefits	15,592,035	—	—	15,592,035
Broker commissions	180,832	—	—	180,832
Consulting, audit and legal services	601,475	—	—	601,475
Other purchased services	7,453,258	6,128,726	(6,128,726)	7,453,258
General and administrative	3,892,121	—	—	3,892,121
Depreciation and amortization	<u>1,338,701</u>	<u>—</u>	<u>—</u>	<u>1,338,701</u>
Total expenses	<u>29,058,422</u>	<u>6,128,726</u>	<u>(6,128,726)</u>	<u>29,058,422</u>
Income from operations	788,913	322,564	—	1,111,477
Other income:				
Interest income	<u>6,329</u>	<u>—</u>	<u>—</u>	<u>6,329</u>
Net other income	<u>6,329</u>	<u>—</u>	<u>—</u>	<u>6,329</u>
Income before provision for state income taxes	795,242	322,564	—	1,117,806
Provision for state income taxes	<u>39,282</u>	<u>—</u>	<u>—</u>	<u>39,282</u>
Net income	755,960	322,564	—	1,078,524
Members' equity, beginning of year	9,095,017	2,721,542	—	11,816,559
Member distributions	<u>(2,000,000)</u>	<u>—</u>	<u>—</u>	<u>(2,000,000)</u>
Members' equity, end of year	<u>\$ 7,850,977</u>	<u>\$ 3,044,106</u>	<u>\$ —</u>	<u>\$10,895,083</u>



Cobalt Benefits Group, LLC 401(k) Plan

Financial Statements and Supplemental Schedule

Years Ended December 31, 2022 and 2021

With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnn CPA.com



COBALT BENEFITS GROUP, LLC 401(k) PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Years Ended December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Net Assets Available for Benefits	4
Statements of Changes in Net Assets Available for Benefits	5
Notes to Financial Statements	6
Supplemental Schedule:	
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)	13

INDEPENDENT AUDITORS' REPORT

Plan Administrator
Cobalt Benefits Group, LLC 401(k) Plan

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed audits of the financial statements of Cobalt Benefits Group, LLC 401(k) Plan (the Plan), an employee benefit plan subject to the *Employee Retirement Income Security Act of 1974* (ERISA), as permitted by ERISA Section 103(a)(3)(C) (ERISA Section 103(a)(3)(C) audit). The financial statements comprise the statements of net assets available for benefits as of December 31, 2022 and 2021, the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audits of the Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the United States Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audits need not extend to any statements or information related to assets held for investment of the Plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA (qualified institution).

Management has obtained certifications from a qualified institution as of and for the years ended December 31, 2022 and 2021, stating that the certified investment information, as described in Note 3 to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audits and on the procedures performed as described in the Auditors' Responsibilities for the Audit of the Financial Statements section:

- The amounts and disclosures in the accompanying financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).
- The information in the accompanying financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit of the Financial Statements section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audits did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures related to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of U.S. GAAP.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with U.S. GAAP.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters – Supplemental Schedule Required by ERISA

The supplemental schedule of assets (held at end of year) as of December 31, 2022, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including its form and content, is presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- The form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the investment information, are presented, in all material respects, in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.
- The information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Baker Newman & Noyes LLC

Manchester, New Hampshire
October 13, 2023

COBALT BENEFITS GROUP, LLC 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Investments, at fair value:		
Money market fund	\$ 1,512	\$ 189
Mutual funds	12,425,695	15,002,789
Collective trust fund	<u>2,249,610</u>	<u>2,109,607</u>
	14,676,817	17,112,585
Receivables:		
Notes receivable from participants	173,573	156,733
Employer contributions receivable	<u>373,523</u>	<u>—</u>
Total receivables	<u>547,096</u>	<u>156,733</u>
Net assets available for benefits	<u>\$15,223,913</u>	<u>\$17,269,318</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes to nets assets attributed to:		
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	\$ (3,086,632)	\$ 1,024,565
Interest and dividend income	<u>814,744</u>	<u>920,296</u>
	(2,271,888)	1,944,861
Interest on notes receivable from participants	6,514	6,659
Contributions:		
Employee	983,673	940,157
Employer	912,982	515,532
Rollovers	<u>162,812</u>	<u>156,633</u>
	<u>2,059,467</u>	<u>1,612,322</u>
Total changes	(205,907)	3,563,842
Deductions from net assets attributed to:		
Benefit payments	1,801,610	722,741
Administrative expenses	<u>37,888</u>	<u>40,659</u>
Total deductions	<u>1,839,498</u>	<u>763,400</u>
Net (decrease) increase in net assets available for benefits	(2,045,405)	2,800,442
Net assets available for benefits, beginning of year	<u>17,269,318</u>	<u>14,468,876</u>
Net assets available for benefits, end of year	<u>\$15,223,913</u>	<u>\$17,269,318</u>

