

APPRAISAL 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:

- **Check List of Items to be Completed in Order of Priority**
- **Practice Information Form**
- **Capital Equipment Inventory and Value**
- **Surgical Instruments**

INFORMATION:

- **QUALIFICATIONS: RICK WATTLES, DVM**

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

- **QUALIFICATIONS: ELLIE WATTLES, DVM**

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

Name of Practice:

APPRAISAL CHECK LIST OF ITEMS TO BE COMPLETED IN ORDER OF PRIORITY:

- 1) FINANCIAL INFORMATION (to be provided by client):
 - a) Five year financial statements, including Balance Sheet and Income Statements;
 - b) Five year tax returns [either Schedule C's (with all statements), Corporate, or Partnership returns] with itemized depreciation schedule on most recent return; and
 - c) year-to-date financial statements, if the appraisal date is past the last fiscal year end;
- 2) INFORMATION QUESTIONNAIRE (enclosed) filled out as completely as possible.
- 3) EQUIPMENT LISTS (enclosed) completed. These lists will represent part of the tangible assets of the practice. Therefore, be specific as to the number of items and item names. Actual original cost information is only requested for the starred (*) items and/or most expensive items. We will provide current values. For older items that are still in use, simply note 5+ years. For practices with extensive hand instruments, they can be grouped into packs, cold trays and misc.
- 4) Legal description of property, if owned; *and/or* copy of current lease.
- 5) Rough sketch of floor plan of hospital (nothing fancy).
- 6) Copy of current fee schedule (Avimark Treatment List by category).
- 7) Area map marked with location of practice. Highlight other practices and any significant landmarks in area.
- 8) Copies of Yellow Page ads (yours and competitors).
- 9) Year end computerized practice profile to include, but not limited to, a breakdown of income sources:
 - a) by species (most recent complete year);
 - b) by services (most recent complete year);
 - c) by doctor (for the past five years or as many years as possible);
 - d) average transaction fee (for the past five years or as many years as possible);
 - e) accounts receivable (most recent complete year).

AVIMARK REPORTS - (9) b,c,d:

Period Totals, consolidated (Jan - Dec each year) to match each fiscal year of financial statements and YTD

Transaction summary, consolidated, by category for previous full year and YTD

CORNERSTONE REPORTS - (9) a,b,c,d

- 1. Service Sales Report by Class by Item ID
Previous Full Year and YTD
- 2. Inventory Sales Report by Class by Item ID
Previous Full Year and YTD
- 3. Yearly Sales Summary
Last five years and YTD
- 4. Statistics by Staff Report
Last five years and YTD
- 5. Statistics by Species Report
Previous Full Year and YTD

- 10) Current zip code analysis of clients, if available.
(This should show either a percentage or number of clients from each zip code). If zip code analysis is not available, please provide local zip codes from where clients originated.

PRACTICE AND REAL ESTATE INFORMATION FORM

Please provide the following information as thoroughly and with as much detail as possible. Please use additional sheets if space on this questionnaire does not permit adequate response.

A. PRACTICE INFORMATION

DATE: _____

1. NAME OF PRACTICE: _____

2. Hospital Address: _____ Home Address: _____
(Street)

(Mailing)

Please provide general directions to your practice: (If for market sale or an appraisal site visit)

Mail correspondence to which address. HOME or OFFICE (circle).

3. E-mail Address: _____ Do you check it daily? _____
Preferred Format for Attached Documents: Adobe Acrobat MS Word Other _____

4. Telephone numbers:

Home: (_____) _____	Fax: (_____) _____
Office: (_____) _____	Messages: (_____) _____
Inside: (_____) _____	Home Fax: (_____) _____
Mobile: (_____) _____	Pager: (_____) _____

5. Is it an S or C corporation? _____ Sole proprietorship? _____ Partnership? _____
If a corporation, are the shareholders selling stock or assets of the corporation? (Usually assets are sold) _____

6. How many owners? _____ (shareholders or otherwise).

7. Owners' name(s) and percentage of ownership:

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

8. Did you establish or purchase the practice?

When? _____ Age of practice if purchased _____

9. How long did previous owner hold practice? _____

Did previous owner establish practice? _____

10. Would you be willing to continue working in the practice during a transition period after the sale?

Yes No N/A

How long? _____ In what capacity? _____

11. Why do you want to sell or appraise your practice? _____

12. If you plan to sell, are you willing to finance any portion of debt balance? _____

13. What is your estimate of *fair value* for the practice? _____

Preferred cash down? \$ _____ *being practical and realizing what you actually need, 20% usually.*

Owner financing terms on balance after down payment? Yes No

Interest Rate _____ Years _____

14. Do you currently lease the facility? _____ If yes, please answer:

a. What is the current rent? _____

b. Are you responsible for costs, other than rent, such as taxes, insurance and maintenance? _____ If yes, please indicate yearly *pro rata* share:

I. Property taxes \$ _____

ii. Fire and casualty insurance \$ _____

iii. Common area maintenance \$ _____

iv. Other \$ _____

c. Provide a copy of current lease. Please include:

I. Number of years left on lease

ii. Lease renewal option

iii. Purchase option? _____ Price: \$ _____

iv. If lease can be assumed

d. If available, comparable rents in the same area.

We will need to determine if the rent is fair market rent and what future rent will be as projected.

e. Any history or details regarding the rent, occupancy costs or facility usage "problems?"

B. HOSPITAL FACILITY AND LAND

Please answer questions number 1 through 5 whether you own the real estate or not. If you own the real estate, please answer all of the questions.

1. Who owns the land and building? _____ Phone # _____

Legal description: (A real property tax bill is a good source. Please include Parcel Number.)

Size of lot _____

Size of hospital facility: _____

Large Animal _____ sq. ft.; Small Animal _____ sq. ft. Other unit _____ sq. ft.

