

BUYER PACKAGE

CONTENTS INCLUDE:

Note: click on any of the contents in which you would like to view and you will be automatically directed to that section.

FORMS:

- **Personal Financial Statement**
- **Personal Budget Analysis**
- **Management Resume**
- **References**
- **Business Plan Checklist**
- **Confidentiality Agreement**
- **Buyer Site Visit Protocol**

INFORMATION:

- **QUALIFICATIONS: ELLIE WATTLES, DVM**

Article: The Right Stuff: Making the Transition from Associate to Practice Owner

- **QUALIFICATIONS: RICK WATTLES, DVM**

Article: Finding the Right Price: The importance of profitability and market appeal in practice value

PERSONAL FINANCIAL STATEMENT

As of _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock and each corporate officer and director; or (4) any other person or entity providing a guaranty on the loan.

Name	Business Phone
Residence Address	Residence Phone
City, State, Zip Code	

Business Name of Applicant/Borrower _____

ASSETS (Omit Cents)	LIABILITIES (Omit Cents)
Cash on hands & in Banks \$ _____	Accounts Payable \$ _____
Savings Accounts \$ _____	Notes Payable to Banks and Others \$ _____ (Describe in Sect. 2)
IRA or Other Retirement Account \$ _____	Installment Account (Auto) \$ _____ Mo. Payments \$ _____
Accounts & Notes Receivable \$ _____	Installment Account (Other) \$ _____ Mo. Payments \$ _____
Life Insurance - Cash Surrender Value Only (Complete Sect. 8) \$ _____	Loan on Life Insurance \$ _____
Stocks and Bonds \$ _____ (Describe in Sect. 3)	Mortgages on Real Estate \$ _____ (Describe in Sect. 4)
Real Estate \$ _____ (Describe in Sect. 4)	Unpaid Taxes \$ _____ (Describe in Sect. 6)
Automobile - Present Value \$ _____	Other Liabilities \$ _____ (Describe in Sect. 7)
Other Personal Property \$ _____ (Describe in Sect. 5)	Total Liabilities \$ _____
Other Assets \$ _____ (Describe in Sect. 5)	Net Worth \$ _____
Total \$ _____	Total \$ _____

Section 1. Source of Income	Contingent Liabilities
Salary \$ _____	As Endorser or Co-Maker \$ _____
Net Investment Income \$ _____	Legal Claims & Judgments \$ _____
Real Estate Income \$ _____	Provision for Federal Income Tax \$ _____
Other Income (Describe below)* \$ _____	Other Special Debt \$ _____

Description of Other Income in Section 1.

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Bank and Others (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

No. of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

Section 4. Real Estate Owned. (List each parcel separately. Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

	Property A	Property B	Property C
Type of Property			
Name & Address of Title Holder			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Acct. Number			
Mortgage Balance			
Amt. of Pmt. per Mo./Yr.			
Status of Mortgage			

Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment, and if delinquent, describe delinquency.)

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Section 6. Unpaid Taxes.(Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches).

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Section 7. Other Liabilities.(Describe in detail.)

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Section 8. Life Insurance Held.(Give face amount and cash surrender value of policies - name of insurance company and beneficiaries.)

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I authorize Pacific Professionals, Inc. to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature	Date:	Soc. Sec. No.:
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Personal Budget Analysis

Name: _____

Current Monthly Income

Gross Salary/Owner Draw.....\$ _____

Spousal Salary..... _____

Gross Rental Income..... _____

Interest Income/Dividend Income..... _____

Other Income (_____)..... _____

(_____)..... _____

A. Total Monthly Income.....\$ _____

Current Monthly Expenses

Residence Mortgage (P&I or PITI) or Rent..... _____

Mortgage Payment (rental)..... _____

Rental Expenses..... _____

Auto Loan/Lease Payments..... _____

Installment Loan Payments..... _____

Credit Card/Line Payments..... _____

Utilities/Phone..... _____

Insurance (personal/household)..... _____

Food..... _____

Clothing..... _____

Income Taxes (30% income State and Federal)..... _____

Property Taxes (historical rate)..... _____

Alimony/Child Support..... _____

Medical..... _____

Child Care..... _____

Other Expense (_____)..... _____

(_____)..... _____

B. Total Monthly Expenses.....\$ _____

C. Net Discretionary Income....\$ _____

(A - B = C)

I/we hereby certify that the above information is valid and correct to the best of my/our knowledge.