See accompanying notes.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. **Description of the Plan**

The following description of the Cobalt Benefits Group LLC, 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is sponsored and administered by Cobalt Benefits Group, LLC (the Company), which has sole authority to amend or terminate the Plan. The Plan is a defined contribution plan covering all eligible employees of the Company. The Plan is subject to the provisions of the *Employee Retirement Income Security Act of 1974* (ERISA).

Fidelity Management Trust Company (Fidelity or the Trustee) currently serves as the trustee of the Plan.

Eligibility

Employees become eligible to make salary contributions immediately once they have completed three months of service and have attained the age of eighteen.

Contributions

Contributions to the Plan are made by the participants in the form of salary reduction, as defined by the Plan. The Company matches the first 100% of an employee's contribution up to the first 4% of the employee's salary, plus 50% of the employee's contribution between 4% and 8% of their salary for a maximum match of 6%.

The Company may also contribute to the Plan at its discretion based on the profitability of the Company. To receive discretionary contributions, eligible participants must be employed on the last day of the contribution period and earn at least 1,000 hours of service during the Plan year. Discretionary contributions are made at the discretion of the Company and are allocated among eligible participants based upon the ratio of the participant's compensation as compared to the compensation of all eligible employees within the group of eligible employees to which the participant belongs. The Company made discretionary contributions of \$373,523 in 2022 and made no discretionary contributions in 2021.

Rollover contributions are permitted under the Plan, subject to the approval of the Plan Administrator and the appropriate sections of the Code.

Vesting

Participants are immediately vested in their elective contributions and rollover contributions plus actual earnings thereon. Vesting in the Company contribution portion of their accounts plus earnings thereon is based on years of service. Contributions become 20% vested after two years of credited service and 100% vested after three years of credited service.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. **Description of the Plan (Continued)**

Participant Accounts

Each participant's account is credited with the participant's contribution, the employer's contribution and an allocation of investment earnings. Allocations are based on participant earnings or account balances, as defined. Each participant's account is also adjusted to reflect the current fair value of the assets in which such account is invested. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Forfeitures

Upon termination of a participant's employment, the nonvested portions of the Company's matching and discretionary contributions (if any) and earnings thereon are forfeited, on the earlier of distribution of the vested portion to the participant, or when a five-year break in service occurs. Forfeitures are used to reduce administrative expenses and employer discretionary contributions. Forfeitures used in 2022 and 2021 were not significant.

Benefit Payments

Upon retirement, termination of employment, age 59.5, death or disability, participants may elect to receive the value of their account in the form of: a lump sum payment; a direct rollover to another qualified plan which accepts direct rollovers or to an Individual Retirement Account (IRA); or a partial withdrawal following termination of employment. The Plan allows for the Company to direct the Trustee to distribute any participant balances between \$1,000 and \$5,000 to an IRA for the participant's benefit and to immediately cash out participant balances up to \$1,000 upon termination of employment.

Notes Receivable from Participants

Plan participants are allowed to borrow a minimum of \$1,000 up to the lesser of \$50,000 or one-half of the value of their accounts under the Plan. Notes must be repaid over a period not to exceed five years unless the proceeds are used for certain residential purposes. Notes receivable from participants bear interest commensurate with local prevailing rates, as determined by the Plan administrator. Interest rates range from 4.25% to 8.00% at December 31, 2022 with maturities through June 2031. Principal and interest are paid by participants through payroll deductions.