When built _____

Type of construction: _____

Any housing accommodations? (apt., etc.) _____

Who lives there? _____

Is it homestead? _____

Free standing _____ or shopping plaza _____

Number of Exam Rooms _____ Number of Cages _____ Number of Runs _____

2. How is real estate zoned? _____

(Call Zoning Board to be specific. Provide us with actual zoning designation and describe what it includes, i.e., vet hospital, boarding, grooming, hospitalization, horses, etc.)

Is there a conditional use permit or variance? _____
(If yes, please attach.)

3. Are there any defects that should be disclosed to a buyer, e.g., leaky roof, plumbing problems, electrical, air conditioning/heating/ventilation, flooding, wet or dry rot of wood, earthquake damage, or other structural problems, termites and other pests, etc.? _____. If yes, please detail these problems:

4. Insurance expense:
 a. Fire & casualty _____ b. Professional liability _____
Or Total of a. and b. "Veterinary Package Insurance" _____
 c. Workers Compensation. _____

5. Real Estate taxes: \$ _____
 Unsecured property taxes: \$ _____

FOR REAL ESTATE OWNERS

6. Has Real Estate been appraised? Yes No
 Date: _____ Value \$ _____

If no appraisal, what is your estimate of current market value \$ _____

7. If you prefer to sell the Real Estate with the Practice:
 Preferred asking price: *your estimate of a fair value.*
 REAL ESTATE \$ _____

8. If you keep the real estate, what would be the lease terms to buyer?
 Rent: \$ _____
 Renewal options: _____
 Yearly increases: _____
 Years: _____

9. If you keep the real estate, would you grant an option to purchase at a later date? _____

FOR REAL ESTATE SELLERS

10. Is there a mortgage on land and building? _____

Name of mortgage holder
 1st mtg. _____
 2nd mtg. _____
 Balance on mortgage
 1st mtg. _____; yrs. left _____; interest _____ %
 2nd mtg. _____; yrs. left _____; interest _____ %

Payments: 1st mtg. _____; 2nd mtg. _____

Is first mortgage note assumable? Yes No
 If yes, do the terms change? _____

Is the second mortgage note assumable? Yes No
 If yes, do the terms change? _____

C. FINANCIAL INFORMATION

1. PLEASE SUPPLY SEPARATELY:

- a. Current balance sheet
 - i. Include copy of end of last fiscal period or date of appraisal
 - ii. Note any sale or acquisition of major assets during last year
- b. Income Statements
 - i. Accountant's P&L for last 3, preferably 5 years
 - ii. Income tax forms: (One of the three)
 - 1) Schedule C of 1040 (If sole proprietor); or
 - 2) Corporate Return (If incorporated); or
 - 3) Form 1065 (If partnership).

SPECIAL NOTE: Schedule C filers: Be sure to include the 2 pages of the Schedule C plus any other Statements or Schedules that pertain to the first two pages that may be elsewhere in the 1040 tax form.

c. Depreciation Schedule

2. ADJUSTMENTS TO INCOME STATEMENTS:

Please note that in order to perform an accurate appraisal, we need to adjust the accountant's Income Statement from a "Tax Oriented" to an "Economic" format to reflect the true income generation of the practice. We will later review the expenses to isolate any owner discretionary or non-operational (perks). Once separated, the true operating expenses can be determined.

PLEASE LIST ANY SPECIFIC BENEFIT THE PRACTICE OWNER RECEIVES IN THE FOLLOWING CATEGORIES:

a. Automobiles _____

b. Insurance
Auto _____
Health/dental _____
Life _____

c. Personal benefits _____

d. Retirement benefits _____

e. Gratuitous services provided by friends or relatives for the practice, i.e., managerial, accounting, legal, janitorial, construction, lab, etc. _____

f. Business deductions for personal use, e.g., vacations, appliances, building materials, maintenance items, utilities, etc. _____

g. Legal fees, other professional fees (estate and personal financial planning) _____

Individual services paid in excess of true economic value: fringe benefits, wife, friends, children, etc.

h. Significant bartering _____

i. Gratuitous services by the owner to individuals or organizations _____

- k. Any practice expenses paid by owner, but not deducted from income taxes? _____
- j. Any one-time expenses during the last 5 years that are non-recurring? _____
- k. Do the principals engage in any activity not mentioned that may affect the economic reality of practice operations, such as income or expenses that are from sources outside of the practice? If so, please explain fully.

3. Are there any contracts that will be in force on sale, such as software maintenance contracts, yellow page ads, etc? _____

4. Accounting: Cash or Accrual basis Fiscal year end _____

5. Vaccination Protocols; Please describe in detail your vaccination protocols for the following species:

A. Canine:

B. Feline:

6. Is there any other *financial information* that is pertinent to the value of the practice? _____

D. DESCRIPTION OF PRACTICE

1. How many total DVM's on staff this year, including owner? _____. Currently _____.

a. Last Year 20_____: Number _____.

b. Previous Year 20_____: Number _____.

c. Previous Year 20_____: Number _____.

2. How many full time doctors are absolutely necessary to produce the fiscal year's gross? _____

3. Have they been told of desire to sell? _____

4. Are they interested in buying? _____

5. PROFESSIONAL STAFF

Name of Doctor	Salary	Yrs. Emp.	Hrs./Week
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If there are additional benefits, such as extra bonus, profit plans, paid continuing education fees, etc., please indicate: _____

Would all DVM's remain with the practice if it were sold? _____. If not, who might leave? _____

6. How many hours per week do you, as the owner, spend on:

a. Clinical work:

Surgery and Procedures: _____

Office calls (Receiving): _____

Other (hospitalized treatments, client calls, etc): _____

b. Management work (including time spent on home management): _____

7. Estimate a salary range that would be paid to someone to perform all of the same duties that you (owner/doctor) currently provide: _____.