Signature _____ Date: _____

Signature _____ Date: _____

REFERENCES

List three personal references (people who have known you three years or longer.)

Name/Occupation	Address	Phone Number	Years Known

List three professional references

Name/Occupation	Address	Phone Number	Years Known

BUSINESS PLAN CHECKLIST

MARKETING

EXTERNAL

- Expand Yellow Page size, design, color, etc.
- Direct mail marketing, specifically marketing via coupons, mailers, and Welcome Wagon
- Implementation of regular ads in local newspapers
- Write a weekly column
- Develop relationships with local pet stores (for referrals on new pets)
- Work in conjunction with a local animal shelter/SPCA/Humane Society and become a pet adoption center

INTERNAL

- Reminder system
- Recall system
- Referrals acknowledged
- Shoppers logged and/or follow up
- New clients are sent follow up notes and/or other practice information
- Hospital newsletter
- Client education handouts
- Staff training to increase OTC and retail sales
- Practice brochure: explaining philosophy, services available, introducing staff and doctors.

SERVICES AND PRODUCTION

GENERAL

- Increase ATF
- Increase fees for certain services
- Developing profit centers: pharmacy, laboratory, client services, etc.

STAFFING

- Additional doctor
- Additional receptionist
- Additional tech
- Additional assistant

NON-PROFESSIONAL

- Expansion of boarding/grooming services
- Expansion of retail sales
- Expansion of diet food sales

PROFESSIONAL

- House/farm calls
- Increase species seen
 - Avian
 - Equine
 - Exotics - Wild animals
 - Fish - tropical, Coy
 - Food animal or pet ruminants/pigs
 - Pocket pets
 - Rabbits
 - Reptile
- Surgery
 - Orthopedics: open reductions, ACL's, etc.
 - Special procedures - ear crops, debarking, etc.
 - Referral procedures: thoracic, abdominal, perineal, etc.
- Dentistry
 - Increase number of prophylactic procedures
 - Increase specialty - cosmetic, root canal, etc.
- Critical care
 - Emergencies
 - Intensive care

BUSINESS PLAN CHECKLIST

- Diagnostics
 - Increase number of X-rays: routine, dental, special procedures
 - Ultrasound
 - In-house laboratory procedures
 - Cytology: skin, ears, growths
 - Extended fecals: flotation, directs, occult blood, etc.
 - Cultures: Bacterial and fungal
 - Lab kits: HWT, Parvo, Feline viral, etc.
 - Outside laboratory procedures
 - Offer more geriatric, pre-surgical, wellness testing to more clients
 - Offer more follow up monitoring: NSAID panels, T4, PB, Fructosamine, etc.
 - Blood pressure monitoring
 - Ophthalmoscopy: Tonapen, Indirect scope, etc.
 - Endoscopy

HOURS

- Extended weekday hours
- Extended weekend hours
- Extended evening hours
- Extended pet pickup/delivery
- Early or late drop offs

DOCTOR HOURS AT NEW PRACTICE

MON	TUE	WED	THU	FRI	SAT	SUN

EQUIPMENT

- Computer**
 - New system
 - Upgrade current
- Imaging**
 - Upgrade X-ray or add Dental X-ray
 - X-ray processor
 - Digital radiography
 - Ultrasound - color Doppler or regular
- Anesthesia**
 - Upgrade current machine
 - Add a machine
 - Additional monitors: ECG, PulseOximeter, ApAlert, etc.
- Exam**
 - Ophthalmic
 - Endoscopy
 - Blood pressure
 - Hydraulic lift table
- Surgery**
 - Surgery table or wet table
 - Special instruments
 - Electrosurgical
 - Suction
 - Infusion pump
- Laboratory**
 - Chemistry
 - Electrolyte
 - CBC
 - Coagulation
 - Glucometer
 - Bacterial incubator