2. **Summary of Significant Accounting Policies**

Basis of Accounting and Presentation

The accompanying financial statements of the Plan are prepared on the accrual basis of accounting.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period, and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options which in turn invest in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Market risks include global events which could impact the value of investments, such as pandemics or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Investments

The Plan's investments are stated at fair value (see note 8).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments purchased and sold as well as held during the year.

Net (depreciation) appreciation in fair value of investments is reflected in the statements of changes in net assets available for benefits and includes realized gains and losses on investments bought and sold and the change in (depreciation) appreciation from one period to the next.

Notes Receivable From Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned on an accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2022 or 2021. If a participant ceases to make loan repayments and the Plan Administrator deems the loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Contributions

Contributions to the Plan are made by both participants and the Company. Participant contributions are recorded in the period in which payroll deductions are made. Company contributions are recorded in the year of related eligible participant service.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. **Summary of Significant Accounting Policies (Continued)**

Payment of Benefits

Benefit payments are recorded when paid.

Administrative Expenses

All administrative expenses associated with the operation of the Plan, with the exception of certain investment transaction fees, were paid by the Company, and are therefore not reflected in the financial statements as expenses of the Plan.

Subsequent Events

Events occurring after the statement of net assets available for benefits date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 13, 2023, which is the date that the financial statements were available to be issued.

3. **Information Certified by Fidelity Management Trust Company (Trustee)**

The Plan Administrator has elected the method of compliance permitted by ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan Administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to the information certified by the Trustee, except for comparing such information with the related information included in the accompanying financial statements and supplemental schedule. The Plan Administrator has obtained certifications from the Trustee stating that the information provided to the Plan Administrator by the Trustee is complete and accurate. Such information includes investments, net (depreciation) appreciation in fair value of investments, interest and dividend income, investment transactions, notes receivable from participants, interest income on notes receivable from participants and notes receivable transactions.

4. **Income Tax Status**

The Plan is based on a Fidelity Volume Submitter Plan for which the Internal Revenue Service (IRS) issued an opinion letter dated June 30, 2020, stating that the Plan was designed in accordance with applicable IRS requirements. The Plan has been amended since that date. The Plan administrator believes that the Plan is currently designed and being operated in compliance with applicable requirements of the Code. Therefore, the Plan administrator believes the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

4. **Income Tax Status (Continued)**

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the United States federal, state, or local tax authorities. Management evaluated the Plan's tax positions and concluded that the Plan has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

5. **Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

6. **Party-In-Interest Transactions**

The Plan's investments are managed by Fidelity Investments. Fidelity Management Trust Company and Fidelity Workplace Services LLC, which are part of the Fidelity Investments organization, serve as the Plan's Trustee and recordkeeper, respectively. Therefore, transactions involving the Plan's investments in the Fidelity Government Money Market and Fidelity mutual funds qualify as party-in-interest transactions. The Plan paid certain direct fees to Fidelity Investments totaling \$37,888 and \$40,659, which are recorded in administrative expenses in the accompanying statements of changes in net assets available for benefits for the years ended December 31, 2022 and 2021, respectively. In addition, loans to participants qualify as party-in-interest transactions.

7. **Reconciliation of Financial Statements to Form 5500**

There were no differences between the total assets available for benefits as presented in Form 5500 compared to the amounts shown in the accompanying financial statements as of December 31, 2022 and 2021.

Notes receivable from participants are reflected as a receivable on the financial statements, which is different from the Form 5500 presentation. On Form 5500, notes receivable are classified as investments under the caption "participant loans."

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

8. **Fair Value Measurements**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There are no restrictions on the sale of any of these investments.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

8. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2022 and 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2022</u>				
Money market funds	\$ 1,512	\$ —	\$ —	\$ 1,512
Mutual funds	<u>12,425,695</u>	<u>—</u>	<u>—</u>	<u>12,425,695</u>
Total assets in the fair value hierarchy	<u>\$12,427,207</u>	<u>\$ —</u>	<u>\$ —</u>	12,427,207
Collective trust fund measured at net asset value				<u>2,249,610</u>
Total investments				<u>\$14,676,817</u>
<u>2021</u>				
Money market funds	\$ 189	\$ —	\$ —	\$ 189
Mutual funds	<u>15,002,789</u>	<u>—</u>	<u>—</u>	<u>15,002,789</u>
Total assets in the fair value hierarchy	<u>\$15,002,978</u>	<u>\$ —</u>	<u>\$ —</u>	15,002,978
Collective trust fund measured at net asset value				<u>2,109,607</u>
Total investments				<u>\$17,112,585</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds and mutual funds – Fair value estimates are based on quoted net asset value of the shares on the active market on which the funds are traded.