8a. Office hours:

Monday _____ A.M. to _____ P.M.
 Tuesday _____ A.M. to _____ P.M.
 Wednesday _____ A.M. to _____ P.M.
 Thursday _____ A.M. to _____ P.M.
 Friday _____ A.M. to _____ P.M.
 Saturday _____ A.M. to _____ P.M.
 Sunday _____ A.M. to _____ P.M.

8b. Doctor hours:

Monday _____ A.M. to _____ P.M.
 Tuesday _____ A.M. to _____ P.M.
 Wednesday _____ A.M. to _____ P.M.
 Thursday _____ A.M. to _____ P.M.
 Friday _____ A.M. to _____ P.M.
 Saturday _____ A.M. to _____ P.M.
 Sunday _____ A.M. to _____ P.M.

Office open during lunch hour? _____ If not, how long closed? _____

Total hours per week open _____

Note doctor's hours if different _____

9. How are emergencies during lunch time handled? _____

10. Do you maintain any unusual hours for a surgical schedule? _____

11. Does your practice take after-hours emergency calls? _____

a. How late in the evening? _____

b. Weekends/holidays? _____

12. How many emergency calls does the practice see per week? _____

13. How many potential emergency calls are not taken per week? _____

How much would the gross revenue increase if the practice took 100% of the potential emergency calls?

14. Is an emergency clinic available to refer to? _____ Distance to closest? _____

How many calls are referred per week to the emergency clinic? _____

15. Do you have an employed doctor working under a written contract? Yes No

If yes, is it only an employment agreement? _____

Or does that contract include a *restrictive covenant that is enforceable in your state*? _____

How many miles? _____ How many years? _____

16. If this is a multi-doctor practice, could a buyer purchase it and conduct it as a one-doctor practice, understanding, of course, that he/she would have to put in long hours at work?

Would the gross income be affected? _____

17. If you've never had an associate or employed doctor, would you ever consider having one? _____

18. If this is a one-doctor practice, is there enough current or potential business that it could be developed into a multi-doctor practice? _____ If yes, how much could volume and gross be increased? _____

19. Do you feel that the practice doctor staffing *quantity* is:

Average Above average Below average

20. Do you feel that the practice doctor staffing *quality* is:

Average Above average Below average

21. Is the practice computerized? _____ If so, please answer:

a. Name of Software Company _____

b. Date installed: _____ Date on-line: _____

c. Is software maintenance contract current? _____

d. Is there a hardware maintenance contract? _____

2. Are any employees under a written contract? _____
3. Total support staff salaries previous year (not including any staff doctors) _____
Are there any changes in salary structure for current year? _____
4. Describe any bonus or incentive plans in place: _____

5. Describe any pension or profit sharing plans in place: _____

6. Are there any programs to increase productivity? _____

7. Are there any CE programs or special training programs in place? _____

8. Briefly describe the following employee benefits provided:
 - a. Medical coverage: _____
 - b. Vacation and holidays: _____
 - c. Others: _____
9. Do you foresee any pending employee problems? _____
10. Would the lay employees remain with practice if it were sold? _____
If not, discuss who would leave. Be specific regarding key employees especially.

F. DEMOGRAPHICS (*Delegate Assistant to call or obtain relocation packet from Chamber of Commerce.*)

1. Give brief description of street on which practice is located.
(Major thoroughfare, how heavily traveled, unpaved road, etc.)

2. Would you describe location as urban, rural or suburban? _____
3. What is the population of city or town (*general area*) of practice? _____
What is the population (estimate) of the primary client (*local area*) region? _____
4. Percent population growth in general area within past 5 years? _____
Percent population growth in primary client region within past 5 years? _____

5. Give some idea of the following general area and local demographics:

a. Population trends next five to ten years

General area

5 years _____ 10 years _____

Local area

5 years _____ 10 years _____

Is the general trend in growth:

Away from Towards Around

the primary client area?

b. Income levels (Mean or median household incomes, if known)

General \$ _____ Mean or Median

Local area is: Average Above average Below average

c. Employment levels

General: _____

Local area is: Average Above average Below average

d. Industry

General: _____

Local area is: Average Above average Below average

e. Educational facilities

General: _____

Local area is: Average Above average Below average

f. Amenities of area

General: _____

Local area is: Average Above average Below average

6. What are the major industries and sources of income in the practice area? _____

7. Are any major industries planning on moving into the practice area which would have a significant impact on population growth in the near future? _____

8. Are any major industries or major sources of income planning on leaving the area which would have an adverse effect on population growth and effective buying income? _____

G. COMPETITION

1. Have any new practices been established within your practice area in the past three years? _____
How well do they seem to be doing? _____

2. How many practices are located within the following radii of your practice?

For high density urban regions, five miles is sufficient.

Please code each practice with a number, letter or initial.

All competition information is *strictly confidential*.

You may indicate the following on a regional map.

a. 1 Mile _____

b. 3 Miles _____

c. 5 Miles _____

d. 10 Miles _____

3. Please indicate whether each practice is large animal (L), small animal (S) or mixed (M), equine (E), Specialist (SP), (Estimate percent if different species, i.e. M 75%S); whether free standing building (F) or attached (A); number of DVM's; approximate years open; and quality: above average (+), below average (-), average (\pm) or not sure (?). You may code each practice with a number, letter or initial.

PRACTICE (Code from above)	TYPE(%) (L,S,M,E,SP)	BDG (F,A)	# DVM'S	OPEN (YEARS)	QUALITY (+,-, \pm ,?)