Pacific Professionals Inc.
CONFIDENTIALITY AGREEMENT

PACIFIC PROFESSIONALS INC., hereinafter referred to as "Broker", in connection with the possible acquisition of ANY VETERINARY PRACTICE(S) AND ANY APPLICABLE REAL ESTATE, hereinafter collectively referred to as the "Property," will furnish propriety information which may include advertising and marketing materials, prospects for the future growth, financial summaries, income information, balance sheets, management systems, operating formats, sourcing information, client lists, employee information, vendor information and any other company data, which may assist undersigned, hereinafter also referred to as "Buyer" in the completion of its due diligence, enter into this Confidentiality Agreement, hereinafter referred to as "Agreement."

All such financial, intellectual/proprietary and other information concerning the Property is proprietary and confidential and it is the nature of trade secrets which, if disclosed to any person(s) not a party to this Agreement, would result in substantial damages to the Property.

In consideration for Broker providing information relative to the Property received by the undersigned from Pacific Professionals, Inc., I hereby agree as follows:

1. Not to reveal to anyone, except immediate advisory and fiduciaries, my employees or agents, who have a need to know, that the Property disclosed by Broker is for sale and contains proprietary information. I will advise my immediate advisors and fiduciaries, my employees or agents to respect this Confidentiality Agreement. I also will take reasonable precautions against disclosure by my employees of the proprietary information including, but limited to, advising them in writing of the restrictions set forth in this agreement.
2. All proprietary information furnished will be deemed confidential except information which is generally available to the public or is already in my possession. The information presented will not be used in any way for personal benefit other than the purchase of said Property.
3. To evaluate all information within a reasonable time period. If I decide not to pursue the proposed transaction, I will promptly advise Broker of this fact and return all proprietary information without retaining copies or extracts thereof.
4. **NOT TO CONTACT THE PROPERTY OWNER(S), EMPLOYEES, INCLUDING BUT NOT LIMITED TO ASSOCIATE DOCTORS, RELIEF DOCTORS, SUPPORT STAFF, SUPPLIERS, COMPETITORS, ATTORNEY, ACCOUNTANT, OR CLIENTS EXCEPT THROUGH BROKER, WHO I HEREBY ACKNOWLEDGE TO BE THE AGENCY PROVIDING CONTACT.**
5. That, until permission is specifically granted by Broker, all communications between BUYER and SELLER will be handled through Broker.
6. That, although certain information has been included which I consider to be relevant, I understand that Broker makes no representation or warranty (implied or expressed) as to its accuracy or completeness. I agree to perform due diligence to my own satisfaction.
7. To authorize Broker to obtain a current credit report on my credit. The seller requires this prior to Broker disclosing the location of the Property and prior to the release of confidential information.
8. To provide my financial statements when requested. These will only be requested when Buyer has identified a specific Property to purchase.

9. That, Broker is the listing agent representing the seller for the purpose of selling the Property. As a matter of practice, in most of its transactions, Broker acts as a **dual agent**, under California real estate law, when Buyer and seller give written approval.

10. That Broker agrees not to reveal to anyone other than the officers, employees and consultants of Broker, any conversations or correspondence held with the undersigned regarding this potential transaction.

11. This Agreement represents my entire understanding between the parties with respect to its subject matter and supersedes all prior communications, agreements and understandings relating to the property thereto. This Agreement may not be modified, amended, or waived by me except by written instrument executed by Broker and the undersigned. This Agreement shall be deemed to be an agreement made under, and to be construed and governed by the laws of the State of California, exclusive of its choice of law rules. I expressly agree that any and all disputes arising out of or concerning this Agreement shall be litigated and adjudicated exclusively in state and/or federal courts located within the County of Ventura, State of California, and each party consents and submits to such jurisdiction.