Collective trust fund – The Plan's investment in the Reliance Trust New York Life Anchor Account Series I Class 25 fund is a collective trust fund, which invests in a group annuity contract issued by New York Life Insurance Company. This fund strives to preserve principal and maintain a stable crediting rate that is responsive to changes in interest rates. Valued at the NAV of units of the collective trust. The NAV, as provided by the trustees, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust fund, the investment adviser reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

COBALT BENEFITS GROUP, LLC 401(k) PLAN

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)

Employer Identification No. 27-1516730

Plan No. 001

December 31, 2022

(a)	(b) Identity of, Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including, Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost ⁽¹⁾	(e) Current Value
	Mutual funds:			
	American Beacon	Small-Cap Value A	\$ –	\$ 681,676
	Dodge & Cox	Stock Fund	–	1,788,991
*	Fidelity Investments	Overseas K	–	65,222
*	Fidelity Investments	US Bond Index	–	48,307
*	Fidelity Investments	500 Index Fund	–	1,622,349
*	Fidelity Investments	Mid Cap Index	–	18,974
*	Fidelity Investments	Small Cap Index	–	177,451
*	Fidelity Investments	International Index	–	120,384
*	Fidelity Investments	Freedom Inc. K	–	5,988
*	Fidelity Investments	Freedom 2010 K	–	49,234
*	Fidelity Investments	Freedom 2020 K	–	732,583
*	Fidelity Investments	Freedom 2025 K	–	799,406
*	Fidelity Investments	Freedom 2030 K	–	1,131,079
*	Fidelity Investments	Freedom 2035 K	–	621,109
*	Fidelity Investments	Freedom 2040 K	–	206,849
*	Fidelity Investments	Freedom 2045 K	–	222,258
*	Fidelity Investments	Freedom 2050 K	–	205,573
*	Fidelity Investments	Freedom 2055 K	–	324,534
*	Fidelity Investments	Freedom 2060 K	–	193,670
*	Fidelity Investments	Freedom 2065 K	–	12,014
	John Hancock	Mid-Cap Value Fund I	–	283,589
	Manning & Napier	Overseas Series	–	500,077
	MetWest	Total Return Bond Fund	–	799,570
	Neuberger Berman	Genesis Fund Class R6	–	73,938
	PIMCO	Total Return Fund Institutional Class	–	59,090
	T. Rowe Price	Blue Chip Growth	–	186,616
	The Hartford	Mid-Cap Fund Class Y	–	894,687
	Vanguard	Short-Term Treasury Fund Admiral Shares	–	119,549
	Vanguard	Inflation-Protected Securities Fund Admiral	–	319,828
	PGIM	PGIM High Yield R4	–	<u>161,100</u>
	Total mutual funds			12,425,695

COBALT BENEFITS GROUP, LLC 401(k) PLAN

SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)

Employer Identification No. 27-1516730
Plan No. 001

December 31, 2022

(a)	(b) Identity of, Issue, Borrower, <u>Lessor or Similar Party</u>	(c) Description of Investment Including, Maturity Date, Rate of Interest, <u>Collateral, Par or Maturity Value</u>	(d) <u>Cost</u> ⁽¹⁾	(e)
				<u>Current Value</u>
*	Fidelity Investments Reliance Trust	Government Money Market Fund New York Life Anchor Account Series I Class 25	\$ –	\$ 1,512
			–	2,249,610
*	Participant loans	Interest at various rates (4.25% – 8.00%)	–	<u>173,573</u>
				<u>\$14,850,390</u>

* Represents party-in-interest to the Plan

⁽¹⁾ Cost information is not required for participant-directed investments.

The above information has been certified by Fidelity Management Trust Company, the Trustee, as complete and accurate.