4. Practice Sales:

Have any practices been sold in the last three years? _____

If yes, can you provide any of the following information:

Type (% S/A, L/A) _____ Age _____

Annual Gross Income _____

Sale price _____

Terms of sale _____

H. PRODUCTION

If computerized, the following information is easily derived by running a Practice Profile or similar program. Please provide print out as available. It is especially important if you are computerized to please provide a print out of the service income categories.

For example: Vaccinations, exams, professional services, surgery, etc. plus pharmacy, retail, diet sales.

Examples of reports for the two most used practice management programs:

AVIMARK

End of period totals, Consolidated; Transaction Summary, Consolidated; Treatment List.

CORNERSTONE

Inventory Sales Report, by class, by item ID, yearly; Service Sales Report, by class, by item ID, yearly; Statistics by Species, yearly; Statistics by Staff, yearly; Yearly Sales Summary.

1. INCOME: % Small animal _____; % Large animal _____;

SMALL ANIMAL SOURCES

% General Practice _____; % Specialty _____; % Referral _____;
% Emergency _____; % Retail (OTC) sales _____;
% Non-professional (boarding, grooming, etc.) _____.

SMALL ANIMAL SPECIES

% Canine _____; % Feline _____; % Rabbits _____;
% Avian _____; % Pocket Pets _____; % Reptile _____;

LARGE ANIMAL SOURCES

% Contract work (herd health, sale barn, etc) _____; % Retail _____;
% General Practice _____; % Specialty _____; % Emergency _____.

LARGE ANIMAL SPECIES

% Equine _____; % Bovine _____; % Dairy _____; % Ovine _____;
% Porcine _____; % Caprine _____; % Other _____.

LARGE ANIMAL LOCATION

% LA work done at hospital? _____; % Ambulatory _____.

2. AVERAGE NUMBER OF DAILY TRANSACTIONS (Include all transactions (invoices) i.e., retail sales, OTC, boarding, grooming, etc. and professional services. *Divide total annual transactions by total number of days open.*

Small Animal: This year _____ Last year _____ Previous year _____

Large Animal: This year _____ Last year _____ Previous year _____

3. AVERAGE CLIENT TRANSACTION FEE for the year overall \$_____. *Divide annual gross by total (every transaction) annual transactions, i.e., all sales and professional transactions.*

4. Number of active clients _____ and patients _____ records currently on file. Active are those who have paid you a professional fee within the past two years. Some clients have multiple pets. Ideally, count each, but a short cut is to count "S" and multiply by 10.)

Approximately % SA clients _____ % SA patients _____
Approximately % LA clients _____ % LA patients _____

5. Current amount of accounts receivable \$ _____
Average monthly accounts receivable \$ _____
% over 30 days _____
% uncollected each year _____

6. Number of new clients registered:
Year To Date _____ % of gross income _____
Last year _____ % of gross income _____
Previous year _____ % of gross income _____

7. Please provide separately a current Zip Code Analysis of clients, e.g. what percentage of clientele come from certain Zip Codes.

8. Is there anything unusual about your client or patient mix? (e.g. single large client, shelter/rescue work, special breed or breeder work. etc.)

9. **MARKETING INFORMATION:**

Please check those that apply:

a. Advertising

- Yellow pages; Costs per month _____ (Please provide copies) - When do contracts expire?

- Newspapers; Costs per month _____
- Other; _____ Costs per month _____
- Target marketing

b. Internal marketing

- Reminder system
- Recall System
- Referrals acknowledged
- Shoppers logged or follow up
- New clients: sent notes or other practice information
- Practice brochure (Please provide copy)
- Newsletters
- Client education handout
- Increase retail sales effort

c. Expansion of practice by "meeting client needs"

- Pet pick up and delivery
- Early drop off
- Evening hours
- House calls
- Other

- d. Practice promotion:
 - Membership in service clubs
 - Speaking engagements
 - Local school and club tours
 - Community service
 - Other

10. MANAGEMENT INFORMATION

a. Management tasks and practice operations:

- Owner only
- In house manager
- Outside professional help

b. Written protocols

- Receptionist
- Entry level help
- Assistants
- Technicians
- Relief Doctors

c. Manuals/Programs

- Management manuals
- Personnel manual
- Haz-Com written plan
- Hazardous and Biomedical waste program
- Insecticide training program
- Ethylene Oxide training program
- Illness & Injury Prevention Program

12. In what ways do you feel the gross and net income of your practice can be significantly increased?

I. EQUIPMENT

1. Provide a current depreciation schedule with the tax returns.
2. Provide a detailed list of the equipment to be sold with the practice. If a list is not available, please use the Capital Equipment Inventory List. Be sure to include equipment that is not on the depreciation schedule, since most small items are usually omitted. *Be specific - and please describe all expensive units with brand name, i.e., Universal 300 X-Ray machine; Bowie - truck unit.*
3. List the five most expensive items in the practice.

ITEM	BRAND NAME	SERIAL NO.	COST NEW	AGE

TOTAL COSTS NEW _____

4. Is any of the equipment, such as practice vehicle, x-ray unit, anesthetic machine, etc. currently financed or leased? _____. If yes, please itemize:

FINANCED/LEASED EQUIPMENT:

ITEM	COST	DATE ACQUIRED	MONTHLY PAYMENT	TOTAL YEARS	ASSUMABLE?

Total Cost (all leased equipment): \$ _____

4. Is there any current financing on other equipment _____
If so, Balance \$ _____
 Yrs./mos. remaining _____ Interest _____ %
 Assumable? _____

J. DRUGS AND SUPPLIES:

1. What is the value of your drugs, medical supplies and office supplies inventory that you expect to sell?

ESTIMATE or INVENTORY COUNT or NO IDEA

\$_____ (If you have no idea, we will help you calculate).

If you plan to sell the practice to someone other than an associate, it would be advisable to discount what you normally carry by 25%. The buyer will expect the amount of inventory that you transfer to be accurate. Practice owners tend to carry minimal amounts of inventory as the closing date approaches, since they will receive no cash benefit after the sale.