12. This Agreement is effective upon my signing. All obligations undertaken respecting the confidentiality and proprietary information disclosed hereunder shall survive even if I do not acquire the Property.

13. If any provisions of this Agreement shall be held invalid or unenforceable, such provision shall be deemed deleted from this Agreement and replaced by a valid and enforceable provision which so far as possible achieves the parties intent in agreement to the original provision. The remaining provisions of this Agreement shall continue in full force and effect.

AGREED TO AND ACCEPTED THIS _____ DAY OF _____ 2011

Name: _____ Name: _____

SS#: _____ DOB: _____ SS#: _____ DOB: _____

Address: _____ Address: _____

Phone: _____ Phone: _____

E-mail: _____ E-mail: _____

Do you check your email on a daily basis? yes no Do you check your email on a daily basis? yes no

Signature: _____

Signature: _____

Broker: Pacific Professionals, Inc.

Phone: 805-524-3195

Signature: Ellie Wattles, DVM

Fax: 805-524-3192

Ellie Wattles, DVM President

Email: pacproinc@aol.com

BUYER SITE VISIT PROTOCOL

DO'S

Tour the area.

Tour the facility.

Inspect the equipment.

Inspect the appointment book, medical records and logs.

Discuss current philosophy.

Be discreet at all times, whether calling practice or visiting.

Requests for information or more information should be made to PacPro office.

Wear business-casual attire.

Call Pacific Professionals after your visit to discuss your impressions.

DON'TS

Please do not visit the practice without an appointment.

Please do not make negative and/or critical observations when visiting the practice. It is PacPro's role to discuss these with you.

It is inappropriate to talk directly with staff/employees until in unconditional escrow.

It is inappropriate to make comments like: "If I buy this practice- I'll _____." in front of client/staff.

Do not negotiate with the seller.

ELLIE WATTLES, DVM

545 Sespe Avenue • Fillmore, CA 93015-1912 • (805) 524-3195 • FAX (805) 524-3192

QUALIFICATIONS:

VETERINARY PRACTICE BROKER AND PRACTICE TRANSITION SPECIALIST

EXPERIENCE

Transition specialist for veterinary practices and hospitals from 1992 to present, acting as an agent or consultant in over 403 acquisitions and transfers.

Personally brokered the sale of over 251 veterinary practices and associated real estate.

Negotiated, prepared and completed over 218 successful loan packages through various commercial lenders and the Small Business Administration's lender programs.

Personally visited over 619 different practices.

Small and large animal practitioner in private practice from 1968 to 1972.

Small animal practitioner in private practice from 1972 to 1997.

Small animal practitioner in private practice from 2002 to 2005.

Purchased, leased, exchanged, sold and financed greater than 31 personally owned residential and commercial properties from 1974 to present.

Leased small animal and equine practice in Spring Valley, California from 1973 to 1975.

Built a small animal practice in Rancho San Diego, California in 1975. Sold practice in 1978.

Veterinary Medical Director at the San Diego Humane Society and SPCA 1979

Worked in several separate practices as an independent contractor from 1978 to 1980.

Purchased an established practice in Carlsbad, California in 1980 and sold the practice in 1997.

Purchased an established small animal practice in Fillmore in 2002 and sold the practice in 2005.

Hospital administrator of El Camino Veterinary Hospital, Carlsbad, CA from 1980 to 1997.

Purchased national veterinary practice brokerage franchise and established Simmons and Associates – Pacific, Inc. June 1, 1992.

Established Pacific Professionals Inc., a licensed real estate brokerage firm and California Corporation that brokers and appraises veterinary practices, February 2, 1994.

President and Chief Executive Officer of Pacific Professionals, Inc.