K. GENERAL INFORMATION

1. (For Sellers) How confidential do you want us to be in advertising your practice and presenting information on it to prospective buyers?

Do you object to our giving the name of the city or town in which the practice is located? _____

Do you object to our giving the name of the practice? YES NO

Do you object to our giving your name? YES NO

2. Is there anything else that could be added that would enable us to provide a more complete and accurate valuation?

3. Has there been any material change in the practice, either external or internal, in the last few years which may affect the delivery of goodwill? For example, major commercial building projects or residential developments, in the area, business closures by major regional employers, significant decline in the number of clients/patients in your practice, material decline in the practice neighborhood, entry of specialists in this practice, increase in the number of employee doctors in this practice, establishment of satellite facilities of this practice, other alternate sources of animal care facilities started up nearby, like emergency clinics, superstores, etc.

4. Is there any current financing on the practice? (aside from real estate) _____.

If so, Balance \$_____ years left _____ Interest _____%.
Assumable?_____

5. State Employer ID # _____ Federal Tax ID # _____
Seller's Resale # _____ EPA # _____

6. Attorney's Name & Phone: _____

7. Accountant's Name & Phone: _____

8. For Sellers: What are your preferred days and time for interested buyers to visit the practice?

A. _____

B. _____

C. _____

*I (we) verify that, to the best of my(our) knowledge, the above information which I have provided is correct.
I (we) acknowledge that I (we) own this property described herein and mutually desire to sell or appraise it.*

Owner's signature
(All owners, if more than one)

Co-owner/ Spouse's signature.
(All co-owner/spouses, if more than one)

Please attach a floor plan; an OSHA exit plan or a rough sketch will suffice, if that is all you have readily available.

PRACTICE AND REAL ESTATE INFORMATION FORM
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CAPITAL EQUIPMENT INVENTORY AND VALUE

EXHIBIT "A"

PRACTICE NAME:

NOTE: For each item there is a space on left-hand side for the number of units. In the middle columns, enter the PURCHASE PRICE, if known, and the AGE. If an item is more than five years old, simply enter 5+. We will determine a value figure and it will be known as VALUE-IN-PLACE-AND-IN-USE. Most items depreciate in value about 10% to 20% per year to about 40% to 60% of original costs. We would like you to be accurate on entering the PURCHASE PRICE of the (*) ITEMS, since these are main assets. Other items you may either estimate the PURCHASE PRICE, or enter the manufacture's name, or leave the space blank. **WE WILL DERIVE A VALUE FIGURE.**

#	ITEM	PURCHASE PRICE	AGE	VALUE
---	------	----------------	-----	-------

OUTSIDE EQUIPMENT

_____	Alarm System	\$ _____	_____	\$ _____
_____	Building Sign	\$ _____	_____	\$ _____
_____	Door sign	\$ _____	_____	\$ _____
_____	Outdoor lights	\$ _____	_____	\$ _____
_____	Street Sign	\$ _____	_____	\$ _____

RADIOLOGY

* _____	Auto. Film Processor	\$ _____	_____	\$ _____
* _____	Radiograph Machine	\$ _____	_____	\$ _____
* _____	Radiograph Machine - Portable or Dental	\$ _____	_____	\$ _____
* _____	Ultrasound Unit (Diagnostic) _____	\$ _____	_____	\$ _____
* _____	Ultrasound Unit - Color Doppler _____	\$ _____	_____	\$ _____
* _____	Digital – Direct ___ CR ___ Full ___ Dental _____	\$ _____	_____	\$ _____
_____	Calipers	\$ _____	_____	\$ _____
_____	Cassettes 14x17: _____	\$ _____	_____	\$ _____
_____	Cassettes 10x12: _____	\$ _____	_____	\$ _____
_____	Cassettes 8x10: _____	\$ _____	_____	\$ _____
_____	Dark room Timer _____ Thermometer _____	\$ _____	_____	\$ _____
_____	Developing hangers	\$ _____	_____	\$ _____
_____	Developing hand tanks	\$ _____	_____	\$ _____
_____	Film Dryer ___ or hanging rack _____	\$ _____	_____	\$ _____
_____	Film Bin	\$ _____	_____	\$ _____
_____	Hot Light	\$ _____	_____	\$ _____

#	ITEM	PURCHASE PRICE	AGE	VALUE
_____	ID Imprinter	\$ _____	_____	\$ _____
_____	Lead aprons	\$ _____	_____	\$ _____
_____	Lead apron and glove hanger(s)	\$ _____	_____	\$ _____
_____	Lead blocker sheet(s)	\$ _____	_____	\$ _____
_____	Lead gloves (Pairs)	\$ _____	_____	\$ _____
_____	Lead shield - Upright, Portable	\$ _____	_____	\$ _____
_____	Markers (R/L, D/V, etc.)	\$ _____	_____	\$ _____
_____	Positioning sponges	\$ _____	_____	\$ _____
_____	Positioning sand bags	\$ _____	_____	\$ _____
_____	Safety Glasses	\$ _____	_____	\$ _____
_____	Safe Light - Dark Room	\$ _____	_____	\$ _____
_____	Thyroid shields	\$ _____	_____	\$ _____
_____	View boxes, single	\$ _____	_____	\$ _____
_____	View boxes, double	\$ _____	_____	\$ _____
_____	View boxes, quad	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

KENNEL/WARD/JANITORIAL				
_____	Bath tub	\$ _____	_____	\$ _____
_____	Bath tub with Hydrosurge Unit	\$ _____	_____	\$ _____
_____	Buckets: Stainless _____ Plastic _____	\$ _____	_____	\$ _____
_____	Cage card holders	\$ _____	_____	\$ _____
_____	Cage mats	\$ _____	_____	\$ _____
_____	Cage Racks	\$ _____	_____	\$ _____
_____	Cages, Stainless Steel	\$ _____	_____	\$ _____
_____	Cages, Other	\$ _____	_____	\$ _____
_____	Cage dryers	\$ _____	_____	\$ _____
_____	Cage heater(s)	\$ _____	_____	\$ _____
_____	Dryer (Hand)	\$ _____	_____	\$ _____
_____	Dryer (Clothing)	\$ _____	_____	\$ _____
_____	Dust Buster(s) - Portable vacuum	\$ _____	_____	\$ _____
_____	Dust mop	\$ _____	_____	\$ _____
_____	Extension cord(s)	\$ _____	_____	\$ _____
_____	Fire extinguisher	\$ _____	_____	\$ _____
_____	Freezer	\$ _____	_____	\$ _____
_____	Fans	\$ _____	_____	\$ _____

#	ITEM	PURCHASE PRICE	AGE	VALUE
	Hand truck	\$		\$
	Heating pad(s) - Regular	\$		\$
	Heating pad(s) - Water circulating	\$		\$
	Hose(s)	\$		\$
	Incubator - Pediatric	\$		\$
	Ladder: Short _____ Tall _____			
	Metal cabinet	\$		\$
	Mobile Transport Cage(s)	\$		\$
	Mop	\$		\$
	Mop bucket/squeegee	\$		\$
	Muzzles & cat bag	\$		\$
	O2 Cage _____ and/or Intensive Care Unit _____	\$		\$
	Oxygen Door	\$		\$
	Pediatric O2 unit	\$		\$
	Power drill	\$		\$
	Rabies Pole	\$		\$
	Rug shampooer	\$		\$
	Runs: Built-in _____ Modular _____	\$		\$
	Staff jackets/smocks	\$		\$
	Stainless steel dishes	\$		\$
	Step stool	\$		\$
	Trash cans large	\$		\$
	Tool box	\$		\$
	Washing Machine	\$		\$
	Other: _____	\$		\$
	Other: _____	\$		\$

SURGERY/SURGICAL PREP

	Anesthetic induction chamber	\$		\$
	Anesthetic machine(s)- Isoflurane	\$		\$
	Anesthetic machine(s)- Halothane_ Metofane_	\$		\$
	Anesthetic machine(s) - Sevoflurane	\$		\$
	Anesthetic monitor - Respiratory	\$		\$
*	Anesthetic monitor - PulseOximeter	\$		\$
	Anesthetic monitor - ECG	\$		\$
*	Anesthetic monitor - Multi-function _____	\$		\$
	Anesthetic mask(s)	\$		\$

#	ITEM	PURCHASE PRICE	AGE	VALUE
*	Autoclave _____	\$ _____	_____	\$ _____
	Aspirator (Suction) _____	\$ _____	_____	\$ _____
*	Blood Pressure unit _____	\$ _____	_____	\$ _____
	Clippers with cord _____	\$ _____	_____	\$ _____
	Clippers - portable _____	\$ _____	_____	\$ _____
	Clipper blades _____	\$ _____	_____	\$ _____
*	Dental Unit--High/Low speed _____	\$ _____	_____	\$ _____
	Dental Unit--Polisher/low speed _____	\$ _____	_____	\$ _____
	Dental Unit--U/S cleaner or Cavitron _____	\$ _____	_____	\$ _____
*	Electrosurgical unit _____	\$ _____	_____	\$ _____
	Endotracheal tube(s) _____	\$ _____	_____	\$ _____
	Ethylene Oxide sterilizer _____	\$ _____	_____	\$ _____
	Gas scavenger system: Passive ____ Motor ____	\$ _____	_____	\$ _____
	Gurney _____	\$ _____	_____	\$ _____
	Instrument table (Non-Mayo)- Stainless ____	\$ _____	_____	\$ _____
	Instrument cart(s) - surgery _____	\$ _____	_____	\$ _____
	IV Infusion Pumps _____	\$ _____	_____	\$ _____
	IV stands _____	\$ _____	_____	\$ _____
	Kick bucket stand _____	\$ _____	_____	\$ _____
	Laser surgery unit _____	\$ _____	_____	\$ _____
	Linens (Wrappers, gowns, drapes) _____	\$ _____	_____	\$ _____
	Manifold (Medical gases) _____	\$ _____	_____	\$ _____
	Mayo stands _____	\$ _____	_____	\$ _____
	Nitrogen Cylinder (Owned) _____	\$ _____	_____	\$ _____
	Nitrogen Cylinder Regulator _____	\$ _____	_____	\$ _____
	Nitrous Oxide: Large (Owned) _____	\$ _____	_____	\$ _____
	Nitrous Oxide: Small (Owned) _____	\$ _____	_____	\$ _____
	Nitrous Oxide regulator _____	\$ _____	_____	\$ _____
	Non-rebreathing system(s) _____	\$ _____	_____	\$ _____
	Oxygen: Large (Owned) _____	\$ _____	_____	\$ _____
	Oxygen: Small (Owned) _____	\$ _____	_____	\$ _____
	Oxygen regulator(s) _____	\$ _____	_____	\$ _____
	Prep/Treatment table(s) - no grate _____	\$ _____	_____	\$ _____
	Prep (wet) table(s) (with grate) _____	\$ _____	_____	\$ _____
	Respirator _____	\$ _____	_____	\$ _____
	Scrub sink _____	\$ _____	_____	\$ _____
	Surgery lights -- Overhead - Double _____	\$ _____	_____	\$ _____