LICENSES AND CERTIFICATES

Licensed and Accredited Veterinarian, State of California

Licensed Broker, Department of Real Estate, State of California

DESIGNATED EXPERT WITNESS

Superior Court, Merced California, January 1994.

Superior Court, Chula Vista, California, February 1994.

SPEAKER AND AUTHOR

Annual Seminar in Practice Transitions at the *Wild West Veterinary Conference*, 1993 to 2006
Article, “The Right Stuff, Making the Transition from Associate to Owner”, *Strategies for Success*, Veterinary Economics, Supplement Winter 2001
Presentations on Practice Transitions to local veterinary medical associations

MEMBERSHIP

American Veterinary Medical Association
American Animal Hospital Association: Management Associate
Association of Veterinary Practice Management Consultants & Advisors - Charter Member
California Veterinary Medical Association
Professional Management Consultants Association
San Diego County Veterinary Medical Association: Board of Directors for 8 years
Santa Barbara-Ventura Veterinary Medical Association
Southern California Veterinary Medical Association

EDUCATION AND TRAINING

University of Arizona
1962 to 1964
Colorado State University
Doctor of Veterinary Medicine, 1968
Simmons and Associates, Inc. 1992 to 1994
An associate with Simmons and Associates, Inc., a national organization that brokers and appraises veterinary practices.
University of California, San Diego
Real Estate Law
Real Estate Finance
Mira Costa College, Oceanside and Encinitas
Economics
Real Estate Principles
Real Estate Practice
Advanced Income Property Appraisal
Palomar College, San Marcos
Escrow
Ventura College
Real Estate Appraisal

REFERENCES

On request

The Right Stuff

Making the Transition from Associate to Practice Owner



Dr. S bought her suburban practice in April 1997. In 1996, it grossed \$255K. Last year, she grossed \$530K. Her philosophy: To care for each pet as if it was her own. Shortly into her practice, Dr. S. discovered that many of her clients wanted more services than they were offered previously. She expanded her service offerings and added new clients through selective external marketing and word-of-mouth (no doubt because of her appealing practice philosophy).

Dr. J bought his rural practice in January 1995. In 1994, the practice grossed \$286K. In 1998, he grossed \$538K. The previous owner had been very rigid about services and hours and also had health-related problems. Dr. J attributes his success to hard work, expanded practice hours and discriminating marketing.

Predictors of Success

You've been working as an associate for a couple of years and now you're ready to make the transition to practice owner. At least, you think you are. What skills do you need to manage and grow a practice? Are there predictors of success—individual characteristics that increase the likelihood that a practice will thrive? What are they? And, how can you get them?

Our firm has been performing practice transfers for the past seven years, the majority of which have been solo practices. Of particular interest to us is the success of our doctors—after the sale. We measure success on two levels: achievement of financial goals and personal satisfaction. Our research shows that no single factor determines practice success. Instead, the most successful practice owners possess a number of traits. We've identified eight specific characteristics common among the successful, private-care doctors we studied.

Traits of Highly Successful New Practice Owners

Besides the obvious skill of technical competency, a successful practice owner possesses the following:

- Good work ethic & energetic enthusiasm for the job
- Willingness to make decisions
- Ability to remain open & flexible
- A solution-oriented focus
- Good mental, physical & emotional health
- Willingness to take risks
- Well-developed people skills including the ability to relate properly to both clients & staff
- Sound business management skills

As the last bullet point alludes, the practice of veterinary medicine today is as much a business as it is a profession. In addition to providing top-notch patient care, today's veterinarian has to worry about profitability, personnel issues, insurance, taxes, marketing and more. To gain the requisite business skills, some doctors attend courses in business management, some work with management consultants, while others actively recruit and hire that intelligence into the practice. Most seem to "learn as they go". One self-proclaimed "reluctant buyer" had previously owned a practice and vowed to do it differently the second time—or not do it at all. Her solution was to bring a hospital administrator on board from the beginning and delegate most of the administrative tasks to her. She is quite satisfied

with her practice and managerial choice. And, is now successful both in terms of her financial goals and personal lifestyle goals.

Doctors who have been an associate have gained great insight and experience through a period of indoctrination. They have witnessed first-hand what works and what doesn't work in a veterinary practice. Many associates put that knowledge to work and go into private practice for themselves; others, however, seem to be stuck in the rut of "perpetual associate". They want to break out, but cannot overcome their fear. Fear is present to some extent in all buyers. For most, it is a motivating force; for others, however, it can be crippling. Fortunately, most buyers realize that fear is a normal emotion and that planning and forward movement can go a long way toward quelling fear. In the big picture, financial failure is very rare. Buyers can take comfort in the fact that nationwide, lenders tell us that less than two percent of veterinary practice loans fail. Buyers also should realize that commercial lenders, and sellers, who agree to finance their own practice sale, would not make the loan if they didn't believe in the ability of the new owner to repay it.

The Right Match

After you have decided you have the "right stuff," what about the "right match"? When looking for the right practice there are many factors to take into account such as location, demographics, profitability, philosophy, physical plant, equipment and staff. All of these factors are important and each individual will place an emphasis on certain factors. The most critical initial factor is to match the income needs of the buyer to the expected income of the practice. For example, if the buying doctor and his or her family require \$100K in yearly pre-tax income, then the buyer should not purchase a practice which will only yield \$60K— unless he or she has another source of income. However, if the \$60K

income practice can generate \$100K in income the first year after the sale, then there still may be a match. This requires the acquired practice to grow with reasonable assumptions for the expected growth.

To make a financial match, the buyer must start with a personal budget.

In this case, the individual or family living expenses are figured on a monthly and yearly basis. School loans, even a significant amount, are not viewed as a negative. And, personal cash reserves can be very minimal as long as you are buying a practice with a good match of your personal income needs to the current or projected income of the practice. Lenders will frequently fund all of the purchase price for a practice plus working capital, if the deal makes sense.

Even though limited personal assets and school loans will not count heavily against a borrower, a poor credit report will disqualify a buyer from a loan. It is imperative to maintain a clean credit report. If there are credit blemishes with extenuating circumstances, you must "tell the story" in writing to the lender. A progressive lender will listen to unique situations. Overall, though, your credit report should be kept clean.

If an acquired practice has to grow to meet your income requirements, sales projections must be based on reasonable and quantifiable assumptions.

For example, one practice seller was a charter pilot who was absent from the practice a minimum of six weekdays a month. It was reasonable to assume that the practice's gross revenues would increase proportionally to the increased doctor days.

Although, we appear to be comparing practice qualifying income with personal income, there is a big difference in the two. A business has expenses such as depreciation and amortization, which are non-cash expenses. A business has other expenses such as automobile, travel, meals, entertainment, continuing education and others which reduce

pre-tax income. As an employee, these charges do not reduce taxable income. In other words, the same apparent income from a business when compared to personal wages, results in less income tax for the business income and greater discretionary income for the business owner. In spite of recent tax law changes, there are still tax benefits to business ownership.

Once the financial requirements are met, the next, very important consideration is matching practice philosophy and style. For example, if the current owner is a very aggressive practitioner who has a doctor productivity charge of \$150 or more per transaction, a buying doctor, who has a much lower production figure, may not be able to duplicate the seller's numbers. Such a transition could result in a huge drop in income (often causing the buyer to suspect the practice income was misrepresented). In production-mismatch cases, the buyer may be better off with a practice more suited to his or her production. Although a practice will usually adapt to a different philosophical style, the buyer may not survive the transaction without significant cash reserves. On the other hand, if the average client charge is low, the opposite is true. Most doctors can readily duplicate it and many will be able to increase it easily.

Stepping into private practice is not without its challenges—but new owners of veterinary practices can take comfort in the fact that the odds of success are greatly in their favor.