#	ITEM	PURCHASE PRICE	AGE	VALUE
	Surgery lights -- Overhead - Single	\$		\$
	Surgery lights -- Portable	\$		\$
	Surgery light(s) - Emergency (battery)	\$		\$
	Surgery table (flat) - Heated? _____	\$		\$
	Surgery table (V-top) - Heated ? _____	\$		\$
	Stool(s) - Pedigo type	\$		\$
	Stretcher	\$		\$
	Thermal pad	\$		\$
	Tourniquets	\$		\$
	Towels	\$		\$
	Ultrasonic instrument cleaner	\$		\$
	Other Surgical: _____	\$		\$
	Other Surgical: _____	\$		\$
	Other Surgical: _____	\$		\$
	Other Surgical: _____	\$		\$
	Other Surgical: _____	\$		\$
	Other Surgical: _____	\$		\$

INSTRUMENTS:

	Instrument packs - general	See list	\$	\$
	Instrument packs - minor	See list	\$	\$
	Instruments - cold trays	See list	\$	
	Instruments -misc	See list	\$	\$
	Instruments Orthopedic	See list	\$	\$
	Instruments Ophthalmologic	See list	\$	\$
	Instruments Dental	See list	\$	\$
	Special Instruments:	See list	\$	\$
	Instruments trays - Cold trays		\$	\$
	Instruments trays - S/S		\$	\$
	Special Instrument: _____		\$	\$
	Special Instrument: _____		\$	\$
	Special Instrument: _____		\$	\$
	Special Instrument: _____		\$	\$
	Special Instrument: _____		\$	\$
	Special Instrument: _____		\$	\$

#	ITEM	PURCHASE PRICE	AGE	VALUE
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LABORATORY & EXAMINATION & PHARMACY

*	Blood Chem:	\$		\$
*	Blood Chem: Electrolytes: _____	\$		\$
*	Blood Chem: I-Stat unit	\$		\$
*	Blood CBC: QBC ___ Laser _____	\$		\$
	Centrifuge - regular unit	\$		\$
	Centrifuge-Microhematocrit unit	\$		\$
*	Coagulation analyzer - Synbiotics SCA 2000	\$		\$
	ECG machine (separate from anesth. monitor)	\$		\$
	Endoscope(s) Rigid - Incandescent light source	\$		\$
*	Endoscope Rigid Fiberoptic _____	\$		\$
*	Endoscope Flexible Fiberoptic	\$		\$
*	Endoscope Flexible Digital _____	\$		\$
	Electronic thermometer(s) ___ Ear _____	\$		\$
	Electronic timers	\$		\$
	Exam tables S/S	\$		\$
	Exam tables Other	\$		\$
	Exam tables: Hydraulic Lift	\$		\$
	Filing cabinet(s)	\$		\$
	Glucometer	\$		\$
	Head Lamp: standard ___ fiberoptic _____	\$		\$
	Head Loupe - standard	\$		\$
	Head lamp and loupe - special surgical unit	\$		\$
	Hemacytometer	\$		\$
	Incubator — cultures	\$		\$
	Jars (Sundry: cotton, gauze, etc)	\$		\$
	Microscope ___ Mono ___ Bino _____	\$		\$
	Otoscope/Ophthalmoscope handles	\$		\$
	Otoscope head	\$		\$
*	Otoscope with video display	\$		\$
	Ophthalmoscope head - direct	\$		\$
	Ophthalmoscope: Indirect ___ Panoptic _____	\$		\$
	Oto./Ophth. Charging Units ___ Wall units _____	\$		\$
	Refractometer	\$		\$
	Refrigerators: sm ___ med ___ large _____	\$		\$

#	ITEM	PURCHASE PRICE	AGE	VALUE
_____	Scale - large _____ Electronic _____	\$ _____	_____	\$ _____
_____	Scale - small _____ Electronic _____	\$ _____	_____	\$ _____
_____	Staining jars	\$ _____	_____	\$ _____
_____	Stethoscopes	\$ _____	_____	\$ _____
*	Tonometer : Schiotz _____ Tonapen * _____	\$ _____	_____	\$ _____
_____	Typewriter	\$ _____	_____	\$ _____
_____	Woods lamp: With cord _____ Portable _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

BUSINESS OFFICE/RECEPTION

_____	Adding machine	\$ _____	_____	\$ _____
_____	Answer machine	\$ _____	_____	\$ _____
_____	Bulletin board	\$ _____	_____	\$ _____
_____	Clock	\$ _____	_____	\$ _____
_____	Calculator(s)	\$ _____	_____	\$ _____
_____	Cash register	\$ _____	_____	\$ _____
_____	Chair mat	\$ _____	_____	\$ _____
_____	Chairs swivel	\$ _____	_____	\$ _____
_____	Chairs - Clients	\$ _____	_____	\$ _____
_____	Computer S/W: Vendor: _____	\$ _____	_____	\$ _____
_____	Computer H/W: Make _____	\$ _____	_____	\$ _____
_____	Number of Computer Terminals _____			
*	Computer Total Cost:	\$ _____	_____	\$ _____
*	Copier: _____	\$ _____	_____	\$ _____
_____	Copier stand	\$ _____	_____	\$ _____
_____	Credit card capture unit - electronic	\$ _____	_____	\$ _____
_____	Desk	\$ _____	_____	\$ _____
_____	Display case(s) in Reception area	\$ _____	_____	\$ _____
_____	Fax (Owned)	\$ _____	_____	\$ _____
_____	File cabinet: Folders	\$ _____	_____	\$ _____
_____	File cabinet: Client/Patient records	\$ _____	_____	\$ _____
_____	8 1/2 X 11: _____ Other: _____			