Ellie Wattles, DVM, graduated from Colorado State University in 1968. She has been a full-time veterinary practice transition specialist since June 1992. She and her husband, Rick Wattles, DVM, University of California, 1973,

a veterinary practice appraiser, own and operate Pacific Professionals Inc., which is based in Fillmore, California. They can be reached at 805.524.3195, PacProInc@aol.com or www.pacificproinc.com.

RICHARD O. (RICK) WATTLES, DVM

545 Sespe Avenue • Fillmore, CA 93015 • (805) 524-3195 • (805) 524-3192

QUALIFICATIONS AS VETERINARY PRACTICE APPRAISER

EXPERIENCE

Performed over 534 practice appraisals and sales valuations, including 43 dispute resolution/arbitration cases, six small animal mobile, nine mixed animal, seven equine practices, two dairy practices, 19 emergency/critical care clinics, several specialty and goodwill/intangible assets valuation, 375 medical equipment valuations and over 438 practice income projections for buyers and lenders.

Chief Analyst and Valuator of the corporation involved in the sale of over 402 veterinary practices and associated real estate

Private practice as a small animal practitioner from 1973 to 2005

Personally visited over 655 different veterinary practices

Small animal and large animal practitioner from 1973 to 1976

Purchased, leased, exchanged, sold and financed greater than 31 personally owned residential and commercial properties from 1974 to present.

Leased small animal and large animal practice from 1973 to 1975

Built a small animal practice in 1975 and sold practice in 1978

Worked in 30 separate practices as an independent contractor from 1975 to 1980.

Purchased an established small animal practice in 1980 and sold the practice in 1997.

Purchased an established small animal practice in 2002 and sold the practice in 2005.

Worked in 21 separate practices as an independent contractor from 1992 to 1993.

Purchased national veterinary practice brokerage and appraisal franchise, June 1, 1992

Established Pacific Professionals, Inc., a licensed real estate brokerage firm and California corporation that brokers and appraises veterinary practices, February 2, 1994

Chief Financial Officer of the corporation

LICENSES AND CERTIFICATES

Licensed and accredited veterinarian, state of California

Licensed by Department of Real Estate, state of California

American Society of Appraisers: Certificates for Levels I, II and III Business Valuations

Appraisal Standards Board: Certificate in the Uniform Standards of Professional Appraisal Practice

Institute of Business Appraisers, Inc.: Candidate for Certified Business Appraiser

DESIGNATED EXPERT WITNESS

Superior Court, Cheyenne, Wyoming, July 1993

Superior Court, Vista, California, December 1994

Superior Court, San Diego, California, March 1995

Superior Court, Santa Ana, California, December 2000

Superior Court, San Diego, California, March 2001

Superior Court, Los Angeles, California, April 2001

Superior Court, Los Angeles, California, January 2006

Superior Court, Santa Barbara, California, December 2008

Superior Court, Lancaster, California, April 2009

Superior Court, Norwalk, California, June 2010

ASSOCIATION MEMBERSHIP

American Veterinary Medical Association
Association of Veterinary Practice Management Consultants & Advisors: Charter Member
California Veterinary Medical Association
Santa Barbara-Ventura Veterinary Medical Association
Veterinary Information Network
Professional Management Consultants Association
Institute of Business Appraisers
Phi Zeta and Phi Kappa Phi Honor Societies

SPEAKING AND PUBLICATIONS

Annual Seminar in Practice Valuation at the *Wild West Veterinary Conference*, 1993 to 2006
Presentations on Practice Valuations to local veterinary medical associations
Guest Lecturer in *Business Appraisals and Real Property Appraisals*, Ventura College 2005, 2006
Article, Compliance with Federal OSHA in Veterinary Hospitals, *Veterinary Forum*, 08-93
Article, Fundamental Factors in Practice Valuation, *Strategies for Success*, Veterinary Economics, 2002