#	ITEM	PURCHASE PRICE	AGE	VALUE
_____	Lamp(s)	\$ _____	_____	\$ _____
_____	Marker board(s)	\$ _____	_____	\$ _____
_____	Modem(s)	\$ _____	_____	\$ _____
_____	Notice board(s)	\$ _____	_____	\$ _____
_____	Paper cutter	\$ _____	_____	\$ _____
_____	Paper punch	\$ _____	_____	\$ _____
_____	Paper shredder	\$ _____	_____	\$ _____
_____	Printers Dot Matrix	\$ _____	_____	\$ _____
_____	Printers Laser	\$ _____	_____	\$ _____
_____	Printer Ink Jet	\$ _____	_____	\$ _____
_____	Printer Labels only	\$ _____	_____	\$ _____
_____	Pictures: Total number in Hospital	\$ _____	_____	\$ _____
_____	Radio	\$ _____	_____	\$ _____
_____	Safe: Floor _____ Other _____	\$ _____	_____	\$ _____
_____	Scotch tape dispenser	\$ _____	_____	\$ _____
_____	Shelves	\$ _____	_____	\$ _____
_____	Storage boxes	\$ _____	_____	\$ _____
_____	Staplers	\$ _____	_____	\$ _____
_____	Stools	\$ _____	_____	\$ _____
_____	Surge suppressor(s) - regular	\$ _____	_____	\$ _____
_____	Surge suppressor(s) with UPS (battery back up)	\$ _____	_____	\$ _____
_____	Typewriter	\$ _____	_____	\$ _____
_____	Telephones; Type: _____	\$ _____	_____	\$ _____
_____	Tables	\$ _____	_____	\$ _____
_____	Television	\$ _____	_____	\$ _____
_____	VCR	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

DOCTOR'S OFFICE

_____	Bookcase(s)	\$ _____	_____	\$ _____
_____	Chair	\$ _____	_____	\$ _____
_____	Computer (additional to above)	\$ _____	_____	\$ _____
_____	Desk	\$ _____	_____	\$ _____
_____	Filing cabinet	\$ _____	_____	\$ _____

#	ITEM	PURCHASE PRICE	AGE	VALUE
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	Lamps	\$		\$
	Recorder	\$		\$
	Stereo	\$		\$
	Table	\$		\$
	Typewriter	\$		\$
	Other: _____	\$		\$
	Other: _____	\$		\$
	Other: _____	\$		\$

STAFF OFFICE/LOUNGE

	Coffee Maker	\$		\$
	Chair(s)	\$		\$
	Computer (additional to above)	\$		\$
	Desk	\$		\$
	Dictating equip	\$		\$
	Filing cabinet	\$		\$
	Lamp(s)	\$		\$
	Microwave Oven	\$		\$
	Sofa	\$		\$
	Stereo	\$		\$
	Table(s)	\$		\$
	Toaster oven	\$		\$
	Time Clock	\$		\$
	Typewriter	\$		\$
	Other: _____	\$		\$
	Other: _____	\$		\$
	Other: _____	\$		\$

GROOM ROOM

	Cabinet	\$		\$
	Cages	\$		\$
	Driers	\$		\$
	Shelves	\$		\$
	Tubs	\$		\$
	Tables	\$		\$

#	ITEM	PURCHASE PRICE	AGE	VALUE
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_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

STORAGE/HALLWAYS

_____	Buffer — floor	\$ _____	_____	\$ _____
_____	Buckets — plastic	\$ _____	_____	\$ _____
_____	Chair	\$ _____	_____	\$ _____
_____	Fire extinguisher(s)	\$ _____	_____	\$ _____
_____	Table	\$ _____	_____	\$ _____
_____	Vacuum cleaner	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

LARGE ANIMAL

_____	Ambulatory vehicles	\$ _____	_____	\$ _____
_____	Vet-Packs (Bowie, etc.)	\$ _____	_____	\$ _____
_____	Hydraulic (operating) table	\$ _____	_____	\$ _____
_____	Paddock	\$ _____	_____	\$ _____
_____	Pens/stalls	\$ _____	_____	\$ _____
_____	Chute	\$ _____	_____	\$ _____
_____	Recovery Stall	\$ _____	_____	\$ _____
_____	Stocks	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____
_____	Other: _____	\$ _____	_____	\$ _____

COST OF STARRED (*) ITEMS		
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TOTAL VALUE ALL EQUIPMENT

Owner's Name: _____

Facility Name: _____

SURGICAL INSTRUMENTS

SURGICAL PACK NUMBER _____

NAME OF PACK _____

CONDITION : () BELOW AVERAGE () AVERAGE () ABOVE AVERAGE

APPROX. AGE: _____ *GERMAN _____ MIDDLE _____ ECONOMY _____

* Replacement Cost New is based on Miltex Prices

NAME	SIZE	COST NEW (\$)	QUANTITY	TOTAL
Bard Parker Scalpel Handle	#3	11		
Bard Parker Scalpel Handle	other	13		
Rochester-Carmalt Curved	6.5"	59		
Rochester-Carmalt Straight	6.5"	57		
Ferguson Angiotribe Curved	6.5"	137		
Ferguson Angiotribe Straight	6.5"	133		
Crile Curved	6.25"	36		
Crile Straight	6.5"	35		
Crile or Kelly Curved	5.5"	34		
Crile or Kelly Straight	5.5"	33		
Mosquito Curved	5"	33		
Mosquito Straight	5"	32		
Allis Tissue Forceps (4X5 Teeth)	6"	49		
Backhaus Towel Clamp	3.5"	30		
Backhaus Towel Clamp	5.25	31		
Jones Towel Clamp	3"	43		
Toothed Tissue Forceps	All	12-19		
Adson Tissue Forceps	4.75"	47		
Adson-Brown Forceps	4.75"	42		
Olsen-Hegar Needle Holder <u>Carbide</u>	5.5" 6.5"	111-115		
Olsen-Hegar Needle Holder	5.5"-7.5"	67-71		

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

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

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 prerequisites 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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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.



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