EDUCATION AND TRAINING

University of California at Davis
 Bachelor of Science, Physiology, 1969
 Doctor of Veterinary Medicine, 1973
University of California at San Diego, 1992 to 1998
 Financial accounting curriculum
 Financial Accounting and Financial Analysis: 4 courses
 Industrial Health and Safety
Mira Costa College, 1991 to 1994, Ventura College 2006
 Real Estate Principles and Real Estate Practice
 Appraisal Mathematics
 Real Estate Appraisal, Advanced Income Property Appraisal
Simmons and Associates, Inc., 1992 to 1994
 Practical training in appraisal and veterinary practice valuation
Institute of Business Appraisers, Inc. 1992 to 2010
 Valuation of Closely Held Businesses and Professional Practices
 Data Sources and Data Evaluations
 Determination of Discount, Capitalization Rates and Risk Analysis
 Appraisal Report Writing
 Market Comparables and Direct Market Data Method
 Valuing Professional Goodwill; Determining Business Damage
American Society of Appraisers, 1994 to 2001
 Ethics and Professional Appraisal Practice
 Level I: Cost and market approach; data gathering and analysis
 Level II: Income approach; report writing
 Level III: Case study using all approaches
 Level IV: Advanced topics
Uniform Standards of Professional Appraisal Practice

REFERENCES

On request

FINDING THE RIGHT PRICE

The importance of profitability and market appeal in practice value

When it comes to assessing the purchase price of a veterinary practice, times have changed. Young associates may not have much business experience, but they are savvy enough to hire someone who does. They have learned there are two key ingredients in determining practice value: profitability and market appeal. While this may sound like a simple formula, each of these ingredients has its share of complications.

PROFITABILITY:

Practice value encompasses more than gross revenues

Over the years, economic trends in veterinary practice have changed the way practice value is determined. Practice expenses have gone up while net income has gone down, so values based on gross have declined. Practice values based on profitability have not changed over the years, so profitability numbers are now considered to be more reliable.

Here's an example: After 35 years of practice, Dr. Jones is ready to retire and sell his practice to his associate of five years. He wants 100% of the yearly gross for the practice because that is what he paid years ago. However, his associate has talked with practice consultants and has found that his asking price is probably 20% to 30% too high. Who is right?

The answer is not all that simple. Dr. Jones' figure is based on gross revenue, but the price/gross multiple has decreased in recent years. His figure is probably inflated. His associate is using a profitability figure that's likely to be more in line with today's market.

As with any large company, the value of a small business should be based on both financial and fundamental factors. Practice value begins with determining the true income of the business — an auditing process that converts all of the cash perquisites of ownership to income available to a new owner. Once this true operating income is known, the "market appeal" of the practice should be considered.

BEYOND PROFITABILITY:

Market appeal is more important than you'd think

Assessing the market appeal of a business is often more subjective because it relates to individual preferences. But there are many facets of it that influence the value of a practice, and they are often overlooked.

The fundamental factors in assessing market appeal are:

1. The surrounding area, the community, and local demographics.
2. Appearance, improvements, and utility of the facility.
3. Practice reputation, local competition, market niche, and barriers to entry.
4. Historical growth: new client numbers and fee changes.
5. The species seen in the practice and the practice philosophy.
6. The equipment: both quality and quantity.
7. Goodwill transferability: Is the clientele used to seeing different doctors or will the seller stay on?
8. The Average Transaction Fee: Can it be duplicated or improved?
9. Expansion potential: Is production based on a short work week or does the practice see limited species?
10. Management system: Is it "turnkey?" Are training programs and manuals in place?
11. Leased facilities: Are there rent escalations or options to renew?
12. Staff: Are there key people and will they stay?
13. Emergency clinic: Is one nearby?

The list of negative factors can be extensive and they all put downward pressure on value. On the other hand, a clean, modern facility located in an appealing community that is well equipped and has been growing over 10% for the last four years will put upward pressure on value.

All of these factors influence negotiations, which lead to the true value of any practice — the price on which the seller and buyer eventually agree.



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